



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
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David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Charles R. Borders
Commissioner

October 10, 2011

Mr. Johnny Dowdy
Graves County Water District
P.O. Box 329
Mayfield, Kentucky 42066

Ms. Kristi McAdoo
Mr. Kevin Leonard
Mr. Brent Shultz
Mayfield Electric and Water Systems
P. O. Box 329
Mayfield, Kentucky 42066

Sam B. Neely, Jr., Esq.
P.O. Box 708
Mayfield, Kentucky 42066

Re: Case No. 2011-00233
Graves County Water District

Ms. McAdoo and Gentlemen:

The enclosed memorandum has been filed in the record of the above-referenced case. Any comments regarding this memorandum's contents should be submitted to the Commission within five days of receipt of this letter. Any questions regarding this memorandum should be directed to Gerald Wuetcher, Executive Advisor/Attorney, at (502) 564-3940, Extension 259.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen
Executive Director

gw
Enclosure
cc: Parties of Record

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 2011-00233

FROM: Gerald Wuetcher **GPW**
Executive Advisor/Attorney

SUBJECT: Conference Call of October 5, 2011

DATE: October 7, 2011

On October 5, 2011, Commission Staff held a telephone conference call with representatives of Graves County Water District ("GCWD"). Participating were:

Kevin Leonard – Mayfield Electric and Water System
Brent Shultz - Mayfield Electric and Water System
Johnny Dowdy - GCWD
Mark Frost – Commission Staff
Jason Green – Commission Staff
Dennis Jones – Commission Staff
Sam Reid – Commission Staff
James Rice – Commission Staff
Bob Robards – Commission Staff
Gerald Wuetcher – Commission Staff

Commission Staff sought the conference call to address several questions regarding GCWD's application for a certificate of public convenience and necessity. The electronic mail messages that organized the conference call are attached.

Commission Staff first inquired about the cost savings that GCWD expected to achieve from the proposed purchase and installation advanced meter infrastructure. Mr. Leonard and Mr. Shultz stated that the cost savings is difficult to quantify. They noted that significant savings will be achieved by the reduction in labor costs associated with meter reading. GCWD estimated its savings based upon the elimination of reading 4,500 meters each month. As it pays MEWS \$1.05 for each meter read, it expects an annual savings of \$56,700. Mr. Shultz noted that additional savings will be achieved through reduced vehicle expenses, labor savings for meter re-reads, and less water loss. He noted that the chosen meter can detect water usage that occurs at much lower flows, thus ensuring greater accuracy of meter readings and greater detection of leaks. He further noted that the meters have a service life of 20 years and, because of the warranties on their accuracy, would not require any testing during that period.

Mr. Leonard and Mr. Shultz noted that customers will also receive other benefits from the installation of AMI infrastructure. These include reduced water loss due to constant utility monitoring of customer water usage and prompt leak detection; reduction

of theft of water service; instant location of water meters through global positioning system technology; and reduced testing costs. The meters also permitted the water utility to gather greater demand information, including maximum day and maximum hour demand.

Mr. Leonard noted that a total elimination of labor costs associated with meter reading will not be obtained. He stated that GCWD will be expected to share a cost of the costs associated with the operation of the 350 foot transmission tower that will transmit to and receive signals from the AMI meters. It will also be expected to share the costs involved in monitoring the AMI system and information transmitted from GCWD's meters.

Mr. Wuetcher and Mr. Frost inquired about the process by which GCWD will obtain the benefits of the reduced costs. They noted that MEWS operates GCWD's system under a management contract that specifies a specific service fee. They requested a copy of the current management contract and inquired whether MEWS and GCWD intended to renegotiate the contract to reflect the savings resulting from the purchase and installation of new meters. Mr. Leonard and Mr. Dowdy indicated that MEWS and GCWD were renegotiating the management contract but a final agreement had not been reached. (Following the conference call, GCWD provided a copy of the current management contract.) Mr. Leonard noted that MEWS and GCWD had a good working relationship and he anticipated that the contract price would be reduced to reflect the savings achieved from the new meters.

Mr. Frost inquired about the useful service life of the new meters. He noted that the Commission currently uses a useful life of 35 to 45 years based upon guidelines that the National Association of Regulatory Commissioners has established. Mr. Shultz stated his belief that MEWS used either a 10-year or 20-year service life for its meters. (He subsequently confirmed by e-mail that MEWS currently uses a 10-year service life for its meters, but intended to use a 20-year for the Sensus iPERL meter.) Neither Mr. Shultz nor Mr. Leonard was aware of the service life that GCWD presently used for its meters. Mr. Leonard noted that GCWD lacked records on its meters. A visual inspection of most of these meters, however, indicated that the meters were more than 20 years old, had long exceeded their useful lives, and required replacement. Mr. Shultz stated that, given that the manufacturer of the iPERL meter warranted the meter for 20 years, he believed that a 20-year service life was appropriate for the new meters.

Mr. Leonard and Mr. Shultz indicated that GCWD intended to purchase approximately 4,150 new meters. They noted that GCWD (including Hickory Water District customers) had approximately 4,500 customers. Approximately 250 iPERL meters had previously been installed on the portion of the GCWD system previously known as Hardeman Water District. (In an e-mail message following the conference call, Mr. Shultz advised that 4,250 meters would be purchased.) In addition to the meters, 4,350 metering smartpoint sets would be acquired. The meters cost approximately \$100 per unit. The metering smartpoint sets would cost approximately \$120 per set.

Mr. Shultz stated that the meters used a 128-bit encryption technology and was secured. He further noted that each meter had a backup battery with a 45-day life and could store usage data for that time period. He further noted that the meter tower had an 8-hour back-up battery in the event of power failure. Given the battery back and the meter's storage capacity, he did not believe that a major outage event, such as the 2009 winter ice storm, would prevent the collection of usage information. Mr. Shultz stated that he believe the electromagnetic technology that the iPERL meter used had received AWWA approval. (Following the conference call, Mr. Shultz provided the specifications sheet for the iPERL meter and the address of its manufacturer's website.) Mr. Leonard and Mr. Shultz noted that Sensus had conducted a propagation study at no cost for MEWS and GCWD. Based upon the results of this study, it recommended that four repeater stations be installed in addition to the 350-foot transmission tower.

Commission Staff noted that GCWD estimated the total cost of the meter replacement program was approximately \$1.8 million and that the loan from the Kentucky Infrastructure Authority (KIA) to fund the project was in the amount of \$1.2 million. It inquired about the funding sources for the remaining \$0.6 million. Mr. Leonard stated that GCWD had not yet made that determination. He noted that the likely sources were: a legislative grant; an additional KIA loan, or a rate adjustment.

Commission Staff requested that GCWD provide a copy of all bids that were submitted in response to the MEWS's request for bids for metering equipment. (GCWD subsequently advised Commission Staff that only C.I. Thornburg submitted a bid and provide a copy of this bid.)

At the conclusion of conference call, Mr. Wuetcher stated that Commission Staff would provide GCWD a list of items that it requested during call. A copy of this list and GCWD's responses are attached.

The conference call then adjourned.

cc: Parties of Record

Attachments

1. E-mail Msg, 3 Oct 2011
2. E-mail Msg, 4, Oct 2011
3. E-mail Msg, 5 Oct 2011
4. E-mail Msg, 6 Oct 2011
5. IPL 110
6. C.I. Thornburg Bid
7. E-mail Msg, 6 Oct 2011
8. Operations Contract – MEWS/GCWD

Wuetcher, Jerry (PSC)

From: Wuetcher, Jerry (PSC)
Sent: Monday, October 03, 2011 1:30 PM
To: bo@neelybrien.com; Kristie McAdoo (kmcadoo1@mewsbb.net); 'Kevin Leonard' (kleonard@mewsbb.net); jdowdy3851@bellsouth.net
Subject: Case No. 2011-00223: Graves County Water District

Ms. McAdoo and Gentlemen:

Commission Staff still has a few questions in the above-referenced case. They are listed below. To expedite matters, would Graves District's representatives be available for a telephone conference call with Commission Staff either this afternoon or tomorrow? Commission Staff can make all the arrangements for the call.

Questions Re: Meters

1. What is the cost savings accruing to Graves District as a result of the installation of AMI equipment as opposed to normal meeting equipment? How was that savings determined? Can the work papers or actual calculations be provided?
2. Mayfield Electric and Water System currently operates Graves District. Can Graves District provide a copy of the most current contract? Under the terms of the most current contract, how are any savings from reduced labor expense or other operating expenses passed on to Graves District?
3. According to the documents submitted, total cost of the meter replacement project is approximately \$1.8 million. The total KIA Loan is approximately 1.2 million. From what sources will the remaining amounts be derived?
4. Can Graves District provide the specifications of the meters that CI Thornburg Co. will sell to it? How do these specifications match with those contained in the request for bids?
5. How long will battery backup for the purchased meters generally last?
6. Can the AMI system to be installed be queried by third parties? What are the protections against such intrusions?
7. In the event of a severe weather event, such as the 2009 ice storm, what is the likelihood that the AMI equipment will malfunction? Explain.

On a related note, Graves District's application for authorization to enter a loan agreement with the Kentucky Infrastructure Authority has been docketed with the Commission as PSC Case No. 2011-00390.

