

SUPPLEMENTAL AGREEMENT

TO

CONTRACT FOR ELECTRIC SERVICE

FOR

WHOLESALE POWER SERVICE TO OTHER UTILITIES

To enable Customer to provide better electric service to consumers within its electric service area, Company, upon request by Customer, will deliver, at multiple delivery points in Customer's electric service area at locations to be agreed upon between the parties, energy supplied by Company under the Contract for Electric Service and Electric Rate Schedule to which this Agreement is supplemental, with conjunctive billing (as hereafter defined) for all such delivery points, upon the following terms and conditions:

1. All such deliveries shall be only at transmission voltage level of 69 KV.
2. Company shall be obligated to agree to such a delivery point, in addition to those in existence at any time, only if at the time of the request therefor Company has in existence a transmission circuit or circuits and other required facilities then having adequate surplus capacity (i.e., capacity in excess of the use then being made of the involved facilities) for the deliveries at such additional point.
3. As provided in the said Contract for Electric Service and Electric Rate Schedule, Customer must provide all transformers and other facilities necessary to take service at the delivered voltage. Company will provide all other facilities required in the establishment of the first delivery point as

identified in the said Contract and Facilities Lease Agreement which is part thereof. If additional delivery points are established, Company will provide, install, maintain and operate special metering equipment, the required space and supporting structures therefor to be provided by Customer in its substations. Company shall not be required to make any other investment in the establishment of any delivery point after the first; and Customer will provide all facilities, except metering equipment, required for each such additional delivery point, including facilities for the protection of Company's system made necessary by the establishment of such delivery point.

4. Measurement of and billing for service supplied by Company through multiple delivery points established hereunder, at rates and subject to other terms and conditions prescribed in such Electric Rate Schedule as from time to time in effect, not inconsistent with provisions herein, will be as follows:

(a) Measurement of service supplied hereunder at transmission voltages will be accomplished by means of special metering equipment installed, owned and operated by Company in connection with each delivery point. In consideration of the additional cost and expense required of Company in the provision, ownership and operation of such special metering equipment and special billing computations, Customer, where there is more than one delivery point, will pay to Company, in addition to other amounts, for deliveries at 69 KV, \$45 per month for the initial delivery point plus \$220 per month for each additional delivery point. In the event of change in Company's costs of providing, owning, maintaining, and operating such special metering equipment and of making such special billing computations, the amounts of the said charges may be adjusted, either by agreement of the parties or in the manner provided in the said Contract for Electric Service for adjustment of rates and charges.

BC 00400

(b) During each monthly billing period, the Maximum Load Charge shall be computed based upon the average kilowatt load used by Customer during the 15-minute period of maximum simultaneous use at all metering points, and the Energy Charge shall be computed based upon the total energy used by Customer at all metering points.

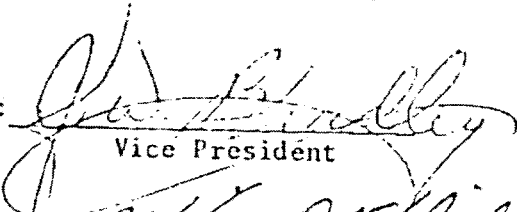
5. This Agreement supplements, and to the extent of the provisions herein modifies, the Contract for Electric Service between the parties of even date herewith and the Electric Rate Schedule thereunder as from time to time in effect (the present such Schedule being designated WPS-73, copy attached); and the said documents and the Facilities Lease Agreement hereinabove referred to, together, constitute the agreement between the parties. This Supplemental Agreement shall become effective and billing hereunder commence upon the date of commencement of service by Company at the second delivery point now under construction by Customer, and shall continue in effect during the effectiveness of the said Contract and related Rate Schedule, or until an earlier date when service thereunder may, by agreement of the parties, again be reduced to a single delivery point.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Agreement to be executed by their respective duly authorized representatives, as of July 20, 1976.

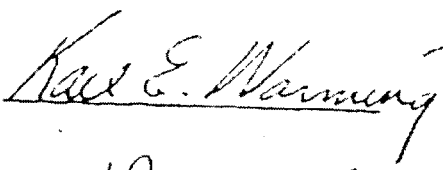
KENTUCKY UTILITIES COMPANY

BEREA COLLEGE

By:


Vice President

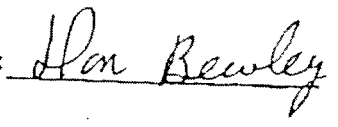
By:



Attest:


Assistant Secretary

Attest:



FACILITIES LEASE AGREEMENT
SUPPLEMENTAL TO
CONTRACT FOR ELECTRIC SERVICE

WHEREAS, BEREA COLLEGE of Berea, Kentucky, (Customer) desires to receive electric service from KENTUCKY UTILITIES COMPANY (Company) at a nominal voltage of 69,000 volts, but does not own facilities making possible receipt of service at such voltage; and

WHEREAS, Company owns facilities of such type, described hereafter, and is willing to lease such facilities to Customer on the basis of the terms and conditions set forth herein and in the Contract for Electric Service between the parties of even date herewith and to which this Agreement is supplemental;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the parties agree as follows:

1. Company owns, and hereby leases to Customer and Customer hereby leases from Company, that 69/4 KV 10,000 KVA substation, known as the Berea No. 676 Substation, located as shown on the map which is Exhibit "A" hereto, and including those facilities listed on the schedule which is Exhibit "B" hereto, (hereafter referred to as the Substation).
2. During the term hereof, Company will continue to own, operate and maintain the Substation.
3. As rent for the Substation and consideration for Company's services in relation thereto, Customer will pay to Company an annual facility charge of \$15,411.36 consisting of 23% of Company's investment of \$67,005.76 in the Substation, one-twelfth of such annual charge, or \$1,284.28 to be paid to

Company with each of Customer's monthly bills for electric service under the said Contract. In the event of change in the amount of Company's investment in the Substation or in the cost of Company's ownership, operation and maintenance thereof, the amount of the annual facility charge may be adjusted, either by agreement of the parties or in the manner provided in the said Contract for Electric Service for adjustment of rates and charges.

