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WILLIAM E. PINKSTON
LISA H. EMMONS
DAVID L. KELLY
THEODORE S. HUTCHINS*
GLENN D. DENTON*
STACEY A. BLANKENSHIP
MELISSA D. YATES*
NEAL D. OLIPHANT
DOUGLAS R. MOORE
ROBERT W. GOFF**

* Also Licensed To Practice in Illinois
** Also Licensed To Practice in Tennessee

DENTON & KEULER

ATTORNEYS AT LAW
A Limited Liability Partnership

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September 25, 2012

MR JEFF DEROUEN
EXECUTIVE DIRECTOR
KENTUCKY PUBLIC SERVICE COMMISSION
211 SOWER BLVD
FRANKFORT KY 40602

RECEIVED

SEP 26 2012

PUBLIC SERVICE
COMMISSION

**Re: *Purchase Public Service Corporation and Marshall County
Environmental Services, LLC***

Dear Mr. Derouen:

Enclosed please find an original and ten (10) copies of a Joint Petition of the Purchase Public Service Corporation and Marshall County Environmental Services, LLC to Approve the Transfer of Ownership and Control of the Golden Acres Subdivision and Great Oaks Subdivision Wastewater Treatment Facilities to Marshall County Environmental Services, LLC.

Should you need additional information concerning this filing, please contact me.

Sincerely,


Robert W. Goff
rgoff@dklaw.com

Enclosure

dh: 152738

RECEIVED

151247

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

SEP 26 2012
PUBLIC SERVICE
COMMISSION

In the Matter of:

Joint Petition of the Purchase Public Service Corporation and Marshall County Environmental Services, LLC to Approve the Transfer of Ownership and Control of the Golden Acres Subdivision and Great Oaks Subdivision Wastewater Treatment Facilities to Marshall County Environmental Services, LLC

Case No. _____

1. JURISDICTION

The Kentucky Public Service Commission (PSC) has jurisdiction over this matter pursuant to KRS 278.010 and KRS 278.020(5).

2. PETITIONERS

a. Purchase Public Service Corporation ("PPSC") is a not-for-profit Kentucky corporation, with a post office address of P.O. Box 5100, 1002 Medical Dr., Mayfield KY 42006. PPSC provides wastewater treatment as authorized by the Public Service Commission. A copy of PPSC's Articles of Incorporation is of record in Case Number 2012-00212 and incorporated herein by reference. A copy of PPSC's 2010 and 2011 Financial Statements is attached hereto, and incorporated herein by reference as Exhibit "A."

b. Marshall County Environmental Services, LLC ("MCES") is a Kentucky limited liability company with a post office address of 1303 Pugh School Rd., Benton KY 42025. MCES was established in 2012 pursuant to KRS Chapter 275. A certified copy of MCES' Articles of Organization is attached hereto, and incorporated herein by reference as Exhibit "B."

3. TRANSFER AGREEMENT

Subject to the approval of the PSC, and other regulatory agencies, PPSC entered into a transfer agreement with MCES, dated August 28, 2012, wherein MCES agreed to assign and transfer to PPSC its wastewater treatment facilities in Golden Acres subdivision in Marshall County and Great Oaks subdivision in McCracken County, (hereinafter collectively referred to as the "District") consisting of all assets, rights, privileges, debts and liabilities of every nature and wheresoever situated. A true and exact copy of said agreement is attached hereto, and incorporated herein by reference as Exhibit "C." A true and exact copy of the resolutions of PPSC and MCES to consummate the transaction contemplated by such transfer agreement is attached hereto, and incorporated herein by reference as Exhibit "D."

The terms and provisions of the transfer agreement are most beneficial to the customers of District. In particular, by virtue of the transfer agreement, the customers of the Districts will realize the following benefits:

a. As a result of PPSC's agreement with Calvert City Water & Sewer, the customers in Golden Acres subdivision are currently charged \$39.57 per month. The charge from Calvert City Water & Sewer to PPSC for Golden Acres was unilaterally increased by approximately (113%) percent on June 1, 2012 by Calvert City Water & Sewer. As of the date of this application, the increase has been paid by PPSC rather than passed along to its customers in Golden Acres. As a result of the transfer of facilities from PPSC to MCES, MCES will be able to continue to offer its customers in Golden Acres the current monthly charge of \$39.57, despite the increase by Calvert City Water & Sewer.

b. Additionally, the transfer agreement provides that MCES will assume full responsibility for operating and maintaining the District's wastewater treatment facilities in the subject subdivisions. Therefore, the customers of District will not only realize a greater revenue base, but also will be accorded the additional technical expertise and equipment which can be provided to the customers of the District over and above the technical expertise and equipment which PPSC could provide.

4. PPSC PLAN OF OPERATIONS

Upon approval by the PSC, MCES expects to commence operations of the Districts wastewater treatment facilities. The transfer of all title and management of District's assets to MCES shall be completed or substantially completed by the commencement date.

5. QUALIFICATIONS TO OPERATE DISTRICT

MCES hereby affirms that it is ready, willing and able to provide water services to the customers of the District. MCES affirmatively states that it has the, "financial, technical, and managerial abilities to provide reasonable service" as required by KRS 278.020(5). In support thereof, please see the following documents, all of which are incorporated herein by reference:

- a. Resumes of Allen Artis and Michelle Artis, attached hereto as Exhibit "E";
- b. MCES Profit and Loss Detail for January 1, 2012 to June 18, 2012, attached hereto as Exhibit "F";
- c. Profit and Loss for Allen Artis for waste treatment operations from January 1, 2011 to July 22, 2012, attached hereto as Exhibit "G"; and
- d. List of wastewater treatment facilities operated by MCES, attached hereto as Exhibit "H".

The joint applicants state that the transfer of the District's waste water treatment facilities to MCES is genuinely in the public interest, is reasonably necessary for the public convenience, necessity, health, comfort and well-being of the customers currently served in the District, and that MCES can and will operate said facilities as part of its existing system on a sound financial basis.