Sincerely,

Gerald E. Wuetcher
Executive Advisor
Public Service Commission of Kentucky
(502) 564-3940, Extension 259
(502) 229-6500 (cell)
gerald.wuetcher@ky.gov

Wuetcher, Jerry (PSC)

From: Wuetcher, Jerry (PSC)
Sent: Tuesday, October 04, 2011 4:27 PM
To: Kevin Leonard
Subject: RE: Case No. 2011-00223: Graves County Water District

Time is OK. Several members of the team have a meeting with DOW personnel at the PSC at 9:00 EDT. We should be finished by 10:00 EDT (9:00 CDT). Should we call you? If yes, what number? If your party will be at different locations, I will be glad to set up the call. I just need the telephone numbers.

Jerry

Gerald E. Wuetcher
Executive Advisor
Public Service Commission of Kentucky
(502) 564-3940, Extension 259
(502) 229-6500 (cell)
gerald.wuetcher@ky.gov

From: Kevin Leonard [mailto:kleonard@mewsbb.net]
Sent: Tuesday, October 04, 2011 4:09 PM
To: Wuetcher, Jerry (PSC)
Subject: Re: Case No. 2011-00223: Graves County Water District

How about a call about 9:00am our time. If that works for you let me know.

Thanks,
Kevin

On Oct 3, 2011, at 12:29 PM, Wuetcher, Jerry (PSC) wrote:

Ms. McAdoo and Gentlemen:

Commission Staff still has a few questions in the above-referenced case. They are listed below. To expedite matters, would Graves District's representatives be available for a telephone conference call with Commission Staff either this afternoon or tomorrow? Commission Staff can make all the arrangements for the call.

Questions Re: Meters

1. What is the cost savings accruing to Graves District as a result of the installation of AMI equipment as opposed to normal meeting equipment? How was that savings determined? Can the work papers or actual calculations be provided?
2. Mayfield Electric and Water System currently operates Graves District. Can Graves District provide a copy of the most current contract? Under the terms of the most current contract, how are any savings from reduced labor expense or other operating expenses passed on to Graves District?

3. According to the documents submitted, total cost of the meter replacement project is approximately \$1.8 million. The total KIA Loan is approximately 1.2 million. From what sources will the remaining amounts be derived?
4. Can Graves District provide the specifications of the meters that CI Thornburg Co. will sell to it? How do these specifications match with those contained in the request for bids?
5. How long will battery backup for the purchased meters generally last?
6. Can the AMI system to be installed be queried by third parties? What are the protections against such intrusions?
7. In the event of a severe weather event, such as the 2009 ice storm, what is the likelihood that the AMI equipment will malfunction? Explain.

On a related note, Graves District's application for authorization to enter a loan agreement with the Kentucky Infrastructure Authority has been docketed with the Commission as PSC Case No. 2011-00390.

Sincerely,

Gerald E. Wuetcher

Executive Advisor

Public Service Commission of Kentucky

(502) 564-3940, Extension 259

(502) 229-6500 (cell)

gerald.wuetcher@ky.gov

Wuetcher, Jerry (PSC)

From: Wuetcher, Jerry (PSC)
Sent: Wednesday, October 05, 2011 12:26 PM
To: 'Kevin Leonard' (kleonard@mewsbb.net)
Cc: jdowdy3851@bellsouth.net; bo@neelybrien.com; BSHULTZ@MEWSBB.NET
Subject: Case No. 2011-00233: Graves County Water District

Mr. Leonard:

This message is a follow-up to the telephone conference call conducted this morning. As discussed during the call, Commission Staff requests the following items:

- A copy of the current management/operations contract between Graves County Water District and Mayfield Electric and Water System (MEWS).
- The specifications and any literature that Sensus provided regarding the IPerl Water Meter and the Pit Radio Set.
- The link to the Sensus web site.
- The depreciation life that MEWS uses for the type of meter in question or the depreciation life that Graves District currently uses for the same type of meter. (During the conference, it was stated that this type of meter has already been installed on the portion of the Graves District system that previously was known as Hardeman Water District.)
- A copy of all bids submitted in response to MEWS/Graves District's request for bids. (Commission Staff previously requested this info. A copy of the winning bid was provided, but the bid tabulation sheet was not provided. Were other bids submitted?)
- Reference to documents indicating that the technology used for the selected meter type has received AWWA approval.
- The number of meters and radio sets for which Graves District is seeking PSC approval to purchase and install.

This information can be provided by e-mail. Upon receipt, I will ensure that it is placed into the case record.

Thank you for your response to these requests and for participating in this morning's conference call.

Sincerely,

Gerald E. Wuetcher
Executive Advisor
Public Service Commission of Kentucky
(502) 564-3940, Extension 259
(502) 229-6500 (cell)
gerald.wuetcher@ky.gov

Tracking:

Recipient

'Kevin Leonard' (kleonard@mewsbb.net)

jdowdy3851@bellsouth.net

bo@neelybrien.com

BSHULTZ@MEWSBB.NET

Frost, Mark C (PSC)

Robards, Bob (PSC)

Reid, Sam H (PSC)

Green, Jason L (PSC) (Jason.Green@ky.gov)

Jones, Dennis E (PSC) (dejones@ky.gov)

Rice, James D (PSC)

Read

Read: 10/5/2011 12:38 PM

Read: 10/5/2011 1:59 PM

Read: 10/5/2011 1:02 PM

Read: 10/5/2011 1:09 PM

Read: 10/5/2011 1:23 PM

Wuetcher, Jerry (PSC)

From: Brent Shultz <Bshultz@mewsbb.net>
Sent: Thursday, October 06, 2011 1:25 PM
To: Wuetcher, Jerry (PSC)
Cc: Brent Shultz
Subject: Fwd: Case No. 2011-00233: Graves County Water District
Attachments: ipl_110.pdf; ATT2194666.htm; CIT Pricing on AMI.pdf; ATT2194667.htm

Begin forwarded message:

From: Brent Shultz <BSHULTZ@MEWSBB.NET>
Date: October 6, 2011 10:42:29 AM CDT
To: "Wuetcher, Jerry (PSC)" <JWuetcher@ky.gov>
Cc: Kristi Mcadoo <kmcadoo1@mewsbb.net>, Kevin Leonard <Kleonard@mewsbb.net>, Marty Ivy <gensupt@mewsbb.net>
Subject: **Re: Case No. 2011-00233: Graves County Water District**

Mr. Wuetcher,

If you need anything else or further clarification please let me know, We will be glad to assist you.

Thank You

Brent Shultz

On Oct 5, 2011, at 11:25 AM, Wuetcher, Jerry (PSC) wrote:

Mr. Leonard:

This message is a follow-up to the telephone conference call conducted this morning. As discussed during the call, Commission Staff requests the following items:

- A copy of the current management/operations contract between Graves County Water District and Mayfield Electric and Water System (MEWS).

When I attach the scanned pdf of the GCWD & MEWS Contract, your email account will not receive the message because of its size, I have also tried to compress the file. Do you have an alternate email account without the size limitation? Do you have a copy of the contract that we have sent in the past?

- The specifications and any literature that Sensus provided regarding the IPerl Water Meter and the Pit Radio Set.

, Also see IPL-102, All specifications can be found on the Sensus website under the iperl hyperlink

- The link to the Sensus web site.

<http://www.sensus.com/web/usca/products/water>

- The depreciation life that MEWS uses for the type of meter in question or the depreciation life that Graves District currently uses for the same type of meter. (During the conference, it was stated that this type of meter has already been installed on the portion of the Graves District system that previously was known as Hardeman Water District.)

MEWS is currently using a 10 year depreciation on the meters, however we will be setting any iperls purchased in the future on a 20 year depreciation, since the iperl is a 20 year meter.

- A copy of all bids submitted in response to MEWS/Graves District's request for bids. (Commission Staff previously requested this info. A copy of the winning bid was provided, but the bid tabulation sheet was not provided. Were other bids submitted?)

, There were no other bids submitted

- Reference to documents indicating that the technology used for the selected meter type has received AWWA approval.

Please view the Sensus website and look at the iperl specifications, IPL-110 &

IPL-102

- The number of meters and radio sets for which Graves District is seeking PSC approval to purchase and install.

Quantity	Description	Unit Price(\$)
4250	iPerl 3/4" water meter	100.00
30	iPerl 1" water meter	149.00
10	1.5" Omni com. water meter	667.23
50	2" Omni com. water meter	751.45
3	3" Omni com. water meter	936.70
5	6" Omni T2 com. water meter	3,283.20
4350	520m smartpoints	120.00

This information can be provided by e-mail. Upon receipt, I will ensure that it is placed into the case record.

Thank you for your response to these requests and for participating in this morning's conference call.

Sincerely,

Gerald E. Wuetcher

Executive Advisor

Public Service Commission of Kentucky

(502) 564-3940, Extension 259

(502) 229-6500 (cell)

gerald.wuetcher@ky.gov

Brent Shultz

Mayfield Electric & Water Systems
301 East Broadway Mayfield, KY 42066
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iPERL™ Water Management System

Electromagnetic Flow Measurement System

5/8" (DN 15mm), 3/4" (DN 20mm) and 1" (DN 25mm) Sizes

DESCRIPTION

MODEL: With no moving parts, the Sensus iPERL water management system is based on innovative electromagnetic flow measurement technology. The iPERL system family has an operating range of 0.03 gpm (0.007 m³/hr) @ 95% minimum to 55 gpm (12.5 m³/hr) @ 100% ± 1.5% registration of actual throughput.