4. This Facilities Lease Agreement is attached to and made a part of the Contract for Electric Service between the parties of even date herewith. This Agreement shall become effective and billing hereunder commence upon the date of commencement of service by Company at the second delivery point now under construction by Customer, and shall continue in effect for a period of five years thereafter, and after the expiration of the said period shall be automatically renewed in accordance with the provisions of the rate schedule then in effect.

IN WITNESS WHEREOF, the parties hereto have caused this Facilities Lease Agreement to be executed by their respective duly authorized representatives, as of July 20, 19 76.

KENTUCKY UTILITIES COMPANY

By: J. W. Bradley
Vice President

Attest: Michael Whitley
Assistant Secretary

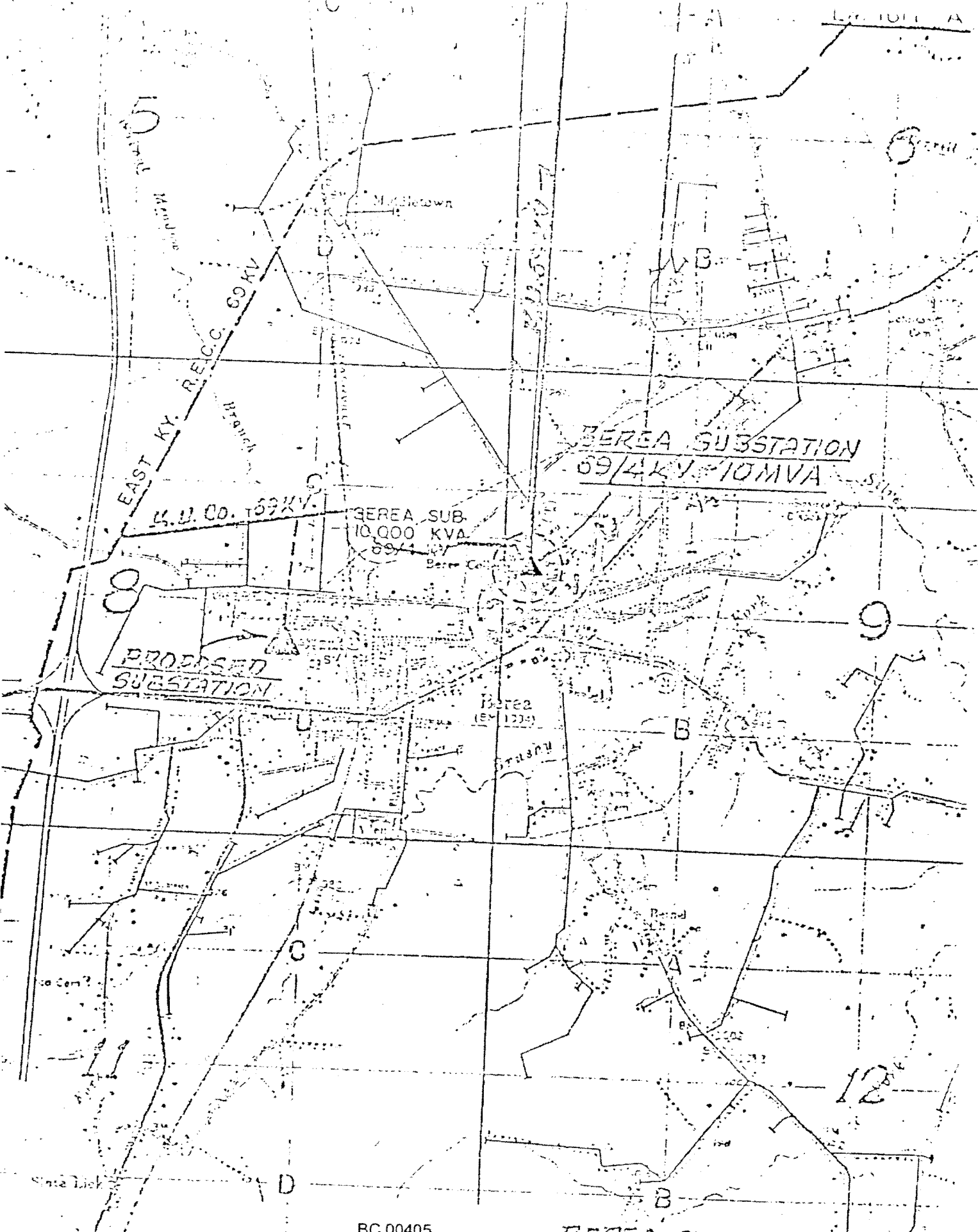
BEREA COLLEGE

By: Karl E. Werning

Attest: Don Bewley

(Berca # 676 Substation)

Transformer C 454 -	\$51,900.89
Fencing (Current 71) -	310.64
Fencing (1958) -	369.70
Grading (Current) -	269.75
Grading (1958) -	312.60
Transformer mat -	487.35
Tower Piers -	1,012.07
Steel -	3,817.48
69 K.V. APS -	1,984.32
69 K.V. Fuses -	1,390.80
L.A. 69 K.V. -	1,745.38
15 K.V. Disc -	831.37
5 K.V. L.A. -	401.98
C.O. (Power Supply) -	28.77
4/0 Cu.	226.25
300 MCM -	121.17
1000 MCM -	133.47
10 in. Bell -	104.95
34 P.T. Ins. -	49.58
69 Post Ins. -	376.35
Grounding -	951.58
Hook Stick & Container -	201.33
Total -	\$67,005.76



PROPOSED SUBSTATION

BEREA SUBSTATION
69/4 KV 10 MVA

BEREA SUB.
10,000 KVA
69/4 KV

EAST KY. RECC. 69 KV

U. D. CO. 69 KV.

KENTUCKY Utilities Company
(Company)

ELECTRIC RATE SCHEDULE
WPS-87 (M)

Wholesale for Retail Resale Electric Service
to Municipals and Burma College

AVAILABILITY

By Contract.

