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ESTABLISHED IN 1927

RECEIVED

JUN 5 2014

PUBLIC SERVICE  
COMMISSION

D. Berry Baxter

John M. Berry (1900-1991)  
Of Counsel: John M. Berry, Jr.

June 4, 2014

Public Service Commission of Kentucky  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, KY 40602

RE: Proposed Interlocal Agreement between  
City of Carrollton, Kentucky and  
Henry County Water District #2

Please be advised that the undersigned is the legal counsel for the Henry County Water District #2. The District has entered into the enclosed Interlocal Agreement with the City of Carrollton to share in certain loan proceeds for upgrading facilities for the benefit of both parties. I have provided an additional copy to be returned file stamped to the undersigned along with a self addressed stamped envelope. We are requesting your approval of this agreement. Please advise if I need to provide you with any additional documentation or information. Thank you for your attention to this matter.

Very truly yours,

~~BERRY, FLOYD & BAXTER, P.S.C.~~

  
D. BERRY BAXTER

DBB:dbb

Enc.

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RESOLUTION

WHEREAS, the Board of Commissioners of the Henry County Water District #2 has reviewed the proposed Interlocal Agreement between the City of Carrollton and the District relating to certain infrastructure improvements; and

WHEREAS, the Board has determined that entering into said Agreement is in the best interest of the customers of the District and will provide a tangible benefit in the form of improved infrastructure and safety;

NOW THEREFORE, be it resolved upon a motion duly made by Commissioner Jones, seconded by Commissioner Bohannon and carried that the District shall enter into said Agreement and that the District's Chairman is authorized and empowered to execute said Agreement on behalf of the District and to bind the District to the terms contained therein.

WITNESS the hand of the Chairman of the Board of Commissioners of the Henry County Water District #2 on this 11<sup>th</sup> day of February, 2014.

  
CHAIRMAN

Attest:

  
SECRETARY

RESOLUTION #R2013-24

RESOLUTION OF THE CITY OF  
CARROLLTON, KENTUCKY

**WHEREAS**, the City of Carrollton and the Henry County Water District, a water district organized under KRS Chapter 74, are entering into an agreement whereby the parties would share proceeds of a loan provided by the Kentucky Infrastructure Authority in order to upgrade the facilities for both parties, and

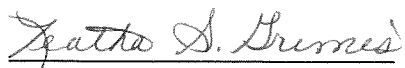
**WHEREAS**, the City Council of the City of Carrollton declares that it is in the best interest of the citizens of the City of Carrollton to enter into this Interlocal Cooperation Agreement.

**NOW THEREFORE BE IT RESOLVED** by the City Council of the City of Carrollton that the Interlocal Cooperation Agreement with Henry County Water District attached hereto and incorporated by reference herein, is hereby approved. The Mayor is hereby authorized to execute any and all documentation in furtherance of said agreement including the Interlocal Cooperation Agreement and any other document required to complete this transaction.

After a reading in full on the 25<sup>th</sup> day of November, 2013, and on motion by Mr. Louden, seconded by Mr. Gordon the resolution was adopted by a vote of 5 ayes and 0 nays.

  
GENE MCMURRY, MAYOR

ATTEST:

  
LEATHA S. GRIMES  
CITY CLERK-TREASURER

INTERGOVERNMENTAL AGREEMENT BETWEEN  
THE CITY OF CARROLLTON, KENTUCKY,  
A CITY OF THE FOURTH CLASS,  
AND THE HENRY COUNTY WATER DISTRICT

FOCUS ON CORE MISSION & INFRASTRUCTURE PROJECT

**WHEREAS**, the City of Carrollton, Kentucky, by and through Carrollton Utilities (“CU”), is a public utility that provides water to customers in Carroll County, Kentucky; and

**WHEREAS**, the Henry County Water District is organized under the provisions of KRS Chapter 74, as a provider of water to customers within its service territory in Carroll, Henry and Trimble Counties, and

**WHEREAS**, for the benefit of customers served by the City of Carrollton, the West Carroll Water District (“WCWD”), the Carroll County Water District (“CCWD”), and the Henry Co. Water District (“HCWD”), these public water systems are undertaking projects for the improvements to their respective water systems which are warranted; and

**WHEREAS**, THE City of Carrollton, Kentucky, WCWD, CCWD and HCWD are submitting a regional project for the improvement of their respective water systems to the Kentucky Infrastructure Authority (KIA) (hereinafter “project”) that is eligible for the most favorable KIA terms;

**NOW THEREFORE**, it is hereby agreed between the City of Carrollton, Kentucky, hereinafter referred to as “City”, and the HCWD as follows:

1. The City and HCWD shall proceed to apply for the regional project with funding through KIA and shall cooperate to provide all information required for said application;
2. The construction of the project shall likely be divided into multiple contracts with the City, the WCWD, the CCWD and the HCWD each determining the nature and scope of the project as it affects their respective water system operations. Engineering for the

project shall be handled by one engineering firm to be selected jointly by the City, WCWD, CCWD and HCWD.