CONFORMANCE TO STANDARDS: The iPERL system far exceeds the most recent revision of ANSI/AWWA Standard C-700 and C-710 for accuracy and pressure loss requirements. All iPERL systems are NSF Standard 61 Annex G compliant and tested to AWWA standards.

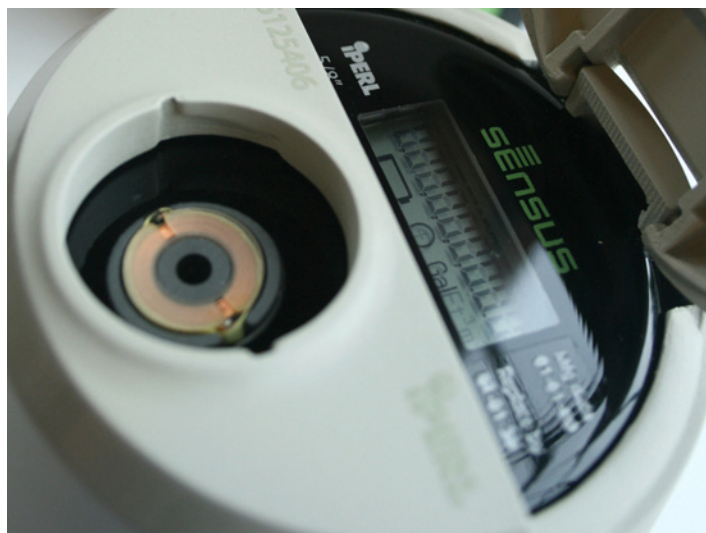
PERFORMANCE: The patented measurement technology of the iPERL system allows enhanced accuracy ranges at both low and high flows and perpetual accuracy over the life of the product as well as the full measurement range.

CONSTRUCTION: The iPERL system is an integrated unit that incorporates an electronic register and measuring device encased in an external housing. The measuring device is comprised of a polyphenylene sulfide alloy flowtube with externally-threaded spud ends. Embedded in the flowtube are magnetic flow sensors and a replaceable strainer screen. The all electronic programmable register is hermetically sealed with a tempered glass cover. The iPERL system has a 20 year life cycle, along with a 20 year battery life guarantee. At the end of this life cycle, you do not have to be concerned about repairing the iPERL system since the design is not meant to be repaired but is easily replaceable.

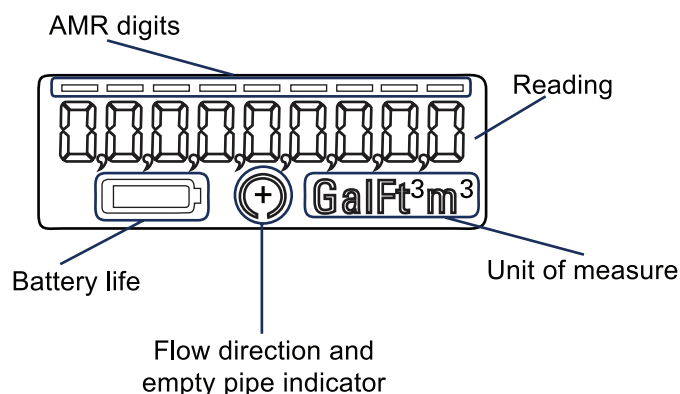
ELECTRONIC REGISTER: The high resolution 9-digit hermetically sealed electronic register with LCD display was designed to eliminate dirt, lens fogging issues and moisture contamination in pit settings with built in tamper protection. The tempered glass register cover displays readings with the AMR digits highlighted. Direction of flow and units of measure are also easily readable on the register display. The register is programmable using the UniPro programming package to display in either gallon, cubic feet or cubic meter totalization. The large, easy to read display also includes battery life and empty pipe indicators.

TAMPERPROOF FEATURES: The ingenious integrated construction of an iPERL system prevents removal of the register to obtain free water. The magnetic tamper and low field alarms will both indicate any attempt to tamper with the magnetic field of the iPERL system.

AMR/AMI SYSTEMS: iPERL systems are compatible with current Sensus AMR/AMI systems.

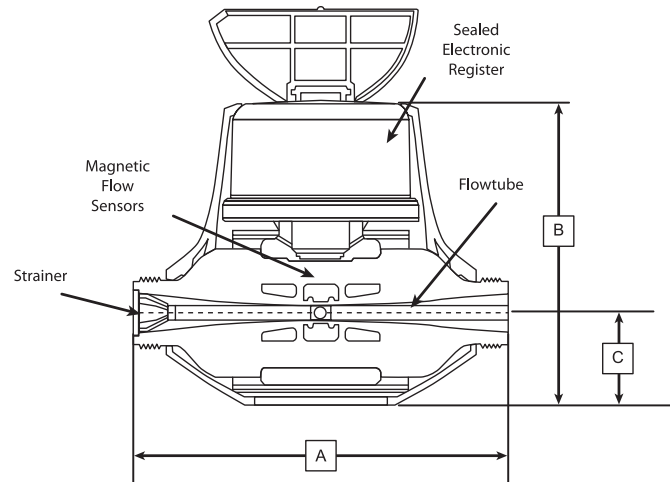
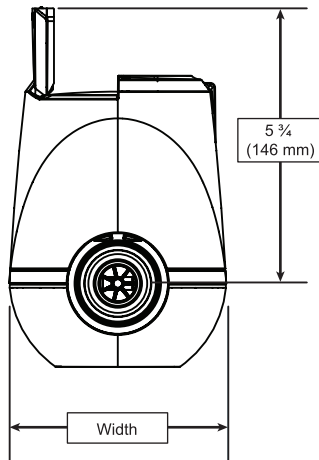


Electronic Register LCD Display



Copyright © 2010 Sensus.
iPERL is a trademark of Sensus USA Inc.

Technology for the iPERL system is licensed from Sentec Limited.



DIMENSIONS AND NET WEIGHTS

Size	A (lay length)	B	C	Spud Ends	NPSM Thread Size	Width	Net Weight
5/8" (DN 15 mm)	7-1/2" (190 mm)	6-1/10" (155 mm)	1-3/4" (44 mm)	5/8" (15 mm)	3/4" (19 mm)	4-1/2" (114 mm)	3.1 lb. (1.4 kg)
3/4" S (5/8" x 3/4") (DN 20 mm)	7-1/2" (190 mm)	6-1/10" (155 mm)	1-3/4" (44 mm)	3/4" (20 mm)	1" (25 mm)	4-1/2" (114 mm)	3.1 lb. (1.4 kg)
3/4" (DN 20 mm)	9" (229 mm)	6-1/10" (155 mm)	1-3/4" (44 mm)	3/4" (20 mm)	1" (25 mm)	4-1/2" (114 mm)	3.2 lb. (1.5 kg)
1" (DN 25 mm)	10-3/4" (273 mm)	6-1/10" (155 mm)	1-3/4" (44 mm)	1" (25 mm)	1-1/4" (32 mm)	4-1/2" (114 mm)	3.3 lb. (1.6 kg)

SPECIFICATIONS

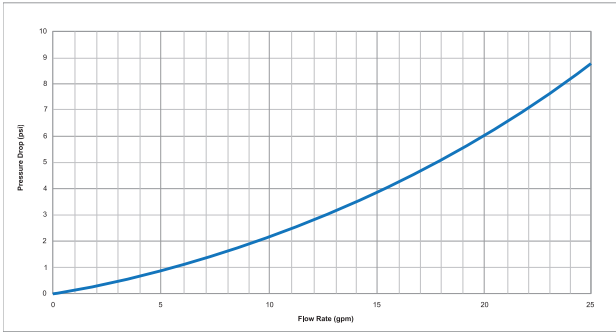
SERVICE	Measurement of cold water with flow in one direction only.
NORMAL OPERATING FLOW RANGE (100%±1.5% of actual throughput)	5/8" (DN 15mm) size: 0.11 to 25 gpm (0.02 m ³ /h to 5.7 m ³ /h) 3/4" (DN 20mm) size: 0.11 to 35 gpm (0.02 m ³ /h to 8.0 m ³ /h) 1" (DN 25mm) size: 0.4 to 55 gpm (0.09 m ³ /h to 12.5 m ³ /h)
LOW FLOW REGISTRATION (95%-101.5%)	5/8" (DN 15mm) size: 0.03 gpm (0.007 m ³ /h) 3/4" (DN 20mm) size: 0.03 gpm (0.007 m ³ /h) 1" (DN 25mm) size: 0.11 gpm (0.025 m ³ /h)
MAXIMUM PRESSURE LOSS	5/8" (DN 15mm) size: 4 psi at 15 gpm (0.3 bar at 3.4 m ³ /h) 3/4" (DN 20mm) size: 2 psi at 15 gpm (0.1 bar at 3.4 m ³ /h) 1" (DN 25mm) size: 2 psi at 25 gpm (0.1 bar at 5.7 m ³ /h)
MAXIMUM OPERATING PRESSURE	200 psi (13.8 bar)
MEASUREMENT TECHNOLOGY	Solid state electromagnetic flow