APPLICABILITY

To wholesale for retail resale electric service through one delivery point and one set of metering apparatus; billed separately in accordance with the Charges set out herein.

CUSTOMER FACILITIES

Customer must own and maintain all transformers and other facilities necessary to take service at the delivered voltage.

TERM

As set out in the Contract.

PAYMENT

Each month Customer will pay Company at its office, in cash or check of Customer, within ten days of rendition of bills, for all electricity delivered to Customer during the preceding month. If payment is by check of Customer, payment will be effective only if check is honored upon presentment.

RATE

Maximum Load Charge

Primary Service at nominal voltage of 2,400 volts through 12,470 volts,
\$7.408 per kilowatt for all kilowatts of Maximum Load in the month.

Transmission Line Service at nominal voltage of 34,500 volts or more,
\$7.364 per kilowatt for all kilowatts of Maximum Load in the month.

BC 00406

Issue Date: October 15, 1987

Effective Date: July 1, 1987

Determination of Maximum Load: The Maximum Load will be measured and will be the average kilowatt load used by Customer during the 15-minute period of maximum use during the month.

Energy Charge

2.33 cents per KWH used per month.

MINIMUM MONTHLY BILL

The Minimum Monthly Bill will be the Maximum Load Charge for the month, but never less than the Maximum Load Charge established during the eleven preceding months. The fuel Clause Charge shall be in addition to the Minimum Monthly Bill.

FUEL CLAUSE

The charge per KWH delivered under this Rate Schedule shall be increased or decreased to the nearest \$.00001 per KWH, during each month in accordance with the following Adjustment Factor:

$$\text{Adjustment Factor} = (F_m/S_m - F_b/S_b) \quad (\text{LD or LT})$$

Where: "F" is the expense of fuel and "S" is the KWH sales in the base "b" and current "m" periods. Fuel costs "F" and KWH sales "S" are as defined in Section 35.14 of the Regulations under the Federal Power Act. Base period is twelve months ending December 31, 1984, as determined from the Company's Period II studies as filed with FERC in August 1983. Current period shall be the same calendar month that energy billed under this Fuel Clause is consumed. "LT" is the Loss Factor which recognizes proper allowance for losses (estimated if necessary) associated only with wholesale sales for resale at the transmission voltage level. "LT" is determined from the following formula:

$$\text{"LT"} = \frac{\text{KWH Total Sales}}{\text{KWH Available for Sale at Transmission Voltage Level}}$$

"LD" is the Loss Factor which recognizes proper allowance for losses (estimated if necessary) associated only with wholesale sales for resale at the distribution voltage level. "LD" is determined from the following formula:

$$\text{"LD"} = \frac{\text{KWH Total Sales}}{\text{KWH Available for Sale at Transmission Voltage Level}} \times \frac{\text{KWH Delivered to Distribution System}}{\text{KWH Distribution Sales}}$$

INCREASES IN CUSTOMER'S REQUIREMENTS

Customer shall, on a continuing basis, forecast its requirements eight years in advance. Customer shall submit to Company Customer's forecast at least once every twelve months, the date by which Customer shall submit its forecast to be determined by mutual agreement.

BC 00407

Issue Date: October 15, 1987

Effective Date: July 1, 1987

Company shall plan and provide for forecasted increases in Customer's requirements, giving consideration to Company's and Customer's forecasts. Company shall submit to Customer at least once every twelve months the forecast Company uses to plan for Customer's requirements, the date by which Company shall submit its forecast to be determined by mutual agreement.

If Customer anticipates an increase in its requirements beyond that for which Company has planned, Customer shall notify Company as soon as possible. Company will provide for such an increase to the extent it is able to do so from its own resources or by purchasing power without impairing its ability to provide adequate service to other customers. As soon as practicable after receipt of such notice from Customer, Company will inform Customer whether Company is able to provide for the increased requirements, and the rate at which it will do so. If Company is unable to provide for Customer's increased requirements, Company will do so as soon as it reasonably can without impairing its ability to provide adequate service to other customers. The rate for service shall be the rate specified herein or in a superseding rate schedule properly filed with the Federal Energy Regulatory Commission.

CURTAILMENT

In the event any occurrence, condition or circumstance leads Company to request voluntary curtailment of consumption, or to impose mandatory curtailment of consumption, with respect to Company's own retail customers, or a segment thereof which would include the retail customers of Customer if Company supplied such retail customers directly, Customer will make the same request for voluntary curtailment of consumption, or impose the same mandatory curtailment of consumption, upon its retail customers, to the end that retail customers of Company, or the affected segment thereof, and retail customers of Customer will be treated alike; and Customer will cooperate fully in taking the same character of enforcement action as Company takes with respect to any such request or mandate.