6. REQUEST FOR EXPEDITED CONSIDERATION

Because of the substantial increase forced upon PPSC, a cost which PPSC cannot afford in the long-term, the joint applicants request an expedited approval of this application. This will prevent the necessity of PPSC passing said increase to its customers. Pursuant to 807 KAR 5:011, Section 11, please find MCES' adoption notice attached hereto, and incorporated herein by reference as Exhibit "I".

WHEREFORE, the Joint Petitioners pray that the PSC:

1. Approve the transfer of the assets of the District to MCES in accordance with the terms and conditions set forth herein;
2. Provide to the Joint Petitioners such other relief as they may appear to be entitled.

DATED: September 18, 2012

Respectfully Submitted,

PURCHASE PUBLIC SERVICE CORPORATION

By: 
Tony Smith, Chairman



MARSHALL COUNTY ENVIRONMENTAL SERVICES, LLC

By:  
Allen Artis, President

And

DENTON & KEULER, LLP

P. O. BOX 929
PADUCAH KY 42002-0929
Telephone: (270) 443-8253
Facsimile: (270) 442-6000

By:  
Melissa D. Yates
Robert W. Goff

ATTORNEYS FOR THE JOINT PETITIONERS

VERIFICATION

The undersigned states that he has read the foregoing and that same is true to the best of his knowledge, information and belief.

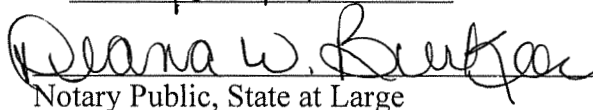

Tony Smith

STATE OF KENTUCKY)

COUNTY OF MCCRACKEN)

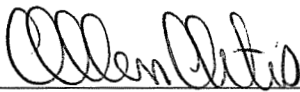
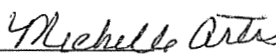
The foregoing instrument was acknowledged before me this 18 day of September, 2012, by Tony Smith, Chair of the Board of Directors for Purchase Public Service Corporation.

My commission expires: 11/22/14


Notary Public, State at Large

VERIFICATION

The undersigned states that he has read the foregoing and that same is true to the best of his knowledge, information and belief.

 
Allen Artis

STATE OF KENTUCKY)

COUNTY OF MCCRACKEN)

The foregoing instrument was acknowledged before me this 18 day of September, 2012, by Allen Artis, member of Marshall County Environmental Services, LLC.

My commission expires: 11/22/14

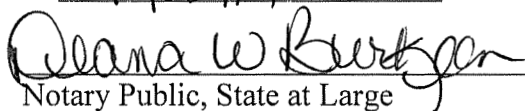

Notary Public, State at Large

EXHIBIT A

PURCHASE PUBLIC SERVICE CORPORATION

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**



WILLIAMS, WILLIAMS & LENTZ, LLP
Certified Public Accountants

PURCHASE PUBLIC SERVICE CORPORATION
BALANCE SHEETS
DECEMBER 31

ASSETS

	2011	2010
Current Assets:		
Cash in bank	\$ 61,435	\$ 34,336
Accounts receivable	10,248	5,438
Prepaid insurance	3,828	3,764
	<u>75,511</u>	<u>43,538</u>
Total current assets		
Property and Equipment:		
Utility plant in service	706,290	706,290
Less accumulated depreciation	(553,649)	(541,058)
Less acquisition adjustment	(49,140)	(58,576)
	<u>103,501</u>	<u>106,656</u>
Total property and equipment		
Other Assets:		
Utility deposits	1,430	1,430
	<u>1,430</u>	<u>1,430</u>
TOTAL ASSETS	<u><u>\$ 180,442</u></u>	<u><u>\$ 151,624</u></u>

LIABILITIES AND EQUITY

Current Liabilities:		
Accounts payable	\$ 7,557	\$ 5,610
Unearned revenue	1,080	400
	<u>8,637</u>	<u>6,010</u>
Total current liabilities		
Equity:		
Contributions in aid of construction	153,120	153,120
Retained earnings (deficit)	18,685	(7,506)
	<u>171,805</u>	<u>145,614</u>
Total equity		
TOTAL LIABILITIES AND EQUITY	<u><u>\$ 180,442</u></u>	<u><u>\$ 151,624</u></u>

See accountant's compilation report.

PURCHASE PUBLIC SERVICE CORPORATION
STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31

	<u>2011</u>	<u>2010</u>
Operating Revenues:		
Utility sales	\$169,548	\$144,046
Forfeited discounts	4,217	3,558
Other revenues	166	191
	<u>173,931</u>	<u>147,795</u>
Operating Expenses:		
Contracted supervision and engineering	68,627	68,500
Labor and expenses	16,204	21,131
Utilities	22,055	20,111
Chemicals and supplies	19,252	11,784
Outside services	7,642	10,953
Office supplies	1,395	2,901
Insurance expense	6,890	8,074
Depreciation, net of acquisition	3,154	3,155
Uncollectible accounts expense	2,066	1,742
Other expenses	455	625
	<u>147,740</u>	<u>148,976</u>
Net income (loss)	26,191	(1,181)
Retained earnings (deficit) - January 1	<u>(7,506)</u>	<u>(6,325)</u>
RETAINED EARNINGS (DEFICIT) - DECEMBER 31	<u>\$ 18,685</u>	<u>\$ (7,506)</u>

See accountant's compilation report.

PURCHASE PUBLIC SERVICE CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	2011	2010
Cash Flows from Operating Activities:		
Net income (loss)	<u>\$26,191</u>	<u>\$(1,181)</u>
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	3,154	3,155
(Increase) decrease in accounts receivable	(4,810)	(1,841)
(Increase) decrease in prepaid insurance	(64)	(476)
Increase (decrease) in unearned revenue	680	(67)
Increase (decrease) in accounts payable	<u>1,948</u>	<u>(2,987)</u>
Total adjustments	<u>908</u>	<u>(2,216)</u>
Net cash provided (used) by operating activities	<u>27,099</u>	<u>(3,397)</u>
Cash Flows from Investing Activities:		
Payments for purchase of property	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	27,099	(3,397)
Cash, beginning of year	<u>34,336</u>	<u>37,733</u>
CASH, END OF YEAR	<u><u>\$61,435</u></u>	<u><u>\$34,336</u></u>

See accountant's compilation report.