REGISTER	Hermetically sealed, tempered glass covered 9-digit programmable electronic register AMR/AMI compatible iPERL system register programmable using the UniPro programming package iPERL systems are shipped in idle mode; they must be activated upon installation
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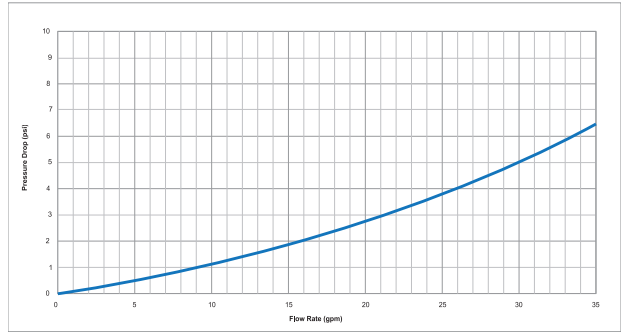
MATERIALS	External housing – Thermal plastic Flowtube – Polyphenylene sulfide alloy Electrode – Silver/silver chloride Strainer – Synthetic polymer Register cover – Tempered soda lime glass
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ALARM DEFAULTS	Alarm Duration – 90 days Leak Duration – 24 hours Datalog Interval – 1 hour Alarm Mask – All alarms reported History Mask – All event types reported
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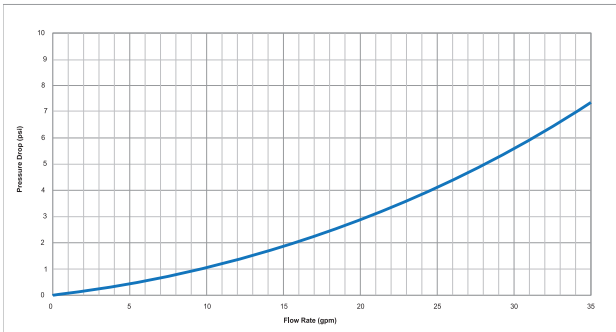
HEADLOSS CURVES



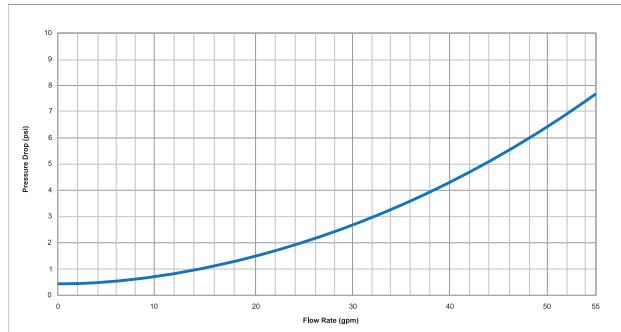
5/8" Headloss Curve



3/4" Short Headloss Curve



3/4" Headloss Curve



1" Headloss Curve

NOTICE OF AWARD

Date: May 26, 2009

Project: Water Meters and Radio Transmitters	
Owner: Mayfield Electric and Water Systems	Owner's Contract No.:
Contract: Water Meters - 1	Engineer's Project No.:
Bidder: The C. I. Thornburg Co., Inc	
Bidder's Address:	
4034 Altizer Avenue, Huntington, WV 25705	

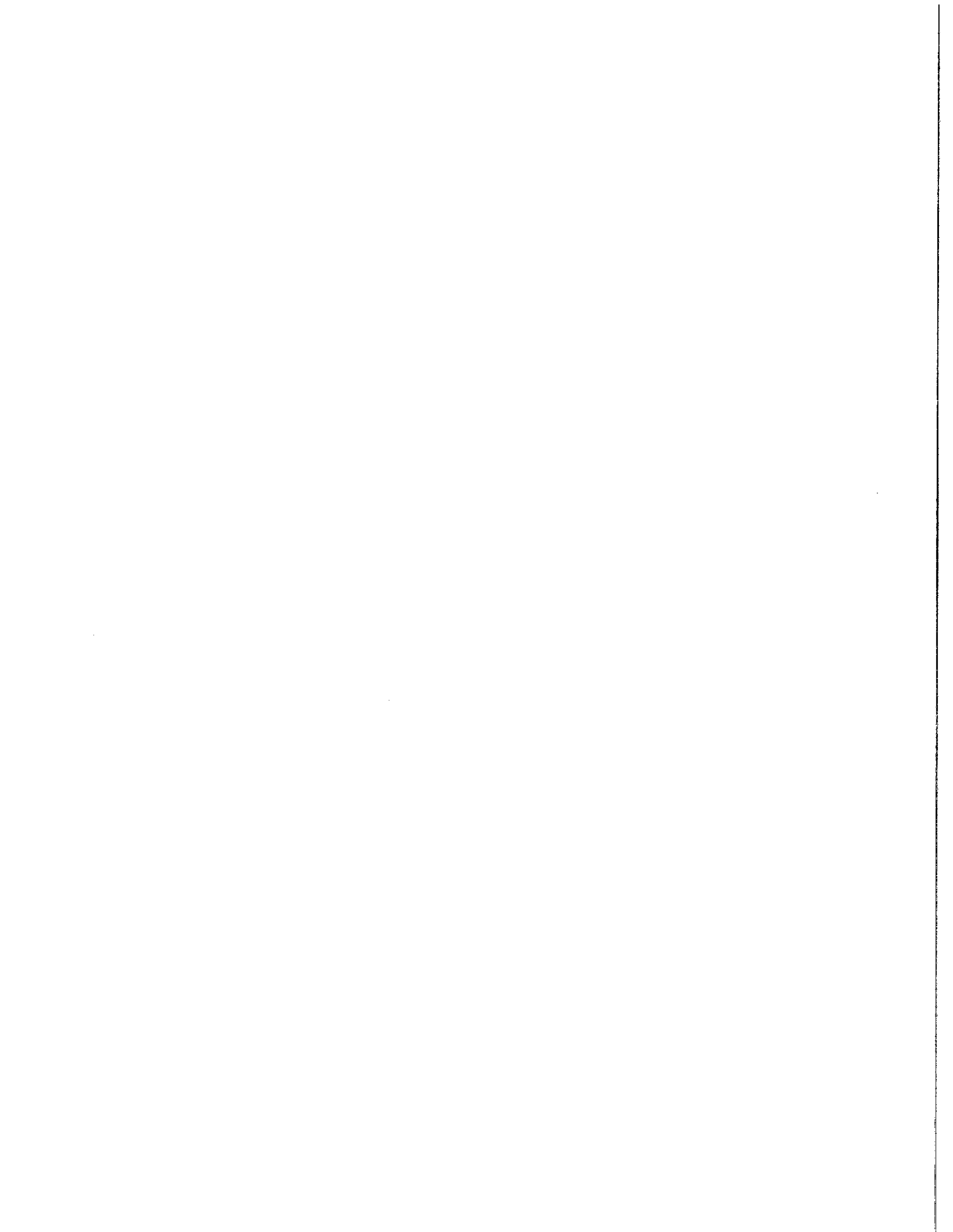
You are notified that your Bid dated May 19, 2009 for the above Project has been considered. You are the Successful Bidder and are awarded the bid for electric meters and radio transmitters.

The Estimated Price of your award is shown below based on the number of meters and radio transmitters anticipated to be ordered.

Item	Description	Qty.	Cost	Total
1	Residential Water Meter (5/8" x 3/4")	4,500	\$ 84.00	\$ 378,000.00
2	Residential Water Meter (1")	265	\$ 149.00	\$ 39,485.00
3	Residential Water Meter (2")	0	\$ 534.00	\$ -
4	Commercial Water Meter (2")	150	\$ 751.45	\$ 112,717.50
5	Commercial Water Meter (3")	10	\$ 936.70	\$ 9,367.00
6	Commercial Water Meter (6")	10	\$ 3,283.20	\$ 32,832.00
7	Pit Set Radio Transmitter (Single Port)	4,600	\$ 120.00	\$ 552,000.00
8	Pit Set Radio Transmitter (Dual Port)	100	\$ 132.00	\$ 13,200.00
TOTAL UNIT PRICE BID				\$ 1,137,601.50

Note: The actual quantities ordered may vary but it is understood the above prices are good for one year from the date of this award letter regardless of the quantities ordered. All the other terms, delivery dates, specifications, and other information in your signed bid proposal titled Water Meters and Radio Transmitters dated May 19, 2009 shall be in full force and effect for one year from the date of this award letter.

The iperd will replace the Res. Water Meter 5/8" x 3/4" bid @ \$84.00 it is the old style SR11 lead brass mechanical meter. The cost of the iperd will be \$100.00 if ordered in October 2011



Wuetcher, Jerry (PSC)

From: Brent Shultz <Bshultz@mewsbb.net>
Sent: Thursday, October 06, 2011 1:32 PM
To: Wuetcher, Jerry (PSC)
Subject: MEWS & GCWD Contract
Attachments: Contract Between MEWS & GCWD 2.pdf; ATT2196921.txt

CONTRACT AGREEMENT FOR OPERATIONS, MAINTENANCE AND MANAGEMENT SERVICES

THIS CONTRACT AGREEMENT is entered into on the 16th day of September 2008 with an effective commencement date of September 16th 2008, by and between:

The **GRAVES COUNTY WATER DISTRICT**, with its principal address at P.O. Box 329, Mayfield, Kentucky 42066. (hereinafter, "District").