ADJUSTMENTS

Nothing contained herein shall be construed as affecting in any way the right of Company, and Company shall at all times have the right, to unilaterally file with the Federal Energy Regulatory Commission, or other regulatory agency having jurisdiction, a change in rates, charges, classification or service, or any rule, regulation or contract relating thereto, under Section 205 of the Federal Power Act and pursuant to the Commission's Rules and Regulations promulgated thereunder, or under other applicable statutes and regulations.

NON-ASSIGNABILITY

No right or obligation of Customer hereunder is assignable in whole or in part or voluntarily or involuntarily, without the prior written consent of Company.

BC 00408

Issue Date: October 15, 1987

Effective Date: July 1, 1987

RULES, REGULATIONS, TERMS AND CONDITIONS
Applicable to Wholesale For Retail Resale Electric Service

APPLICATION FOR SERVICE

Service will be rendered under Contract, in writing, signed by Customer and Company. The Contract shall become effective when approved or accepted by every regulatory agency having jurisdiction.

CUSTOMER'S INSTALLATION

All wiring and other electric equipment furnished by Customer will be maintained by Customer at all times in conformity with requirements of constituted authorities.

ACCESS TO PREMISES

Company will have the right of access to Customer's premises at all reasonable times for the purpose of installing, reading, inspecting or repairing any meters, devices and other equipment used in connection with Company's supply of electric service, or for the purpose of removing its property and for all other proper purposes.

METERING

The electricity used will be measured by a meter or meters to be furnished and installed by Company at its expense, and all bills will be calculated upon the registration of said meters.

Company, at its option, shall have the right to meter service on the low voltage side of Customer-owned substation, where delivery by Company is at the transmission voltage, and adjust the meter readings to reflect transformer losses. Customer shall provide suitable space for Company's metering equipment in substations owned by Customer.

PROTECTION OF COMPANY'S PROPERTY

Customer will be held responsible for tampering, interfer-

ing with, breaking of seals of meters, or other equipment of Company installed on Customer's premises, and will be held liable for same according to law. Customer hereby agrees that no one except employees of Company shall be allowed to make any internal or external adjustments of any meter or any other piece of apparatus which shall be the property of Company.

LIABILITY

Customer assumes all responsibility for the electric service upon Customer's premises at and from the point of delivery of electricity and for the wires and equipment used in connection therewith, and will protect and save Company harmless from all claims for injury or damage to persons or property occurring on Customer's premises or at and from the point of delivery of electricity, occasioned by such electricity or said wires and equipment, except where said injury or damage is shown to have been occasioned solely by the negligence of Company.

CONTINUOUS SERVICE

Company will not be responsible in damages for failure to supply electric service or for interruptions or reversal of the supply if such failure is without willful fault on its part.

PROTECTION OF SERVICE

Company cannot render service to any Customer for the operation of any device that has a detrimental effect upon the service rendered to other customers.

Company, however, will endeavor to cooperate with Customer when consulted concerning the intended use of any electric device, which may have such detrimental effect, proposed to be served from Customer's system.

Where Customer permits service from its system to intermittent loads or loads subject to violent fluctuations, Company reserves the right to require Customer to furnish, at its own expense, suitable equipment to reasonably limit such intermittence or fluctuation.

POWER FACTOR

Company installs facilities to supply power to Customer at or near unity power factor.

Company expects Customer's distribution system to be at or near unity power factor. However, Company will permit Customer's distribution system, during normal operation, to have a power factor not lower than 90% either lagging or leading.

Where Customer's power factor is less than 90%, Company reserves the right to require Customer to furnish, at its own expense, suitable corrective equipment to maintain a power factor of 90% or higher. At Company's option, in lieu of Customer's providing the above corrective equipment, Company may adjust the maximum measured load for billing purposes when power factor is less than 90%, in accordance with the following formula (BASED ON POWER FACTOR MEASURED AT TIME OF MAXIMUM LOAD):

$$\frac{\text{Maximum Measured KW Load} \times 90\%}{\text{Power Factor (in percent)}}$$

Company will not be required to measure power factor more often than once a year but will do so if there is a material or permanent change in Customer's load. However, Company reserves the right to install (1) a KVA meter and base the billing KW on the measured KVA times 90%, or (2) metering equipment of a type whereby power factor can be determined for use in the above formula.

The reference to "power factor" is in accordance with the accepted technical meaning of this term.

BILLING FOR SERVICE

(a) All bills will be based upon consecutive meter readings, as relates to kilowatt hours, made in accordance with Company's meter reading schedule, which readings shall be taken as nearly as may be practicable every 30 days.

(b) Failure to receive a bill in no way exempts Customer from the provisions of these RULES, REGULATIONS, TERMS AND CONDITIONS.

(c) When Company is unable to read a meter after reasonable effort, Customer will be billed at the average of the three immediately preceding monthly bills and the billing adjusted

BC 00411

when the meter is read.

(d) Fuel clause adjustments (+) are in addition to the minimum.

DISCONTINUANCE OF SERVICE

When bills for electric service are in arrears, or in case Customer fails to comply with these RULES, REGULATIONS, TERMS AND CONDITIONS, Company will have the right to discontinue all its electric service to Customer and to remove its property from Customer's premises upon mailing notice to address to which the monthly bills are sent. For Customers whose service has been so disconnected, there will be a charge equal to Company's actual costs of disconnecting and of any reconnecting of the service.

TRANSMISSION SERVICE

Customer, in order to earn the transmission service rate, must own and maintain or, at Company's option, lease all transformers and other facilities necessary to take service at the delivered transmission voltage.

INCREASES IN CUSTOMER'S REQUIREMENTS

Customer shall, on a continuing basis, forecast its requirements eight years in advance. Customer shall submit to Company Customer's forecast at least once every twelve months, the date by which Customer shall submit its forecast to be determined by mutual agreement.