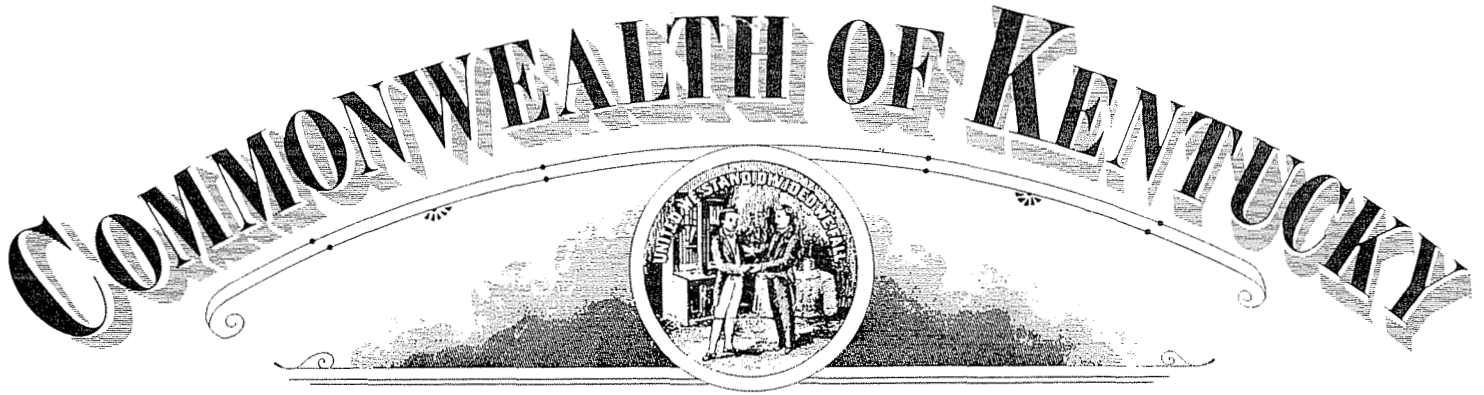
SUPPLEMENTARY SCHEDULE

PURCHASE PUBLIC SERVICE CORPORATION
SUPPLEMENTARY SCHEDULE OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Total	Great Oaks Subdivision	Thomas Country Estates	Cardinal Group	Highland Club Estates	Local Activity
Operating Revenues:						
Utility sales	\$169,548	\$55,984	\$51,537	\$52,103	\$ 9,924	\$ -
Forfeited discounts	4,217	1,903	1,309	934	71	-
Other revenues	166	-	-	-	-	166
	<u>173,931</u>	<u>57,887</u>	<u>52,846</u>	<u>53,037</u>	<u>9,995</u>	<u>166</u>
Operating Expenses:						
Contracted supervision and engineering	68,627	21,117	24,202	18,950	4,358	-
Labor and expenses	16,204	6,226	1,427	7,439	1,112	-
Utilities	22,055	5,293	7,331	6,081	3,350	-
Chemicals and supplies	19,252	5,513	5,757	7,827	155	-
Outside services	7,642	1,461	2,976	928	2,277	-
Office supplies	1,395	746	199	414	36	-
Insurance expense	6,890	2,338	2,237	1,800	515	-
Depreciation, net of acquisition adjustment	3,154	514	203	2,435	2	-
Uncollectible accounts expense	2,066	651	707	160	548	-
Other expenses	455	84	66	61	50	194
	<u>147,740</u>	<u>43,943</u>	<u>45,105</u>	<u>46,095</u>	<u>12,403</u>	<u>194</u>
Net income (loss)	26,191	<u>\$13,944</u>	<u>\$ 7,741</u>	<u>\$ 6,942</u>	<u>\$ (2,408)</u>	<u>\$ (28)</u>
Retained earnings (deficit) - January 1, 2011	<u>(7,506)</u>					
RETAINED EARNINGS (DEFICIT) - DECEMBER 31, 2011	<u>\$ 18,685</u>					

See accountant's compilation report.

EXHIBIT B



Alison Lundergan Grimes
Secretary of State

Certificate

I, Alison Lundergan Grimes, Secretary of State for the Commonwealth of Kentucky, do hereby certify that the foregoing writing has been carefully compared by me with the original thereof, now in my official custody as Secretary of State and remaining on file in my office, and found to be a true and correct copy of

ARTICLES OF ORGANIZATION OF

MARSHALL COUNTY ENVIRONMENTAL SERVICES LLC FILED MAY 15, 2012.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 20th day of September, 2012.



Alison Lundergan Grimes

Alison Lundergan Grimes
Secretary of State
Commonwealth of Kentucky
dwilliams/0829219 - Certificate ID: 130253

Commonwealth of Kentucky
Alison Lundergan Grimes, Secretary of State

LAOO
0829219.06
Alison Lundergan Grimes
Secretary of State
Received and Filed
5/15/2012 4:06:27 PM
Fee receipt: \$40.00

Alison Lundergan Grimes
Secretary of State
P. O. Box 718
Frankfort, KY 40602-0718
(502) 564-3490
<http://www.sos.ky.gov>

Articles of Organization
Limited Liability Company

KLC

For the purposes of forming a limited liability company in Kentucky pursuant to KRS Chapter 275, the undersigned organizer hereby submits the following Articles of Organization to the Office of the Secretary of State for filing:

Article I: The name of the company is

MARSHALL COUNTY ENVIRONMENTAL SERVICES LLC

Article II: The street address of the company's initial registered office in Kentucky is

1303 PUGH SCHOOL RD, BENTON, KY 42025

and the name of the initial registered agent at that address is **MICHELLE ARTIS**

Article III: The mailing address of the company's initial principal office is

1303 PUGH SCHOOL RD, BENTON, KY 42025

Article IV: The limited liability company is to be managed by **Members**

Executed by the Organizer on Tuesday, May 15, 2012

Name of Organizer: **MICHELLE ARTIS**

Signature of individual signing on behalf of Organizer:
MICHELLE ARTIS

I, **MICHELLE ARTIS**, consent to serve as the Registered Agent on behalf of the limited liability company.