AND

The **MAYFIELD ELECTRIC AND WATER SYSTEMS**, an instrumentality of the City of Mayfield, Kentucky, with its principal address at P.O. Box 347, Mayfield, Kentucky 42066 (hereinafter, "MEWS").

The District and MEWS may be referred to in this Agreement individually as "Party" or collectively as the "Parties".

WHEREAS, the District owns a water treatment plant, Waste water treatment plant, distribution system and related facilities (the "Systems") that are more particularly described in Section 1, below; and

WHEREAS, the District desires to employ the services of MEWS in the operation, maintenance and management of its Systems, and MEWS is willing and capable to perform such services in consideration of the compensation provided for herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, the District and MEWS agree as follows:

SECTION 1. DEFINITIONS

The following definitions shall apply to the terms used in this Agreement.

1. "**Capital Expenditures**" means those expenditures for (1) the purchase of new equipment or System items that cost more than Two Thousand Dollars (\$2,000); or (2) major repairs which significantly extend equipment or System service life and which costs more than Two Thousand Dollars (\$2,000), or (3) other planned, non-routine and budgeted facility improvements to the Systems.

2. **"Cost"** means all direct cost and indirect cost determined on an accrual basis in accordance with generally accepted accounting principles, which benefit the Systems, including, but not limited to, expenditures for Systems management and labor, employee benefits, chemicals, power, outside contract labor and services, lab supplies, repairs, repair parts, maintenance parts, safety supplies, gasoline, oil, equipment rental, legal and professional services, quality assurance, travel, office supplies, other supplies, uniforms, telephone, postage, utilities, tools, memberships and training supplies.
3. **"Management Report"** means a cumulative report of the Systems activities to be provided by MEWS in accordance with the District policies and procedures which includes a technical, financial, and managerial report on all the Systems activities. The form of report is contained in Appendix D.
4. **"Service Fee"** means that sum invoiced monthly for MEWS services. A copy of the fee formula for the first year of this Agreement is contained in Appendix C.
5. **"System"** means all equipment, tools, properties, easements and facilities now existing within the jurisdiction or control of or being used by the District to provide water service. More specifically, "system" means the District's raw water wells and related pumping equipment, water treatment plant, water storage tanks, pump stations, distribution mains and related appurtenances, and customer meters.
6. **"Repairs"** means those non-routine/non-repetitive activities required for operational continuity, safety and performance generally due to failure, or to avert a failure of the equipment, mains, appurtenances or facilities or some component thereof.
7. **"Unforeseen Circumstances"** shall mean any event or condition which has an effect on the rights or obligations of the Parties under this Agreement, or upon the System, which is beyond the reasonable control of the Party relying thereon, and constitutes a justification for a delay in, or non-performance of, action required by this Agreement, including, but not limited to: (i) an Act of God, landslide, lightning, earthquake, tornado, fire, explosion, flood, failure to possess sufficient property rights, acts of the public enemy, war, blockade, sabotage, insurrection, riot or civil disturbance; (ii) preliminary or final order of any local, province, administrative agency or governmental body of competent jurisdiction; (iii) any change in law, regulation, rule, requirement, interpretation or

statute adopted, promulgated, issued or otherwise specifically modified or changed by any local, state or other governmental body; (iv) loss of, or inability to obtain service from a third entity necessary to furnish electric power for the operation and maintenance of the System; or (v) the failure of the District to make any Capital Expenditure previously identified as necessary for the System to attain applicable performance standards.

SECTION 2. GENERAL PROVISIONS

- 2.1 All land, buildings, facilities, easements, licenses, rights-of-way, equipment and appurtenances presently owned or hereafter acquired by the District shall remain the exclusive property of the District, unless specifically provided for otherwise in this Agreement.
- 2.2 This Agreement shall be governed by and interpreted in accordance with the laws of the Commonwealth of Kentucky and any action arising under this agreement or as a result of performance hereunder shall be in the venue of the appropriate court in Graves County, Kentucky.
- 2.3 This Agreement shall be binding upon the successors and assigns of each of the Parties, but neither Party shall assign this Agreement without the prior written consent of the other Party, which consent shall not be unreasonably withheld.
- 2.4 All notices shall be in writing and transmitted to the Party's address stated above. All notices shall be deemed effectively given:
 - 2.4.1 If delivered personally, or by courier mail service (e.g., United Parcel Service, Airborne Express, etc.) upon delivery.
 - 2.4.2 If mailed by certified or registered U.S. mail, return receipt requested or upon deposit in the United States mail, postage prepaid.
 - 2.4.3 If in any other manner, with written acknowledgement of such receipt of notice.
- 2.5 This Agreement, including appendices, is the entire Agreement between the Parties. This Agreement may be modified only by subsequent written amendments signed by both Parties.
- 2.6 Wherever used, the terms "District" and "MEWS" shall include the respective officers, agents, directors, elected or appointed officials and employees and, where appropriate, subcontractors of, or anyone acting on their behalf.

- 2.7 If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.
- 2.8 It is understood and agreed by the Parties that the relationship of MEWS to the District is that of independent contractor to owner. The services provided for under this Agreement are of a professional nature, and shall be performed in accordance with good and accepted industry practices typical for professional contract operators similarly situated in the Commonwealth of Kentucky, and which are providing such services during the time period generally co-terminus with the dates of the term of this Agreement.
- 2.9 The District and MEWS are the only parties to this Agreement. No third party rights or benefits are intended to or shall arise by reason of this Agreement.
- 2.10 If any litigation is necessary to enforce the terms of this Agreement, the prevailing Party shall be entitled to reasonable attorney's fees, which are directly attributed to such litigation in addition to any other relief to which it may be entitled.
- 2.11 The District and MEWS respectively represent that each has the authority to enter into this Agreement, and each represents that it has complied with all governmental action necessary to bind it to the terms hereof.

SECTION 3. SCOPE OF SERVICES TO BE PROVIDED BY MEWS

- 3.1 Effective **September 16th 2008**, MEWS shall initiate service under this Agreement and shall deploy staff who are qualified and are capable of and have met appropriate licensing and certification requirements of the Commonwealth of Kentucky to operate, maintain and manage the System.
- 3.2 MEWS shall operate, maintain and manage the System such that District customers receive service 24-hours per day, 7 day per-week. It is understood that routine service activities and office access is provided during the normal business day, 7:00 a.m. through 4:00 p.m., Monday – Friday, except holidays. Operational services shall be performed by certified personnel and may be provided either by onsite presence or by remote monitoring as permitted.

- 3.3 MEWS shall be responsible for all aspects of the day-to-day operations, maintenance and management of the water treatment plant, waste water plant, water distribution system, customer service, billing, collection, accounting and reporting in compliance with regulatory requirements and District policy. A delineation of these activities is set out in Appendix A. Included in its management responsibilities, MEWS shall provide a comprehensive monthly Management Report to the District substantially in the same form as that contained in Appendix E, and prepare a listing of payable invoices, a check register and draft checks for signature by the District at its monthly meetings.
- 3.4 MEWS shall manage, operate and maintain the District's System within the existing design capacity and permit limitations of the System so that water produced and delivered to customers meets the requirements specified in Appendix B.
- 3.5 Within sixty (60) days after MEWS begins service under this Agreement, it shall provide the District with a physical inventory of the District's equipment and tools in use at the time of initiation of service under this Agreement, and shall make recommendations to the District regarding capital needs, if any, required by the District to rehabilitate, expand or modify the System's facilities or equipment to comply with governmental regulations or to improve operability to best achieve compliance with, but not limited to the Safe Drinking Water Act and the Clean Water Act.
- 3.6 MEWS shall be responsible for maintaining all manufacturers' warranties on new equipment purchased by the District and shall assist the District in enforcing existing equipment warranties and guarantees.
- 3.7 Within six (6) months after MEWS begins service under this Agreement, MEWS shall provide the District with documentation that preventive maintenance is being performed on the District owned equipment in accordance with manufacturer's recommendations at intervals, and in sufficient detail, as may be feasibly determined by MEWS.
- 3.8 MEWS shall utilize its existing computerized programs relating to financial accounting and reporting on the System.

- 3.9 MEWS shall perform all routine maintenance and repair activities including modification of any process and/or any component of the System to achieve the objectives of this Agreement. However, any routine maintenance and repair activity or process or component modification which requires labor, parts, materials or services costing in excess of \$2,000 shall require prior authorization by the District.
- 3.10 In any emergency affecting the safety of persons or property, including an Unforeseeable Circumstance, MEWS may act without prior written authorization to prevent threatened damage, injury or loss. MEWS shall make reasonable effort to communicate, regarding the emergency, to the District as soon as possible. MEWS shall be compensated by the District for any such emergency work notwithstanding the lack of a written authorization. Such compensation shall include MEWS's itemized costs for labor and service required for response to the emergency.
- 3.11 As required by law, permit or regulation, MEWS shall prepare, sign, and submit System performance reports to appropriate state authorities, maintaining a complete file copy accessible to the District.
- 3.12 MEWS shall provide or coordinate the provision of labor to perform raw and treated water sampling for submission to an independent laboratory for analysis as required the Safe Drinking Water Act and/or any other applicable federal, state or local laws or regulations, the cost of which shall be borne by the District.
- 3.13 MEWS will maintain a log of customer inquiries, complaints and any and all regulatory agency notices or correspondence, and provide copies of same to the District at the monthly meeting of the District's board of commissioners.
- 3.14 MEWS may provide additional services beyond the scope of this Agreement at the District's request, subject to mutually agreeable terms and conditions and encapsulated in written amendments to this Agreement.