Company shall plan and provide for forecasted increases in Customer's requirements, giving consideration to Company's and Customer's forecasts. Company shall submit to Customer at least once every twelve months the forecast Company uses to plan for Customer's requirements, the date by which Company shall submit its forecast to be determined by mutual agreement.

If Customer anticipates an increase in its requirements beyond that for which Company has planned, Customer shall notify Company as soon as possible. Company will provide for such an increase to the extent it is able to do so from its own resources or by purchasing power without impairing its ability to provide adequate service to other customers. As soon as practicable af-

ter receipt of such notice from Customer, Company will inform Customer whether Company is able to provide for the increased requirements and the rate at which it will do so. If Company is unable to provide for Customer's increased requirements, Company will do so as soon as it reasonably can without impairing its ability to provide adequate service to other customers. The rate for service shall be the rate specified in the Rate Schedule applicable when Company so informs Customer or in a superseding rate schedule properly filed with the Federal Energy Regulatory Commission.

CHANGE IN FACILITIES

When Customer's load grows to a point where Company or Customer facilities must be enlarged to provide an adequate and reliable supply of power and energy, Company reserves the right to require a new contract which shall provide for a new initial term, among other things.

AGENTS CANNOT MODIFY AGREEMENT

No agent has power to amend, modify, alter or waive any of these RULES, REGULATIONS, TERMS AND CONDITIONS, or to bind Company by making any promises or representations not contained herein.

NON-ASSIGNABILITY

No right or obligation of a wholesale for retail resale Customer of Company is assignable, in whole or in part or voluntarily or involuntarily, by Customer without the prior written consent of Company.

CURTAILMENT

In the event any occurrence, condition, or circumstance leads Company to request voluntary curtailment of consumption, or to impose mandatory curtailment of consumption, with respect to Company's own retail customers, or a segment thereof which would include the retail customers of Customer if Company supplied such retail customers directly, Customer will make the same request for voluntary curtailment of consumption, or impose the same mandatory curtailment of consumption, upon its retail customers, to the end that retail customers of Company,

BC 00413

Exhibit "K"

Electric System Obligations

The actual listing of electric system obligations will be supplied at closing. College's spreadsheet entitled "Utility Working Capital" is attached as Exhibit "C" and reflects the electric system obligations (accounts payable, deposits for line extensions, service connection deposits and other accrued liabilities) as of June 30, 2004.

Exhibit "L"

List of Water System and Electric System Employees

Berea College Utilities Spreadsheet

Electric

<u>ID</u>	<u>LAST</u>	<u>FIRST</u>	<u>MI</u>	<u>TITLE</u>	<u>DATE OF HIRE</u>
	Botkin	Carlos	E	Electric Services Coordinator	4/27/70
	Botkin	Sarah		Business Services Manager	4/24/72
	Campbell	Pauline		Customer Service Representative	9/4/84
	Clark	Arthur	G	Electric Line Technician	7/24/89
	Eirich	Michael	A	Operations Manager	10/1/89
	Elkins	Helena	K	Customer Service Representative	9/15/03
	Hendricks	James	T	Electric Crew Chief	6/30/76
	Howard	William	Kevin	Electric Line Technician	4/17/02
	Lovern	William	M	Electric Meter Technician	5/29/90
	Short	James	H	Electric Line Assistant	4/9/74
	Thacker	David	L	Electric Line Assistant	5/5/80

Water

<u>ID</u>	<u>LAST</u>	<u>FIRST</u>	<u>MI</u>	<u>TITLE</u>	<u>DATE OF HIRE</u>
	Agee	Brady	G	Maintenance Operator	9/2/80
	Alexander	Larry	V L	Maintenance Operator	11/18/97
	Bussell	Charles	T	Water maintenance Operator III	1/1/80
	Causey	Billie	M	Customer Service Representative	1/7/04
	Conn	Ricky	D	Maintenance Operator	10/14/85
	Jones	Steven	L	Water Production Operator I	4/19/82
	Lakin	Suzanne	Rogers	Customer Service Rep	3/23/99
	Morris	Nathan	Dale	Water Systems Technician	5/3/04
	Rickels	James	H	Water Meter Technician	2/8/93
	Robinson	Dmitri		Water Meter Technician	6/14/83
	Settles	Nicquella	Y	Customer Service Representative	1/5/04

Exhibit "M"

Office Lease

UTILITY OFFICE LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Lease") is made and entered into as of the ___ day of _____, 2004 by and between **BEREA COLLEGE**, a Kentucky non-profit corporation whose office address is C.P.O. 2211, Berea, Kentucky 40404 ("Landlord") and the **CITY OF BEREA**, a Kentucky municipal corporation acting by and through its Mayor and City Council, whose address is 212 Chestnut Street, Berea, Kentucky 40403 ("Tenant").

RECITALS:

- A. Landlord is the sole owner of the Premises described below and has previously utilized the premises as office space for its electric and utility operations.
- B. Tenant is purchasing certain electric and water utility assets from the Landlord and the Tenant intends to operate the electric and water utility business previously engaged in by the Landlord.
- C. Tenant desires to lease the Premises from the Landlord as temporary office space for the electric and utility operations to be conducted henceforth by the City of Berea.
- D. The parties desire to enter into this Lease defining their rights, duties and liabilities relating to the Premises.