Signature of Registered Agent or individual signing on behalf of the company serving as Registered Agent:

MICHELLE ARTIS

EXHIBIT C

AGREEMENT

THIS AGREEMENT made and entered into this 28th day of August, 2012, by and between PURCHASE PUBLIC SERVICE CORPORATION, hereinafter referred to as "PPSC," and MARSHALL COUNTY ENVIRONMENTAL SERVICES, LLC, hereinafter referred to as "MCES";

WITNESSETH:

WHEREAS, PPSC desires to transfer operation and responsibility for operation of the Wastewater Treatment Facilities of Golden Acres in Marshall County and Great Oaks Subdivision in McCracken County (hereinafter the "Wastewater Treatment Facilities") and MCES desires to acquire said Wastewater Treatment Facilities; and

WHEREAS, PPSC and MCES now desire to formalize their agreement in writing;

NOW, THEREFORE, for valuable consideration, the legal adequacy and sufficiency of which is hereby acknowledged by all parties, the parties do covenant and agree as follows:

1. TRANSFER AND ACCEPTANCE.

- 1.1 Description of Agreement. Subject to the terms and conditions of this Agreement, PPSC hereby agrees to transfer unto MCES and MCES hereby agrees to accept from PPSC, the Wastewater Treatment Facilities. Included in this transfer and acceptance are all rights in real property, all equipment and personal property, all easement rights, all contract rights and of PPSC in and to the Golden Acres Subdivision in Marshall County and the Great Oaks Subdivision in McCracken County. It is expressly agreed and understood that this agreement shall not apply to any other wastewater treatment facilities owned by PPSC. It is the intent of PPSC and MCES that this transfer and acceptance shall include all of PPSC's assets utilized in the operation of the Wastewater Treatment Facilities including both real and personal property, and all rights, and privileges of every kind and nature, and wheresoever situated.
- 1.2 Title to be Delivered. PPSC agrees to transfer marketable fee simple title to all of the real and personal property of PPSC utilized in the operation of the Wastewater Treatment Facilities, which property shall not be subject to any lien or adverse interest of another except as may be acceptable to MCES. MCES shall, at its cost, have a title examination performed on the property transferred herein.
- 1.3 Documents of Transfer. PPSC shall execute all documents of transfer, including appropriate and recordable deeds of conveyance and bills of sale. All documents of transfer shall be duly authorized by appropriate resolution of PPSC.

2. REPRESENTATIONS AND WARRANTIES OF PPSC.

- 2.1 Merchantable Title. PPSC hereby represents and warrants to MCES that it has full and complete merchantable title to its real and personal properties. MCES may waive any defect at its option.
- 2.2 Condition of Facilities. PPSC hereby represents that to the best of its knowledge its facilities are in compliance with all federal, state, and local law.
- 2.3 Adverse Proceeding. PPSC hereby represents to MCES that to the best of its knowledge it is not presently a party to any judicial or administrative proceeding, nor has it knowledge of any threatened or imminent judicial or administrative proceeding.
- 2.4 Operations. PPSC hereby represents to MCES that to the best of its knowledge the operation of the Wastewater Treatment Facilities, PPSC has been and continues to be in compliance with all federal, state, and local regulatory law.

3. OBLIGATIONS OF PPSC PRIOR TO CLOSING.

- 3.1 Obligations to Continue Management of Facilities. From and after the date of the execution of this Agreement to date of closing, PPSC shall continue the management, operation, and maintenance of the Wastewater Treatment Facilities in a sound and reasonable manner and in accordance with standard wastewater treatment practices. Additionally, PPSC shall continue to collect its charges from its customers in the usual and customary manner, and shall maintain good operating and accounting records.
- 3.2 Prohibition Against Further Liability and Expenditures. From and after the date of the execution of this Agreement to date of closing, PPSC shall not incur any additional liability or debt nor make any expenditure of funds unless such liability, debt, or expenditure is reasonably necessary to the continued operations of PPSC, or PPSC's compliance with its obligations as herein assumed. Additionally, PPSC shall not enter into any additional contractual relationship with any of its customers which is not in the ordinary course of business unless the prior written consent of MCES is obtained.
- 3.3 Information to be Disclosed to MCES. PPSC shall make reasonable efforts to identify to MCES each and every liability, debt and contract to be assumed by MCES as contemplated for evidencing same. Additionally, PPSC shall provide to MCES full and complete access to all of its files related to the Wastewater Treatment Facilities, records, documents, maps and writings, and MCES may request that PPSC personnel be available to MCES to be interviewed about operational matters, or otherwise provide information regarding the operation of the PPSC.
- 3.4 Access to Real and Personal Property. PPSC shall provide to MCES full and complete access to the real and personal properties pertaining to the Wastewater Treatment Facilities. MCES shall have the right to fully inspect same, and perform any test or study as relates to same. PPSC shall identify to MCES any known defects or needs of imminent repair or replacement regarding any of the aforesaid property. Additionally, PPSC shall identify and provide to MCES any manufacturer's warranties, documents of purchase, service agreements or other written representations as relate to any of PPSC's property.

4. OBLIGATIONS OF MCES PRIOR TO CLOSING.

- 4.1 Investigation. From and after the date of execution of this Agreement, MCES shall immediately commence its due diligence and inspection of the PPSC, including the physical assets and all documents and records relating to liabilities, debts and contracts to be assumed by MCES as provided herein, and of the document and records relating to the financial worth and condition of PPSC. MCES may employ, at its expense, any engineer, accountant, attorney, or any other expert to perform any part of the investigation and inspection to be performed by MCES.
- 4.2 Approvals. From and after the date of the execution of this Agreement, the parties shall initiate a proceeding with the Kentucky Public Service Commission for its approval of the transfer contemplated herein, which cost shall be paid by PPSC. Additionally, MCES shall initiate, at its cost, the appropriate proceedings before any state or federal agencies their consent and approval of this Agreement, and the transfer and acceptance as herein provided.
- 4.3 Documents of Transfer. The parties shall split the cost of the preparation of all documents of transfer, including any deeds of conveyance and bills of sale which shall be available for inspection by PPSC prior to the time of closing.