SECTION 4. DISTRICT'S REPRESENTATIONS AND DUTIES

- 4.1 The District shall continue, without restriction, as owner of the System, and shall control all assets and be responsible for all liabilities of same.

- 4.2 The District shall pay to MEWS the agreed upon Service Fee, as contained in MEWS's response to the District's RFQ-P, a copy of which is included in full as Appendix C, to this Agreement. Such payment shall be upon presentation of invoice at the District's monthly meeting.
- 4.3 The District shall provide MEWS with exclusive access to and use of all of the premises, tools, equipment or other components of the System at no cost to MEWS.
- 4.4 The District shall represent itself by the presence of authorized members of the Board of Commissioners at its monthly meetings and at other times as required by law or regulation. The District delegates to MEWS the authorization to represent the District only to the extent as expressed in this Agreement.
- 4.5 The District shall conduct monthly business meetings pursuant to the agenda format contained in Appendix D of this Agreement; minutes of District meetings shall be taken and maintained by the duly elected secretary of the District and the minutes of each months meeting shall be reviewed and approved at the next subsequent meeting of the District.
- 4.6 The District shall provide funding for all necessary Capital Expenditures via cash funds, when available, or via loan or bond proceeds, when and as sound financing arrangements allow. Priority for such funding shall be given to those Capital Expenditures recommended by MEWS and deemed by the District to be necessary to address system operational concerns relating to public health, the environment, property, and proper functioning of system components. Any loss, damage, or injury resulting from the District's failure to provide Capital Expenditures and/or funds for maintenance and repair materials and services, when reasonably required by MEWS, shall be the sole responsibility of the District.
- 4.7 The District shall keep in force all System related warranties, guarantees, easements, licenses and permits that have been acquired by the District.
- 4.8 The District shall review and authorize for payment, as appropriate, all invoices presented by MEWS, including the monthly Service Fee, and all System related vendor invoices for parts, materials, supplies and services.

- 4.9 The District shall make appropriate payment of all taxes, disposal charges, or other fees, if any, levied or charged to the System.
- 4.10 The District will procure an annual audit of its books by a certified public accountant (CPA) and will continue to prepare and file, on a timely basis, the annual report to the Public Service Commission and shall bear the expense of same.
- 4.11 The District shall procure professional services, such as legal representation and services as well as consulting engineering services, as may be required from time to time, and shall bear the expense of same.

SECTION 5. ADDITIONAL PROVISIONS OF MUTUAL AGREEMENT

The District and MEWS mutually agree as regards the following:

- 5.1 MEWS, at the request of the District, will assist the District in properly procuring consulting engineers, accountants, and other professional service providers necessary for the preparation of documentation for capital projects, customer rate analyses and financial analyses as may be necessary to secure funding for Capital Expenditures or improved managerial or fiscal performance of the System.
- 5.2 MEWS, at the request of the District, will assist the District in keeping in force all System related warranties, guarantees, easements, licenses and permits that have been acquired by the District.
- 5.3 MEWS, at the request of the District, will assist the District in the preparation of the Public Service Commission report.

SECTION 6. COMPENSATION, ADJUSTMENT AND PAYMENT

- 6.1 MEWS's compensation under this Agreement shall consist of a service fee, governed my metered connections. Also Labor and Equipment will be billed on a per hour basis. In addition mileage will be billed to the district for actual miles driven per IRS guidelines.

- 6.2 The Service Fee shall be reviewed and adjusted each year, to become effective as of the anniversary of the Commencement Date, as defined in Section 9.1.
- 6.3 Should the District and MEWS fail to agree as regards an adjusted Annual Service Fee, the Parties shall engage a certified mediator and abide by the results there from.
- 6.4 The District shall fully pay to MEWS, the invoiced Service Fee each month, in the course of the District monthly meeting.

SECTION 7. SCOPE CHANGES


- 7.1 Change in the scope of services may occur when and if both Parties agree as to modifications of any element contained in Section 3, above, or Appendix A. Such change may be precipitated by:
 - 7.1.1 Any change in System operations, personnel qualifications, staffing levels, or other costs which are mandated or otherwise required in response to a change in law, rule or regulation, or an action or forbearance of any governmental body having jurisdiction to order, dictate or require such change;
 - 7.1.2 Any federal or state mandated increase in employee compensation, compensation rates and related rate increases associated with employee benefits greater or lesser than those in force at the Commencement Date of this Agreement;
 - 7.1.3 The District's request and MEWS's consent to provide additional services beyond the scope of this Agreement.

SECTION 8. INDEMNITY, LIABILITY AND INSURANCE

- 8.1 MEWS hereby agrees to indemnify and hold the District harmless from any liability or damages for bodily injury, including death, which may arise from MEWS's negligence or willful misconduct under this Agreement, provided MEWS shall be liable only for that percentage of total damages that corresponds to its percentage of total negligence or fault.

- 8.2 The District agrees to indemnify and hold MEWS harmless from any liability or damage or bodily injury, including death, which may arise from all causes of any kind other than MEWS's gross negligence or willful misconduct including, but not limited to, breach of a the District warranty.
- 8.3 The District shall be liable for those fines, civil penalties or costs imposed by any regulatory or enforcement agencies on the District or on the facilities which are directly related to the District's ownership of the System, and shall indemnify and hold MEWS harmless from the payment of any such fines, costs and/or penalties.
- 8.4 MEWS shall be liable for those fines or civil penalties imposed by any regulatory or enforcement agencies on the District which are directly related to MEWS operation and management of the System, and shall indemnify and hold the District harmless from the payment of any such fines and/or penalties, provided, however that such fines or civil penalties do not arise from failure of the District to act on recommendations provided by MEWS.
- 8.5 Indemnity obligations provided for in this Agreement shall survive the termination of the Agreement.
- 8.6 Each Party shall obtain and maintain insurance coverage of a type and in the amounts described in **Appendix E**. Each Party shall provide the other Party with satisfactory proof of insurance.

SECTION 9. TERM, TERMINATION AND DEFAULT

- 9.1 The term of this Agreement shall be for a period of one (3) years commencing on **September 16th 2008** and expiring on **September 15th 2011**. *Dec. 31st 2009* 
- 9.2 The Agreement shall automatically renew for an additional term of two (2) years commencing on the expiration date stated in Section 9.1 unless written notice of non-renewal is transmitted by either Party to the other at least ninety (90) days prior to the expiration date stated in Section 9.1. Such notice, if any, shall also be provided to all regulatory and funding agencies of the District, at the same time.

- 9.3 Either Party may terminate this Agreement prior to its expiration for any reason but only after giving written notice to the other Party at least sixty (60) days before the date of such termination. Such notice, if any, shall also be provided to all regulatory and funding agencies of the District, at the same time it is provided to the other Party.
- 9.4 This Agreement shall be submitted to the Kentucky Public Service Commission. If, for any reason, the Commission fails to approve or otherwise disallows the District to continue with the Agreement, the Agreement shall be considered terminated.
- 9.5 Upon termination of this Agreement and any and all renewals and extensions thereof, MEWS shall return the System to the District in the same or similar condition, as it was upon the effective date of this Agreement, ordinary wear and tear accepted. Equipment and other personal property purchased by the District for use in the operation or maintenance of the System shall remain the property of the District upon termination of this Agreement, unless the property was directly paid for by MEWS, or the District has not reimbursed MEWS for the cost incurred to purchase the property, or this Agreement specifically provides to the contrary.

SECTION 10. DISPUTES AND FORCE MAJEURE

- 10.1 Neither Party shall be liable for its failure to perform its obligations under this Agreement unless such failure is due to any Unforeseen Circumstances beyond its reasonable control, or force majeure. However, this section may not be used by either Party to avoid, delay or otherwise affect any payments due to the other Party.

* * * * *

Each Party indicates its respective approval of this Agreement by signature of its designated, authorized representative, and each Party warrants that all corporate action necessary to bind the Parties to the terms of this Agreement has been and will be taken.