In consideration of the Premises and mutual agreements made herein contained, Landlord and Tenant agree as follows:

1. Subject and Purpose. Landlord leases to Tenant a suite of offices and parking area located in the College's existing Heat Plant Building located on Rustic Cottage Road within the campus of Berea College, Berea, Kentucky as more particularly described on Exhibit A which is attached hereto and incorporated herein by this reference (the "Premises") together with a non-exclusive easement and right of access to the Premises which is also described on Exhibit A.
2. Term and Rent.
 - a. Landlord demises the above-described Premises to the Tenant for a term commencing on _____, 2004, and terminating on December 31, 2005, or sooner as provided in this Lease, at the annual rental rate of \$5,400.00 for a total rent of \$_____, which shall be payable in equal monthly installments of \$450.00, in advance on the first day of each month for that month's rental, during the term of this Lease (the "Term"). Time shall be OF THE ESSENCE with respect to the end of the Term of this Lease as the Landlord expects to proceed with the demolition of the Premises on or following January 1, 2006. Notwithstanding the foregoing, the Tenant may exercise the early termination of this Lease by giving thirty (30) days advance written notice thereof to the Landlord in the manner provided herein and by paying all rent and other sums due and owing to the Landlord as of the effective date of the Tenant's voluntary termination.

b. All rental payments shall be made to Landlord at the address specified above.

c. Tenant shall also pay to Landlord the rent and additional rent as specified in this Section 2 and Sections 3 and 6 below.

3. Additional Rent. All taxes, charges, costs and expenses that Tenant assumes or agrees to pay under this Lease, including, but not limited to, together with all interest, costs and expenses that may accrue in the event of the failure of Tenant to pay those items, and all other damages, costs, expenses and sums that Landlord may suffer or incur, or that may become due, by reason of a default of Tenant or failure by Tenant to comply with the terms and conditions of this Lease shall be deemed to be additional rent, and, in the event of non-payment, Landlord shall have all the rights and remedies as provided in this Lease and applicable law for failure to pay rent.

4. Alterations, Additions and Improvements.

a. No portion of the Premises shall be demolished or removed by Tenant. Tenant may at any time during the Term, subject to the conditions set forth below at its own expense make any alterations, additions or improvements in and to the Premises, which shall first be approved, in writing, by the Landlord, in its sole and absolute discretion. Alterations shall be performed in a satisfactory manner and shall not weaken or impair the structural strength, or lessen the value, of the building on the Premises, or change the purposes for which the building, or any part of the Premises may be used.

b. Before commencement of any work, Tenant shall have all plans and specifications approved by all requisite governmental departments or authorities and all work shall be done in accordance with the requirements of local regulations. Tenant shall pay any increase in premiums on insurance policies provided for in this Lease due to said work.

c. All alterations, additions and improvements on or in the Premises at the commencement of the Term, and which may be erected or installed during the term, shall become part of the Premises and the sole property of Landlord, except that all moveable trade fixtures installed by Tenant shall be and remain the property of Tenant, but any damage caused by said removal shall promptly be paid by Tenant.

5. Compliance. Tenant covenants and agrees that in the use and occupancy of said Premises, it will comply with all valid federal, state, local, zoning and other laws and ordinances together with all lawful requirements of all public authorities. Tenant covenants to comply with the federal, state, and city laws and ordinances in regard to nuisances, insofar as the Premises are concerned, and that it will not by any act of its own, or its Subtenants (if any), render Landlord liable therefor. Tenant shall be responsible for any and all Capital Improvements (as defined by generally acceptable accounting principles) to the Premises required by federal, state or local legal requirements arising from or relating to the Tenant's specific use of the Premises.

6. Utilities and Steam Charge. Tenant shall, at its own cost and expense, be responsible for all utility service to the Premises. The Premises are heated by steam heat provided

by the Landlord and the Tenant agrees to pay the Landlord for such steam heat at the annual rate of \$10,900 which shall be paid by the tenant in equal monthly installments of \$908.00 on the first day of each month during the Term of this Lease as a steam charge which shall constitute additional rent hereunder.

7. Duty to Pay No demand of rent need at any time be made on the Premises or elsewhere, but it shall be the duty of Tenant to pay the same when due, without demand.

8. No Hazardous Substances Tenant agrees that it will not possess, store or use upon the Premises: (i) any hazardous substances or materials regulated by state or federal laws, except in strict compliance with such laws; (ii) explosives or articles deemed extra-hazardous on account of fire; or (iii) use or allow to be used on the said Premises any oil, burning fluids, kerosene, or camphor for heating or warming purposes; and (iv) that it will not use or permit to be used on the Premises anything that will invalidate any policies of insurance which may now or hereafter be carried on said Premises or said building, or that will increase the rate of insurance thereon. Tenant agrees to indemnify and hold Landlord harmless from any and all liability for claims, suits, costs, expenses, causes of action, personal liability, remediation and property damage (including Landlord's reasonable attorney's fees) arising from the presence, use or storage of any hazardous substance or materials described above on the Premises.

9. Signs Tenant shall not paint, affix, erect, or hang any signs on the demised Premises except such as shall have been approved in writing by Landlord, in its sole and absolute discretion, and comply with all applicable zoning law and applicable ordinances.

10. Maintenance and Repairs Tenant shall, at its own expense, perform necessary maintenance and repairs to maintain the Premises and Parking Area clean and in good condition with appropriate signs, curbs, and striping. Landlord agrees, at its expense, to keep the roof, outside walls, foundation, structural elements and building systems (including plumbing, air conditioning, heating, sewers, and electrical supply) of the building on said Premises in good repair and in tenantable condition at all times during the Term of this Lease. Tenant also agrees, at its own expense, to perform all interior maintenance and repairs to the Premises.

11. Inspection Landlord and its agents shall have the right to enter said Premises at reasonable hours for the purpose of inspecting same for compliance with the terms and conditions of this Lease.