5. CONDITIONS PRECEDENT TO TRANSFER AND ACCEPTANCE.

- 5.1 Conditions Precedent. Notwithstanding the foregoing transfer and acceptance, this transfer and acceptance shall be subject to the following conditions precedent:
- 5.1.1 Title to the real and personal property transferred herein shall be marketable fee simple title free and clear of all liens or adverse interests except those acceptable to MCES;
- 5.1.2 The transfer and assignment shall be fully and finally approved by applicable state and federal agencies, specifically including the Kentucky Public Service Commission;
- 5.1.3 The liabilities to be assumed by MCES as provided for herein are acceptable to MCES at its discretion;
- 5.1.4 The contractual agreements to be assumed by MCES as provided for herein are acceptable to MCES at its discretion;
- 5.1.5 The real and personal property to be transferred herein shall be in an acceptable condition and state of repair;
- 5.1.6 All other representations and warranties of PPSC to MCES have been fully satisfied and complied with; and

- 5.2 Satisfaction of Conditions Precedent. On the date of closing, all of the above-referenced conditions precedent shall be fully satisfied and complied with. In the event any one of the aforesaid conditions precedent is not fully satisfied and complied with, MCES, at its option, may terminate this Agreement, and upon such termination, the Agreement shall be of no further legal force and effect. Upon such termination, the PPSC shall not be liable to MCES in any manner whatsoever.

6. CLOSING.

- 6.1 Date and Place of Closing. Upon MCES's determination that all conditions precedent have been fully satisfied and complied with, MCES shall immediately give written notice of such fact to the PPSC. Closing shall take place as soon as practicable following the date of said notice, but in no event shall it be more than 90 days from notice.
- 6.2 Documents of Transfer. At the time of closing, PPSC shall tender to MCES properly executed documents of transfer including appropriate resolutions of PPSC authorizing the transfer and appropriate deeds of conveyance and bills of sale. Additionally, at the time of transfer, PPSC shall tender to MCES all of its records and documents related to the Wastewater Treatment Facilities including, but not limited to customer accounts and files, engineering plans, financial statements, audits, easements, contracts with customers, etc. It is the intent of the parties herein that on date of closing, any and all of the property, rights and privileges pertaining to the Wastewater Treatment Facilities shall be finally assigned and transferred to MCES. Provided, however, that it is understood that any and all receivables due and owing to PPSC shall remain the sole and exclusive property of PPSC and shall not be transferred.
- 6.3 Notice of Closing to PPSC Customers. In the event there is any requirement that notification of final transfer of PPSC's assets and property be given to the customers of PPSC, PPSC agrees to provide such notification.

7. OBLIGATIONS OF PPSC SUBSEQUENT TO CLOSING.

- 7.1 Assistance in Transition. Immediately subsequent to closing, PPSC shall utilize its best efforts to assist MCES in transferring the customer accounts and files to MCES's and to otherwise cooperate and assist MCES to finalize the transfer of property and the assumption of PPSC's operations by MCES. PPSC shall not do any act or omit to perform any act which is adverse or inimical to this Agreement.

8. POST-CLOSING OBLIGATIONS OF MCES.

- 8.1 Operations of PPSC's Wastewater Treatment Facilities. From and after the date of closing, MCES shall assume full control of the operations of the Wastewater Treatment Facilities and shall assume full responsibility for providing quality and adequate wastewater treatment services. Additionally, MCES shall have full responsibility to repair, replace and otherwise maintain the Wastewater Treatment Facilities. MCES shall operate and maintain the Wastewater Treatment Facilities in accordance with its general practices and standards

which MCES utilizes in relation to County Customers, and, additionally, in compliance with all federal and state law.

8.2 Future Rate Increases. Wastewater treatment rate increases to PPSC's customers shall be based on the same percentage given to all customers of the same class uniformly by MCES.

8.3 Expansion of PPSC Wastewater Treatment Facilities. MCES shall use its good faith and good business, engineering, and operational practices to establish expansions and improvements of the Wastewater Treatment Facilities which are necessitated by reason of the growth and development of the present area. Any necessary wastewater system expansion and improvements shall be addressed and implemented by MCES in accordance with the same general prudent utility practices and standards.

MCES shall make every good faith effort to perform wastewater treatment facilities extensions and improvements so as to aid the growth and prosperity of the former PPSC area. The foregoing notwithstanding, all wastewater treatment extensions and improvements shall remain in the discretion of MCES and shall at all times be subject to prudent business practices and standards for wastewater treatment utilities.

8.4 Real Property Transferred at Time of Closing—Use by MCES. All real property which is transferred by PPSC to MCES at time of closing shall be held by MCES and/or used by MCES for wastewater treatment purposes only.

8.5 PPSC's Contracts. MCES agrees to assume and perform all contractual obligations of PPSC in relation to the Wastewater Treatment Facilities.

8.6 PPSC's Attorney Fees. PPSC agrees to pay and satisfy reasonable and necessary attorney fees, if any, incurred by PPSC in seeking Public Service Commission approval of this Agreement.

9. MISCELLANEOUS.

9.1 Reference to MCES's General Practices and Standards. The references in this Agreement to MCES's "general practices and standards" shall be defined to include not only the general practices and standards presently utilized by MCES, but additionally, any other practices and standards which may be utilized by MCES in the future, so long as said general practices and standards treat PPSC customers in all respects the same as MCES' other customers. Nothing contained in this Agreement shall impair or limit MCES from amending or modifying its general practices and standards, or implementing new practices and standards. The intent of the parties hereto is merely that the PPSC customers shall be treated as MCES County Customers, as they are presently treated by MCES and as they may be treated by MCES in the future.