3. To finance the project, the City shall be responsible to apply for and receive the KIA funding on a thirty (30) year amortization at the rate of 0.75% interest with fifty percent (50%) principal forgiveness in an amount estimated at \$963,931 including construction, engineering, inspection, geotechnical engineering for wells and contingency. Funding obtained by the City shall be utilized to fund the project, with the funding being allocated between multiple construction contracts in accordance with actual expenses incurred for construction on each contract pro rata, with a similar percentage assigned to each entity for the cost of engineering services which cost is also to be divided between them pro rata.

The pro rata share of each public water system is estimated as follows:

City	\$ 700,959.18
WCWD	\$ 38,760.31
CCWD	\$ 193,374.20
HCWD	\$ 30,837.31

The above amount is an estimate and this amount shall not be exceeded without approval of the affected system. If bids for the project result in a pro rata amount in excess of the amount stated above, the affected public water system may reduce the scope of project to achieve a pro rata share that is acceptable to the affected public water system. The City will apply the 50% principal reduction referenced hereinabove to each entity's final as-bid cost. Nothing shall restrict the public water system from utilizing other funding sources to meet shortfall in KIA funding or to reduce the KIA pro rata share.

4. HCWD will pay to the City a semi-annual payment for a period equal to the years

of the debt incurred by the City to cover its proportionate share of the final debt service for its portion of the project with said payments to begin on the same year as the City is required to begin paying the debt following construction of the project. CU expects the project to be complete and begin billing HCWD around the 1<sup>st</sup> quarter of 2015. CU shall provide HCWD a notice of payment due semiannually 30 days prior to due date.

5. HCWD will retain sole authority to identify the nature and scope of its portion of the project, and shall be allowed to reject any contract proposals, and/or resubmit the project for bid and/or restructure the project as it sees fit.

6. The City will retain sole authority to identify the nature and scope of its portion of the project, and shall be allowed to reject any contract proposals, and/or resubmit the project for bid and/or restructure the project as it sees fit.

7. Both parties acknowledge that in the event either party withdraws from the project, then it understands that KIA may withdraw its funding of the project.

8. This Intergovernmental Agreement is subject to the review and approval of the Kentucky Public Service Commission, and its approval of the project and debt service obligation to the City, and if required by PSC, a Certificate of Convenience and Necessity will be submitted in order to go forward with the project.

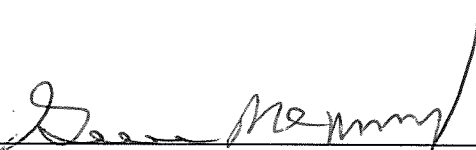
9. The City and HCWD agree to sign such documents as may be required to effectuate the terms and conditions of this Agreement including an agreement regarding ownership of the meter vault being constructed as well as the contents of same. It is contemplated that HCWD will transfer any ownership interest it has to the vault and its contents to the City/WCWD/CU retaining only ownership of the water meter housed therein.

10. In the event that funding from KIA is not received on the rates and terms set forth herein, then this Agreement will be rendered null and void.


11. The parties hereto will not own any property jointly and no provision need be made for disposition of property upon termination hereof.

12. The term of this agreement is thirty years or until the HCWD portion of the indebtedness is paid in full, whichever is sooner. HCWD may pay CU their portion of the debt in full at any time without any penalties.

DONE THIS THE 25<sup>TH</sup> DAY OF February, 2014.

  
\_\_\_\_\_  
MAYOR  
CITY OF CARROLLTON, KENTUCKY

ATTEST:

  
\_\_\_\_\_  
CITY CLERK

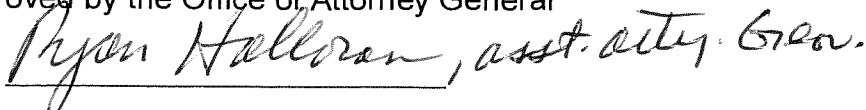
HENRY COUNTY WATER DISTRICT

BY:   
\_\_\_\_\_  
CHAIRPERSON

ATTEST:

  
\_\_\_\_\_  
SECRETARY

Approved by the Office of Attorney General

BY:   
\_\_\_\_\_  
asst. atty. Gen.

DATE: MARCH 26, 2014

Approved by the Kentucky Public Service Commission

BY: \_\_\_\_\_

DATE: \_\_\_\_\_

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