12. Casualty In the event the Premises are rendered wholly untenable by fire, casualty or the elements, this lease shall be automatically terminated as of the date of the damage or casualty, without any further liability or responsibility on the part of either the Landlord or the Tenant as though that were the date set forth in this Lease for the expiration thereof. Landlord shall not be liable to repair or restore any trade fixtures brought or placed upon the Premises by Tenant.

13. Indemnification Landlord shall not be liable for injury to persons or damage to property occurring within the Premises or for any claims, demands, actions or causes of actions arising from or in any relating to Tenant's use of the Premises during the Term of this Lease or any period thereafter in which the Tenant is holding over. Tenant hereby agrees to indemnify and hold

harmless Landlord from any and all liability for any such claims, demands, actions, causes of action, injury or damage, unless caused by the negligence or intentional acts of Landlord or Landlord's officer, agent, servant, or employee. Tenant has inspected and satisfied itself that the Premises are suitable for the Tenant's intended use.

14. Insurance Requirements Tenant agrees to procure and maintain policies of public liability insurance, fire and extended risk coverage from an insurance company admitted to do business in Kentucky, in an amount up to the sum of \$1,000,000.00 for for injury or damage to any person or persons for injury or damage caused by any accident or other occurrence or loss upon the Premises. Tenant shall list the Landlord as an additional insured on such insurance policies and to provide evidence of insurance to Landlord upon request. Tenant shall provide and keep in force other insurance in amounts that may from time to time be required by Landlord against other insurable hazards as are commonly insured against for the type of business and program activity that Tenant will conduct.

15. No Surrender It is mutually agreed that no surrender of the Premises, or of any portion thereof the term herein created, shall be valid unless accepted by Landlord in writing.

16. Abandonment In the event Tenant shall vacate or abandon the Premises for a period of 60 days during the Term of this Lease, Landlord may, at its option, without terminating this Lease, enter said Premises, remove Tenant's signs and effects therefrom, and relet the Premises for the account of Tenant for such rent and upon such terms as may be satisfactory to Landlord, without such re-entry working a forfeiture of the rents to be paid or the covenants to be performed by Tenant under the terms hereof. Landlord is authorized, at Tenant's expense, to make such repairs, alterations, changes, or additions in or to the Premises as may, in its opinion, be reasonably necessary to relet them advantageously, store all Tenant's personal property at Tenant's expense, and, if a sufficient sum of money shall not be realized monthly from such reletting to pay the cost of said repairs, alterations, changes, or additions, and the cost of reletting said Premises, and the rent to be paid hereunder by Tenant, then Tenant agrees to pay and satisfy the deficiency each month upon demand therefor.

17. Default Tenant agrees that if the rent reserved by this Lease, or any part thereof, shall be unpaid for 10 days after the same is due, or if Tenant shall fail to keep and perform any of the other covenants, conditions, provisions, and agreements herein contained to be kept and performed by Tenant, and said default shall continue for 30 days after notice thereof has been given Tenant by Landlord, or if a petition in bankruptcy be filed by or against Tenant, or if Tenant shall be adjudged bankrupt or insolvent by any court, or if Tenant shall make an assignment for the benefit of creditors, or if a receiver or trustee in bankruptcy of Tenant shall be appointed in any suit or proceeding brought by or against Tenant, or if the leasehold interest of Tenant shall be levied upon under any execution which is not removed within 30 days of its entry, Landlord may, at its option, terminate this Lease, Tenant agreeing that the covenants and agreements made by Tenant herein shall be deemed conditions as well as covenants.

18. Return of Premises Tenant agrees immediately upon the termination of this Lease by Tenant or upon termination of this Lease by Landlord, for any of the causes specified in Section 18 hereof, or upon the expiration of said Lease by lapse of time, to remove all effects belonging to

Tenant from the Premises, and to vacate and surrender possession of said Premises in the same condition as when received (ordinary wear and tear and casualty loss excepted), including all improvements added thereto by either party, except trade fixtures installed at the expense of Tenant, to Landlord, free and clear of any liens and encumbrances.

If such possession be not immediately surrendered, it is agreed that Landlord may forthwith re-enter said Premises and repossess itself thereof as of its former estate, and remove any persons or effects therefrom, using such force as may be necessary for that purpose without being deemed guilty in any manner of trespass, forcible entry, or detainer.

If Tenant neglects or refuses to remove all effects belonging to Tenant from the Premises immediately upon the termination or expiration of this Lease as provided above, it is agreed that the property shall be deemed to be property of the Landlord or may be stored by Landlord or the account of the Tenant at Tenant's expense.

19. Holdover Tenant hereby agrees to pay to Landlord, as liquidated damages, and not as a penalty, for all the time Tenant shall retain possession of the Premises after the expiration or termination of this Lease, by lapse of time or otherwise, a sum equal to treble the amount of the rent that would be due for such a period at the rate specified herein. This provision shall not operate as a waiver by Landlord of any right of re-entry hereinabove provided.

20. No Waiver The failure of Landlord to insist upon a strict performance of any of the covenants or conditions of this Lease by Tenant, or to declare a forfeiture for any violations thereof, or to exercise any option conferred on it hereunder, shall not be construed as a waiver or relinquishment for the future of its right to insist upon a strict compliance by Tenant with all the covenants, agreements, and conditions thereof, or its right to exercise said options, or to declare a forfeiture for the violation of such condition or agreement, if the violation be continued or repeated.