9.2 Entire Agreement. This Agreement represents the entire agreement by and between the parties hereto, and all prior promises, representations, covenants and understandings are

fully merged herein. There are no other promises, terms, conditions, or obligations other than those specifically contained herein.

- 9.3 Captions. The captions appearing in this Agreement have been asserted for the purpose of convenience and ready reference. They do not purport to, and shall not be deemed to, define, limit, or extend the scope or intent of the clauses to which they pertain.
- 9.4 Applicable Law. It is mutually understood and agreed that this Agreement shall be governed by the laws of the Commonwealth of Kentucky as to both interpretation and performance.
- 9.5 Binding Effect. This Agreement shall bind and inure to the benefit of the parties hereto, and each of their respective successors and assigns.
- 9.6 Assignment. This Agreement, any interest herein, or any claim arising hereunder, shall not be transferred by either party without the prior written consent of the other party.
- 9.7 Notices. Notice to MCES and PPSC shall be given at the following addresses:
- PPSC: P. O. Box 588
Mayfield, Kentucky 42066
- MCES: 1303 Pugh School Road
Benton, Kentucky 42025
- 9.8 Severability. The parties agree that if a court of competent jurisdiction holds any one or more of the paragraphs or subparagraphs of this Agreement to be invalid or ineffective for any reason, any such paragraph or subparagraph will be deemed separate from the remainder of this Agreement and will not affect the validity and enforceability of the remaining provisions.

IN WITNESS WHEREOF, the parties hereto have set their hands on the date first above written.

MARSHALL COUNTY ENVIRONMENTAL SERVICES, LLC

By: Allen Artis
Allen Artis

Title: Owner

PURCHASE PUBLIC SERVICE CORPORATION

By: [Signature]
Tony Smith

Title: Chairman

STATE OF KENTUCKY)

COUNTY OF GRAVES)

Subscribed and sworn to before me this 28 day of August, 2012, by Allen Artis, (title) Owner, on behalf of Marshall County Environmental Services, LLC, on behalf of said entity.

My commission expires: 11/24/14.

[Signature]
NOTARY PUBLIC, STATE AT LARGE

STATE OF KENTUCKY)

COUNTY OF GRAVES)

Subscribed and sworn to before me this 28 day of August, 2012, by Tony Smith, Chair of Board of Directors Purchase Public Service Commission on behalf of said entity.

My commission expires: [Signature] 11/24/14

[Signature]
NOTARY PUBLIC, STATE AT LARGE

EXHIBIT D

**RESOLUTION OF BOARD OF DIRECTORS
OF
PURCHASE PUBLIC SERVICE CORPORATION**

July 16, 2012

WHEREAS on March 27, 1991, Purchase Public Service Corporation (PPSC) took over the operation of the Golden Acres subdivision in Marshall County and on July 13, 1993 took over operation of the Great Oaks subdivision in McCracken County and has continued to operate them since that time.

WHEREAS, PPSC took over operation of Golden Acres subdivision from Cardinal Utilities and Great Oaks subdivision from Great Oaks Sanitation.

WHEREAS, in order to service those facilities, PPSC has contracted with Calvert City Water & Sewer Department for Golden Acres subdivision and the Paducah McCracken County Joint Sewer Agency for Great Oaks subdivision to provide said service pursuant to a contractual agreement.

WHEREAS, effective May 7, 2012, PPSC received notice that the rates to provide wastewater treatment services to Golden Acres subdivision would double from their current rates.

WHEREAS, PPSC, recognizing that it cannot bear the costs of such an increase and that such an increase is not in the best interest of the public making it unsuitable for public use and because the liabilities of operating those systems outweighs the benefit to PPSC, PPSC began to seek out alternatives including a contract to provide services and/or the transfer of said facilities to another entity.

WHEREAS in furtherance of a potential transfer, and in compliance with its procurement and disposal policies, PPSC placed an ad requesting sealed bids in compliance with KRS 45A.365 for a company or individual to assume responsibility for said wastewater, either by contract or through an outright transfer of said treatment plants.

WHEREAS, only one proposal, that of Marshall County Environmental Services, was received.

WHEREAS, PPSC believes it to be in the best interest of the public for PPSC to stop providing said wastewater treatment services to Golden Acres subdivision and Great Oaks subdivision and to transfer said facilities to Marshall County Environmental Services.

NOW THEREFORE, IT IS:


RESOLVED that the Board of Directors of PPSC, does hereby declare the wastewater treatment facilities of Golden Acres subdivision in Marshall County and Great Oaks subdivision in McCracken County are no longer suitable or necessary to the operation of PPSC, and therefore, it is hereby declared to be surplus property. A description of said property, including a legal description of the real property, hereby deemed surplus property is attached hereto as Exhibit "B".

RESOLVED that Purchase Public Service Corporation shall move forward with the potential transfer of the Golden Acres and Great Oaks subdivisions to Marshall County Environmental Services. In furtherance of said merger or acquisition, the Board of Directors of Purchase Public Service Corporation authorize, empower and direct Tony Smith to take any steps necessary to begin said transfer, including the negotiation and execution of a definitive agreement with Marshall County Environmental Services regarding the same. Said agreement shall substantially include the terms and conditions outlined in Exhibit "A" attached hereto Tony Smith or Mark Davis is authorized to add such additional details to such agreement as deemed necessary and advisable and as advised by legal counsel.

RESOLVED, that, upon execution of a definitive agreement with Marshall County Environmental Services, Purchase Public Service Corporation shall file with the Kentucky Public Service Commission (PSC), a joint petition with Marshall County Environmental Services requesting the PSC to approve transfer of ownership and control of District's water works system to Marshall County Environmental Services..

CERTIFICATE

The undersigned hereby certifies that the foregoing Resolution was duly adopted at a meeting of the Board of Directors of Purchase Public Service Corporation on July 16, 2012, in Mayfield, Kentucky, and remains in full force and effect.