GRAVES COUNTY WATER DISTRICT

By: *Johnny Dowdy*

Name: Mr. Johnny Dowdy

Title: Chair

ATTEST: *Belva A. Wilkerson*

DATE: *9/16/08*

MAYFIELD ELECTRIC AND WATER SYSTEMS

By: *Marty T. Ivy*

Name: Mr. Marty T. Ivy

Title: General Superintendent

ATTEST: *Belva A. Wilkerson*

DATE: *9/16/08*

APPENDIX A

DESCRIPTION OF SCOPE OF SERVICES

1. **Services Relating to Water Supply and Treatment System.**
 - (A) MEWS will be responsible for all aspects of the day-to-day operation, maintenance and management of the water treatment plant (WTP) & Waste water plant (WWTP) with the exception of those responsibilities specifically retained by the District.
 - (B) MEWS will provide the labor required to operate, maintain and manage the WTP & WWTP to include both normal business day hours and as required, (24) twenty-four hours each weekday and (24) twenty-four hours, as required, each weekend day and holiday. MEWS's employees assigned to the System shall be certified by the State of Kentucky to operate the WTP & WWTP at the level required in the permit.
 - (C) MEWS will maintain accurate and complete records on WTP & WWTP, operation and laboratory data as required by the Natural Resources and Environmental Protection Cabinet (NREPC) and the Cabinet for Human Resources, Department of Health, and will submit and fulfill all operating report requirements and send copies to the District.
 - (D) MEWS shall provide routine checks of the WTP & WWTP and will be responsible for identifying and reporting to the District in writing all repairs and maintenance required or advisable at the WTP & WWTP. Except as specified in Sections 3.10, MEWS shall not undertake any such repairs or maintenance without the District's prior authorization.
 - (E) MEWS shall operate the WTP & WWTP so the finished water will meet the requirements of the applicable rules and regulations relating standards as set out in Appendix B.

- (F) MEWS shall be liable for and pay any and all fines or civil penalties or damages which may be imposed by a court, governmental entity or regulatory agency for violations of the water quality requirements specified in the regulations that are a result of MEWS's reckless or negligent operation or management of the WTP & WWTP. However, should the District refuse to make corrections to the WTP or WWTP recommended or proposed by MEWS as necessary to ensure the compliance with the permits or if the WTP's or WWTP's actual demand is greater than its permitted or actual capacity, MEWS will not be liable for any such fines, penalties or damages to the extent attributable to such refusal by the District or such excess water demand. The District shall reasonably assist MEWS in contesting any such fines or civil penalties in any administrative, judicial or other proceeding, case, dispute or action prior to any such payment by MEWS.
- (G) MEWS will perform monthly compliance sampling for required parameters for water quality analysis.
- (H) MEWS will coordinate with the District for full compliance with any and all applicable District rules and regulations as well as those of the Kentucky Public Service Commission, the Natural Resources and Environmental Protection Cabinet, Division of Water, Kentucky Infrastructure Authority or other federal or state agency having jurisdiction or investment of funding in the District's System.
- (I) MEWS will coordinate lab activities; establish sampling procedures and test schedules.
- (J) MEWS will perform field-testing for chlorine residual, pH, pressure and flow calculations and related record keeping. MEWS will provide in-house lab services for WWTP for all samples we can provide and all others will be contracted to outside sources with the District bearing the cost.
- (K) MEWS will supply the District with copies of all sampling schedules and test results in a timely manner.
- (L) MEWS as specified in Section 2.10 will provide twenty-four (24) hour per day access to the WTP & WWTP for designated representatives of the District and other authorized persons. All persons entering the WTP shall sign in and out and comply with MEWS's operating and safety procedures.
- (M) MEWS will order necessary water treatment chemicals to maintain an adequate supply at the WTP & WWTP. The District will pay for all chemicals directly.

- (N) MEWS will provide notification to regulatory agencies of all abnormal events and permit non-compliance as required by statute and regulations.
- (O) MEWS will post an emergency, 24-hour, toll-free phone number for District customers on the monthly billing statement.
- (P) Parts, materials, services and supplies will be itemized and submitted for payment by the District monthly.
- (Q) MEWS will develop and comply with a preventative maintenance schedule that includes all water supplies and treatment equipment, the goal of the preventative maintenance program will be to increase equipment life and overall facility reliability, and to thereby reduce the potential for permit violation and enforcement action by regulatory agencies.
- (R) MEWS will coordinate the provision of general building and grounds maintenance to include grass cutting, trimming, touch-up painting, minor plumbing and electrical maintenance, and other minor facilities maintenance services as authorized by the District and as time permits. Costs associated with labor, parts, materials and supplies will be borne by the District.
- (S) MEWS will provide preventative maintenance services to include periodic lubrication of pumps and motors, belt and air filter replacements, packing adjustments, and other minor related equipment adjustments on a routine basis, during the course of normal business. Costs, with cost of parts and supplies to be borne by the District.
- (T) MEWS will attend meetings with State Agencies on behalf of or in conjunction with the District relative to operation of the WTP & WWTP at no additional cost to the District if the request for meeting is caused by problems or deficiencies in the operation of the facility caused by MEWS.
- (U) MEWS will coordinate the provision of perimeter security and access control and install locks on gates, doors and electrical control panels at the WTP & WWTP, as authorized by the District and as time permits. Costs associated with labor, parts, materials and supplies will be borne by the District.

- (V) Upon the District's authorization, MEWS will update operation and maintenance manuals for the WTP & WWTP acceptable to the District as soon as possible after the commencement of the term of this Agreement, to include:

- Process Descriptions
- Operating and Safety Instructions
- Maintenance Requirements and Procedures
- Maintenance Schedules
- Emergency Operating Procedures
- Testing/Sampling Requirements and Procedures

Cost for this service is not included in the Base Monthly Service Fee, and upon authorization, will be billed at rates agreed to prior to authorization by both Parties.

2. Services Relating to the Water Distribution System.

- (A) MEWS will be responsible for all aspects of the day-to-day operation, maintenance and management of the water distribution system, with the exception of those responsibilities specifically retained by the District.
- (B) MEWS will provide the required number of distribution system operators certified by the State of Kentucky to operate the District's distribution system.
- (C) MEWS will maintain accurate and complete records on water distribution system operation and laboratory data as required by the Natural Resources and Environmental Protection Cabinet (NREPC) and the Kentucky Public Service Commission, submit and fulfill all operating report requirements and send copies to the District.
- (D) MEWS will provide the District with qualified personnel to monitor the water quality within the District's water distribution system. MEWS will flush the distribution system on a monthly basis or as needed, in order to maintain a minimum free chlorine residual of 0.2 mg/l at the most remote location in the distribution system.
- (E) MEWS will perform microbiological sampling of the distribution system on a monthly basis as required. If a "positive" coliform count is determined, all actions mandated by regulatory agencies will be taken by MEWS on a timely basis and reported to the District.
- (F) MEWS will perform sampling of the distribution system for chemical analysis such as lead and copper, asbestos, trihalomethanes and other parameters pursuant to regulatory agencies directives.

- (G) MEWS will assist in locating and mapping the District's hydrants to help ensure the proper operation.
- (H) MEWS will make a reasonable effort using probing and magnetic locating equipment to locate the District's main line valves. MEWS will paint each potable water valve box lid blue, which denotes potable water, as needed. MEWS will repair valves as required. Costs associated with labor, parts, materials and supplies will be borne by the District.
- (I) MEWS shall provide routine checks of the water distribution system and will be responsible for identifying and reporting to the District, in writing, all repairs and maintenance required or advisable in the potable water distribution system. Except as specified in Sections without the District's prior authorization.
- (J) MEWS shall be liable for and pay any and all fines or civil penalties or damages which may be imposed by a court, governmental entity or regulatory agency for violations of requirements specified in the Kentucky Administrative Code that are a result of MEWS's reckless or negligent operation or management of the water distribution system. However, should the District refuse to make corrections to the water distribution system recommended or proposed by MEWS as necessary to ensure the system's compliance with the regulations or if the water distribution system's actual demand is greater than its permitted or actual capacity, MEWS will not be liable for any such fines, penalties or damages to the extent attributable to such refusal by the District or such excess water demand. The District shall reasonably assist MEWS in contesting any such fines or civil penalties in any administrative, judicial or other proceeding, case, dispute or action prior to any such payment by MEWS.
- (K) Upon the District's authorization, MEWS will initiate the development of electronic mapping for the System with the goal of having complete as-built coverage of the System. MEWS will continually update the as-built drawings as information about the System become available from field verification and discovery. Cost for providing this service will be separately negotiated between the District and MEWS, and amended into this Agreement in the manner set out herein.
- (L) MEWS will post an emergency, 24-hour, toll-free phone number for District customers on the monthly billing statement so that customers may report problems relating to the System.

- (M) If and when service is disrupted due to a third party action, MEWS will furnish the District an itemized billing invoice, which will indicate any reimbursements in which the District should seek payment from the third party for its action causing the problem. (eg., vehicle striking and dislodging a hydrant, or an excavation contractor hitting and rupturing a water main, etc.) In such an instance, MEWS will perform the repair as in any emergency situation. The District will be responsible for the costs relating to parts, repair materials and services as well as for labor performed by MEWS, regardless of the ultimate ability of the District to collect reimbursement from the third party.
- (N) MEWS will provide water line & waste water marking service during normal business hours when requested by the District. MEWS will utilize temporary spray paint, flags, or other means as determined by MEWS, to the best of the MEWS's ability, using the latest system map information. In any event, regardless of whether or not Marking was accurate; MEWS will not be responsible for any repair costs if water system components are damaged by any third party.
- (O) MEWS will attend meetings with regulatory or funding agencies on behalf of or in conjunction with the District relative to operation of the water distribution system at no additional cost to the District if the request for meeting is caused by problems or deficiencies in the operation of the water distribution system caused by MEWS.
- (P) MEWS will coordinate the provision of perimeter security and access control and install locks on gates, doors and electrical control panels at all water distribution facilities remote to the WTP & WWTP. Costs associated with labor, parts, materials and supplies will be borne by the District.
- (Q) MEWS will perform miscellaneous service work to the District's water distribution system, waste water collection system, to include but not be limited to: repair and/or replacement of meter boxes, water meters, curb stops, valves, and service lines. Costs associated with labor, parts, materials and supplies will be borne by the District.
- (R) MEWS will coordinate the provision of general grounds maintenance to include grass cutting, trimming, touch-up painting, minor plumbing and electrical maintenance, and other minor facilities maintenance services as time allows during the course of the normal business day. Costs associated with labor, parts, materials and supplies will be borne by the District.