Tony Smith
PPSC Chairman

**UNANIMOUS CONSENT OF THE MEMBERS
OF
MARSHALL COUNTY ENVIRONMENTAL SERVICES, LLC**

August 29, 2012

The following resolution was adopted by the Members of Marshall County Environmental Services, LLC ("MCES") without the formality of notice and meeting pursuant to KRS 271B.8-210:

BE IT RESOLVED, that MCES shall move forward, with the potential acquisition, of wastewater treatment facilities in Golden Acres subdivision in Marshall County and Great Oaks in McCracken County, which facilities are currently owned by Purchase Public Service Corporation ("PPSC") In furtherance of said acquisition, the Members of MCES authorizes, empowers and directs Allen Artis as President of MCES to take any steps necessary to begin said possible acquisition, including the negotiation of a definitive agreement with PPSC regarding the same.

This shall include the authority to execute and complete all documents which he deems to be necessary and/or convenient to make acquire said facilities and complete the transaction contemplated herein. Any act taken by Allen Artis shall be deemed for and on behalf of the MCES and shall be deemed fully binding upon it.

WAIVER OF NOTICE

The undersigned Members hereby waive all notice of a meeting and the holding of any meeting of the Members to act upon the foregoing Resolution, and do hereby direct that this Consent be inserted in the official record book of the Company.

IN WITNESS WHEREOF, the undersigned, being Members of MCES, have executed this consent which is effective the 29 day of August, 2012.

Signed:

Michelle Artis
Allen Artis

BEING ALL THE MEMBERS

**UNANIMOUS CONSENT OF THE MEMBERS
OF
MARSHALL COUNTY ENVIRONMENTAL SERVICES, LLC**

August 29, 2012

The following resolution was adopted by the Members of Marshall County Environmental Services, LLC ("MCES") without the formality of notice and meeting pursuant to the Kentucky Revised Statutes:

BE IT RESOLVED, that MCES shall file with the Kentucky Public Service Commission ("PSC"), a joint petition with Purchase Public Service Corporation, requesting the PSC to approve the transfer of ownership and control of wastewater treatment facilities in Golden Acres subdivision in Marshall County and Great Oakes in McCracken County to MCES.

WAIVER OF NOTICE

The undersigned Members hereby waive all notice of a meeting and the holding of any meeting of the Members to act upon the foregoing Resolution, and do hereby direct that this Consent be inserted in the official record book of the Company.

IN WITNESS WHEREOF, the undersigned, being all the Members of MCES, have executed this consent which is effective the 29 day of August, 2012.

Signed:

Michelle Artis
Allen Artis

BEING ALL THE MEMBERS

EXHIBIT E

WILLIAM ALLEN ARTIS

1303 PUGH SCHOOL ROAD / BENTON, KY 42025
270-205-1571 • MCES431@GMAIL.COM

Class III Waste Water License

Class II Collection System License

Associates Degree in Electronics

Electrical License

Class A CDL

From November 1999 – June 2009, I was employed as an operator for the Paducah McCracken Joint Sewer Agency. During this time, I was responsible for operations and maintenance of a variety of systems. I became familiar with compliance monitoring, process control and maintenance duties. While at the JSA, I became familiar with multiple types of treatment plants from 5,000 gallons/day to 6 million gallons/day. I also took advantage of opportunities to attend pump classes and electrical classes and was selected to attend electronics school from 2003-2005, graduating with a 3.8 GPA from an intensive school.

In November 2007, I was hired to operate the MCSD #2 treatment plant as a part-time operator while continuing to work at the JSA. Much of the initial work was rehabilitation of an aging system, which allowed me to gain experience both in the planning and installation of new sewer lines and the replacement of collapsed lines. I also began installing sewage pump stations and upgrading old pump stations. I initiated a program to identify and repair specific points in the system to decrease inflow/infiltration and was able to substantially decrease the flow to the plants during wet weather events. In 2008, I took the opportunity to manage the construction of a new facility at MCSD #2 and I worked closely with engineers and contractors to put a new facility on-line in July 2009. Since then I have been the manager of the new plant and have increased the customer base from 57 to 121. I have also taken on the responsibility for the billing and collection of the sewer customers as the district has grown. I also am responsible for paying

the bills, handling budget submitted to the fiscal court, developing large-scale sewer projects and pursuing funding opportunities and have worked to develop a billing agreement with North Marshall Water that strengthens the district's ability to collect debts from non-paying customers.

In February 2009, I was hired to operate the 15,000 gallon/day Lakeland Arbor Village treatment plant. I was able to maintain compliance with this system while decreasing cost and adding an influent flow meter and motor controls to improve overall operation.

In August 2009, I began assisting small private treatment plants on a contract basis which gave me experience in trouble shooting process control problems on a variety of small systems. I also began installing private lift stations for homeowners and have installed several systems over the past three years.

In January 2012, I was offered a contract with the Marshall County School Systems and took over the operation of four small treatment systems. I have decreased testing costs by over \$3,000 a year, improved treatment and solids handling procedures and stream-lines disinfection further decreasing overall cost while at the same time improving the operation of each treatment plant.

MICHELLE ARTIS

1303 PUGH SCHOOL ROAD / BENTON, KY 42025
270-205-1527 • WMARTIS42025@GMAIL.COM

Class I Waste Water License

Michelle has field experience with treatment plants that MCES is responsible for. She handles daily checks, field testing and compliance sampling. She is also familiar with inspecting sewer and lift stations and assessing possible problems. She assists as the security officer for confined space entry procedures and locates and mark's sewer lines for utilities, contractors and homeowners.

Michelle has 3 years experience handling accounts payable / accounts receivable for Marshall County Sanitation District #2. She maintains customer records for 121 MCSD #2 sewer customers as well as the records and billing for MCES.

EXHIBIT F

6:34 PM
 06/18/12
 Cash Basis

MCES
Profit & Loss Detail
 January 1 through June 18, 2012

Type	Date	Num	Name	Original Amount	Paid Amount
Ordinary Income/Expense					
Income					
Consulting Income					
Invoice	4/10/2012	6	Lakeland Arbor Village	525 00	525 00
Invoice	5/10/2012	2	Lakeland Arbor Village	735 00	735 00
Invoice	6/1/2012	1	Lakeland Arbor Village	875 00	875 00
Invoice	6/1/2012	3	Marshall Co Board of	1,935 00	1,935 00
Invoice	6/1/2012	5	Marshall Co Board of	1,935 00	1,935 00
Invoice	6/11/2012	4	Marshall Co Board of	2,245 00	2,245 00
Total Consulting Income					8,250.00
Total Income					8,250.00
Expense					
Automobile Expense					
Bill	4/30/2012	420	Cheers	58 16	58 16
Bill	5/29/2012	503	Cheers	58 79	58 79
Bill	6/2/2012	523	Cheers	62 89	62 89
Bill	6/8/2012	529	Cheers	68 96	68 96
Bill	6/11/2012	601	Cheers	70 56	70 56
Total Automobile Expense					319.36
Total Expense					319.36
Net Ordinary Income					7,930.64
Net Income					7,930.64

EXHIBIT G

3:25 PM
07/22/12
Cash Basis

MCS D #2
Profit & Loss
January 1 through July 22, 2012

	<u>Jan 1 - Jul 22, 12</u>
Ordinary Income/Expense	
Income	
46400 · Late Fee	1,879.39
47200 · Program Income	
47231 · Credit Bureau	-25.50
47240 · Sewer Deposit	3,300.06
47200 · Program Income - Other	49,122.63
Total 47200 · Program Income	<u>52,397.19</u>
Total Income	54,276.58
Expense	
62100 · Contract Services	
62101 · Allen's Salary	21,005.62
62103 · Microbac Sewer Testing	2,792.35
62104 · Backhoe work	720.00
62105 · Septic Hauler	750.00
62106 · Sewer Cleaning	340.00
62110 · Accounting Fees	551.23
Total 62100 · Contract Services	<u>26,159.20</u>
62800 · Facilities and Equipment	
62802 · Truck Maintance & Repair	208.90
62803 · Truck Payment	2,464.72
62804 · Water	63.38
62805 · Electric	4,001.13
62806 · Fuel	1,816.61
62807 · Shop-O-Rama	833.77
62808 · Napa	114.62
62809 · UV Bulbs	329.55
62810 · Pump Repair	1,130.00
62890 · Rent, Parking, Utilities	1,311.53
Total 62800 · Facilities and Equipment	<u>12,274.21</u>
65000 · Operations	
65020 · Postage, Mailing Service	397.10
65031 · Holley Office Products	385.68
65040 · Supplies	151.15
Total 65000 · Operations	<u>933.93</u>
66000 · Payroll Expenses	
1104-1 · KY Withholding - K1	1,190.17
1104-2 · KY Sales & Use Tax	1,656.28
1104-3 · MC Occupational License Tax	351.00
1104-4 · Marshall County School Tax	175.50
1104-5 · 941 Fed Payroll Tax Withholding	5,139.00
Total 66000 · Payroll Expenses	<u>8,511.95</u>
66900 · Reconciliation Discrepancies	0.18
Total Expense	<u>47,879.47</u>
Net Ordinary Income	<u>6,397.11</u>
Net Income	<u><u>6,397.11</u></u>

3:23 PM
 07/22/12
 Accrual Basis

MCS D #2
Profit & Loss
 January through December 2011

	Jan - Dec 11
Ordinary Income/Expense	
Income	
Returned Check Charges	1,220.00
46400 · Late Fee	-746.29
47200 · Program Income	
47240 · Sewer Deposit	2,730.00
47200 · Program Income - Other	88,959.00
Total 47200 · Program Income	91,689.00
Total Income	92,162.71
Expense	
60900 · Business Expenses	225.00
62100 · Contract Services	
62101 · Allen's Salary	38,509.56
62102 · Invoicing Customers	1,332.00
62103 · Microbac Sewer Testing	7,911.60
62104 · Backhoe work	880.00
62105 · Septic Hauler	0.00
62110 · Accounting Fees	495.00
Total 62100 · Contract Services	49,128.16
62800 · Facilities and Equipment	
62801 · Vehicle and Plant Insurance	-3,760.01
62802 · Truck Maintenance & Repair	180.83
62803 · Truck Payment	3,978.10
62804 · Water	309.72
62805 · Electric	10,398.82
62806 · Fuel	2,348.96
62807 · Shop-O-Rama	82.39
62850 · Vehicle Registration	150.58
Total 62800 · Facilities and Equipment	13,689.39
65000 · Operations	
65010 · Books, Subscriptions, Reference	381.05
65020 · Postage, Mailing Service	397.40
65030 · Printing and Copying	49.40
65031 · Holley Office Products	76.98
65040 · Supplies	3,179.09
65050 · Telephone, Telecommunications	-85.43
65000 · Operations - Other	41.50
Total 65000 · Operations	4,039.99
66000 · Payroll Expenses	
1104-1 · KY Withholding - K1	2,257.68
1104-2 · KY Sales & Use Tax	3,671.49
1104-3 · MC Occupational License Tax	450.00
1104-4 · Marshall County School Tax	225.00
1104-5 · 941 Fed Payroll Tax Withholding	8,493.80
Total 66000 · Payroll Expenses	15,097.97
66900 · Reconciliation Discrepancies	0.00
Total Expense	82,180.51
Net Ordinary Income	9,982.20
Other Income/Expense	
Other Expense	
80000 · Ask My Accountant	-656.56
Total Other Expense	-656.56
Net Other Income	656.56
Net Income	10,638.76

EXHIBIT H

MARSHALL COUNTY ENVIRONMENTAL SERVICES

1303 PUGH SCHOOL ROAD / BENTON, KY 42025
270-205-1571 • MCES431@GMAIL.COM

MCSD #2	KY0044181
Lakeland Arbor Village	KY0053236
Lakeside Campground	KY0090328
Marshall Co High School	KY0023906
Sharpe Elementary School	KY0023892
South Marshall Middle School	KY0023884
Jonathan Elementary	KY0023914