- (S) MEWS will provide notification to the NREPC of all abnormal events and permit non-compliance as required by NREPC rules and regulations, including notification to the Graves County Health Department if a boil-water notice is to be made.
- (T) MEWS will provide customer field services for the System to include such items as response to water quality complaints, pressure complaints, water reinstatement and disconnect services, and miscellaneous other related customer service calls during the course of the normal business day.
- (U) MEWS will provide maintenance on sewer (mains) in the form of jet rodding for typical obstructions. Any other repairs will be borne by the District.

3. Services Relating to Billing, Collection, Accounting, Reporting, Customer Service and System Management.

- (A) MEWS will read each of the District's water meters every month to accommodate a monthly (30-day) customer usage cycle.
- (B) As warranted, MEWS will provide proper notice and proceed with disconnection of System customer water service for non-payment and reconnect service after payment is received in accordance with District procedures approved by the PSC. Service disconnection will be accomplished by installing a lock on the meter stop, plugging the meter itself, or by removing the meter at the discretion of MEWS.
- (C) MEWS will not provide field payment collection at time of service disconnection.
- (D) MEWS will generate bills and maintain billing records via its existing computer software program, and mail all customer bills monthly.
- (E) MEWS will receive and post all customer payments when and as received.

- (F) MEWS will procure all required materials, parts, equipment chemicals, and other items required for proper operation, maintenance and management of the System in the name of the District, and report same via the monthly Management Report. However, with the authorization of the District, MEWS will place orders for and take delivery of materials, parts, equipment chemicals, and other items in its own name for use on the District's System in order to achieve the benefits of convenience, security and economies of bulk purchasing. Invoicing and other records shall clearly indicate which items are for System use and these items shall be billed to the District for proper payment.
- (G) MEWS will prepare an itemized listing of all vendor invoices, prepare a check register and draft checks for payment to be signed by the District after review each month at the District's meeting.
- (H) MEWS will attend the District's monthly meetings and submit the required management report at that time for review and approval by the District.
- (I) MEWS will assist the District in developing an annual budget for the System, which shall include reasonable cost projections for proper operation and maintenance activities as well as costs for equipment and facilities replacement.
- (J) MEWS will maintain the District's communication and mail correspondence. Draft correspondence will be prepared on District letterhead stationery for signature by the District. Additionally, the District may delegate the authority a designated employee of MEWS to sign correspondence on a case-by-case basis.

APPENDIX B

TREATMENT STANDARDS AND WATER TESTING REQUIREMENTS

1. MEWS shall operate the System so that water treated will meet the current drinking water standards as established by applicable state or federal law.

2. As regards water quality sampling and reporting, MEWS shall be responsible during the term of this Agreement to perform or schedule others to perform the following:
 - a. all water sampling, analysis, testing and reporting required for water sources, distribution mains, or customer premises, by a Kentucky-certified laboratory as required by the U.S. Environmental Protection Agency, the Kentucky Division of Water, or future acts of the U.S. Congress, or Kentucky Legislature;
 - b. scheduling, collecting and transporting all water samples to test for microbiological, inorganic and organic constituents;
 - c. preparing monitoring plans; sample collection training; reporting to appropriate regulators; record keeping; analysis interpretation;
 - d. special or emergency sample collection and analysis, and emergency notification to affected customers, if required;
 - e. preparing and distributing all customer reports on water quality; response to customer inquiries on water quality;
 - f. coordination of cross-connection control and potential contamination issues;
 - g. conducting a sanitary survey on the System with the Kentucky Division of Water;
 - h. obtaining any necessary permits and compliance with appropriate air quality regulations and complying with any hazardous materials control program;
 - i. ensuring all operator certification compliance with Kentucky and federal requirements, now existing, or which may be implemented during the term of this Agreement.

APPENDIX C

\$4.11 per customer per month – This will cover all administrative fees, meter reading, statement billing, collection and postage. (Excluding special mailings such as CCR reports, etc.)

Our Labor Rate will be set at \$40 per hour during regular business hours, and 1 ½ times that rate for afterhours calls.

We will follow the IRS IR-2008-82 mileage calculations and that fee is currently \$0.585 cents per mile for standard vehicles.

We will bill for the use of our dump truck, backhoe, and trackhoe at the rate of \$50 per hour, for actual time used.

We will bill for boring machine at the rate of \$7.50 Foot, for normal residential services.

Material will be billed at actual cost.

APPENDIX D

The District shall conduct a monthly business meeting generally in accordance with the format of agenda set out below and shall review the monthly management report to be prepared and submitted by MEWS to the District in the following format or substantially in the same format as that presented below.

Agenda

1. Call to Order / determination of quorum
2. Introduction of attendees
3. Review, approval and signing of minutes of previous meeting
4. Review and approval of Monthly Management Report
5. Review and payment of bills, as warranted
6. Consideration of Public Comments
7. Consideration of New Business
8. Adjournment

Monthly Management Report

- Information contained in this report is selected from more detailed operational reports and accounting information and reflects the actual financial and operational status of the utility for the period cited.
- Information should be consistent with the Budget (cash or accrual).
- Report should be signed by General Manager and Clerk/Accountant.

Content of Report

I. Monthly Financial Information

<u>Annual</u> <u>Budget</u>	<u>Current</u> <u>Month</u>	<u>Year to</u> <u>Date</u>	<u>%Under</u> <u>(over Budget)</u>
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A. Annual Operations Budget Status

Operating Revenue
 Operating Expenses
 Non-operating Income
 Non-operating Expenses
 Income before contributions &
 Extraordinary expenses

B. Current Financial Information

(include check register information with Check #, Date, Vendor Name & Amount)

C. Debt Service Account

Bond Covenants Require \$ _____ in this account

Beginning Cash & Investments	\$ _____
Transfers	_____
Interest Paid	_____
Principal Paid	_____
Ending Cash & Investments	_____

D. Equipment Replacement Account

Bond Covenants Require \$ _____ in this account

Beginning Cash & Investments	\$ _____
Transfers	_____
Interest Paid	_____
Principal Paid	_____
Ending Cash & Investments	_____

(Amounts for C & D are book balances at the end of the month)

II. Technical Operations Report

- a. Gallons purchased
- b. Gallons produced
- c. Gallons billed
- d. Gallons used in process
- e. Gallons accounted for (c + d)
- f. Gallons unaccounted for ((a + b) - e)
- g. Unaccounted as percent purchased/produced (f divided by (a + b))
- h. Cost of unaccounted (g x cost per gallon)
- i. Number of customers billed
- j. Average consumption (c divided by i)
- k. Average bill (j x cost per gallon)
- l. Water sales (actual billed) for wholesale & retail
- m. Number of Termination Notices
- n. Number of actual Disconnects
- o. Number of meters installed (for residential, commercial, industrial)
- p. Major line breaks or plant breakdowns (for each event):
 - 1. Nature of action
 - 2. Date & time of occurrence
 - 3. Location
- q. Largest Customer Activity
- r. Comments or concerns

III. Management Issues

Provide brief listing of items to be discussed with the District, which may include but not be limited to: operation, maintenance and management contract issues; physical facilities issues; deferred maintenance; policy or procedures issues; regulatory notices/violations; and allowed closed session issues (such as certain personnel actions, acquisition of property and litigation)

APPENDIX E

INSURANCE COVERAGE

MEWS SHALL MAINTAIN:

1. Statutory Workers' Compensation insurance coverage for all of MEWS's employees at the System as required by the Commonwealth of Kentucky.
2. Comprehensive general liability insurance, insuring MEWS's negligence, in an amount not less than One Million Dollars (\$1,000,000) combined single limits for bodily injury and/or property damage.

Regarding Insurance:

1. MEWS shall maintain Workers' Compensation insurance coverage for all of its employees associated with the System as required by the Commonwealth of Kentucky.
2. The District shall maintain property damage insurance for all property, owned by the District by used/operated by MEWS under this Agreement.
3. MEWS shall maintain automobile liability insurance, as required by the Commonwealth of Kentucky, on all its motor vehicles used in furtherance of the System.
4. MEWS shall maintain surety bond insurance on itself and its contractors associated with the System.

The Parties shall provide each other at least thirty (30) days notice of the cancellation of any policy it is required to maintain under this Agreement. MEWS may self-insure reasonable deductible amounts under the policies it is required to maintain to the extent permitted by law, but only if such action does not invalidate the property insurance of the District. The Parties, on behalf of themselves and their insurers, waive their rights of subrogation with respect to losses occurring to property dedicated to this System.