21. Condemnation If the whole of the Premises shall be taken or condemned by any competent authority for any public or quasi-public use or purpose, this Lease shall cease and terminate as of the date on which title shall vest in the authority, and the rent reserved under the Lease shall be apportioned and paid up to that date. If only a portion of the Premises shall be taken or condemned, this Lease shall not cease or terminate, but the rent payable after the date on which Tenant shall be required to surrender possession of such portion shall be reduced in proportion to the decreased use, if any, suffered by Tenant as the parties may agree or as shall be determined by arbitration. All awards for any taking or condemnation shall belong solely to Landlord.

22. Subordination; No Hypothecation by Tenant. This Lease and all rights of Tenant under this Lease shall be subject and subordinate to the lien of any and all mortgages of Landlord that may now or in the future affect the Premises, or any part of the Premises, and to any and all renewals, modifications, replacements or extensions of any such mortgages. Tenant shall, on demand, execute, acknowledge and deliver to Landlord, without expense to Landlord, any and all instruments that may be necessary or proper to subordinate this Lease and all rights in this Lease to the lien of any such mortgage or mortgages. Tenant shall not hypothecate, grant a security interest, mortgage or lien of any kind whatsoever on this Lease or the leasehold created hereby.

23. Assignment or Sublease. Tenant shall not assign, mortgage, pledge, or encumber this Lease or sublet the Premises in whole or in part, or permit the Premises to be used or occupied by others, nor shall this Lease be assigned or transferred by operation of law, without the prior, express and written consent of Landlord in each instance, in its sole and absolute discretion. In the instance of an allowed assignment or sublet, Tenant shall continue to be liable under this Lease in accordance with its terms and conditions and shall not be released from the performance of the terms and conditions of this Lease.

24. Relationship of Parties. The relationship of the parties shall be solely that of landlord and tenant. No partnership, joint venture or other business combination of the parties is created or is intended to be created by this Lease and none is to be inferred by the terms hereof.

25. Notices. All notices to be given by Landlord to Tenant in pursuance of the terms of this Lease, or otherwise, shall be deemed to be fully given if sent by registered mail addressed to Tenant at the Tenant's address first specified above, or such other address of Tenant as may be furnished to Landlord in writing from time to time. All notices to be given by Tenant to Landlord, pursuant to the terms of this lease, or otherwise, shall be deemed to be fully given if sent by registered mail to the respective addresses first set forth above, or at such address as Landlord and Tenant may hereinafter designate in writing.

IN TESTIMONY WHEREOF, Landlord and Tenant, by and through their duly authorized officers and representatives, have caused this Lease to be executed in duplicate effective as of the date first above written.

"LANDLORD"

BEREA COLLEGE

By: _____

Its: _____

"TENANT"

CITY OF BEREA

By: _____
Mayor

Attest: _____
City Clerk

Exhibit "N"

Utility Yard Lease

UTILITY YARD LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Lease") is made and entered into as of the ____ day of _____, 2004 by and between **BEREA COLLEGE**, a Kentucky non-profit corporation whose office address is C.P.O. 2211, Berea, Kentucky 40404 ("Landlord") and the **CITY OF BERE A**, a Kentucky municipal corporation acting by and through its Mayor and City Council, whose address is 212 Chestnut Street, Berea, Kentucky 40403 ("Tenant").

RECITALS:

A. Landlord is the sole owner of the Premises described below and has previously utilized the premises as a storage and operational for its electric and utility operations.

B. Tenant is purchasing certain electric and water utility assets from the Landlord and the Tenant intends to operate the electric and water utility business previously engaged in by the Landlord.

C. Tenant desires to lease the Premises from the Landlord as a utility yard and storage facility for the electric and utility operations to be conducted henceforth by the City of Berea.

D. The parties desire to enter into this Lease defining their rights, duties and liabilities relating to the Premises.

In consideration of the Premises and mutual agreements made herein contained, Landlord and Tenant agree as follows:

1. Subject and Purpose. Landlord leases to Tenant that portion of the property and improvements located at 513 Scaffold Cane Road, Berea, Kentucky as more particularly described on Exhibit A which is attached hereto and incorporated herein by this reference (the "Premises") together with a non-exclusive easement and right of access to the Premises which is also described on Exhibit A.

2. Term and Rent.

a. Landlord demises the above-described Premises to the Tenant for a term commencing on _____, 2004, and terminating on _____, 2006, or sooner as provided in this Lease, at a rental rate of \$450.00 per month for the period ending December 31, 2005 and a rental rate of \$900.00 per month for the period of January 1, 2006 through _____, 2006. All rent shall be payable in advance on the first day of each month for that month's rental, during the term of this Lease (the "Term"). This Lease may be extended for an additional period of two (2) years at a fair market rental to be negotiated by the parties.

b. All rental payments shall be made to Landlord at the address specified above.

c. Tenant shall also pay to Landlord the rent and additional rent as specified in this Section 2 and Sections 3 and 6 below.

3. Additional Rent. All taxes, charges, costs and expenses that Tenant assumes or agrees to pay under this Lease, including, but not limited to, together with all interest, costs and expenses that may accrue in the event of the failure of Tenant to pay those items, and all other damages, costs, expenses and sums that Landlord may suffer or incur, or that may become due, by reason of a default of Tenant or failure by Tenant to comply with the terms and conditions of this Lease shall be deemed to be additional rent, and, in the event of non-payment, Landlord shall have all the rights and remedies as provided in this Lease and applicable law for failure to pay rent.

4. Alterations, Additions and Improvements.

a. No portion of the Premises shall be demolished or removed by Tenant. Tenant may at any time during the Term, subject to the conditions set forth below at its own expense make any alterations, additions or improvements in and to the Premises, which shall first be approved, in writing, by the Landlord, in its sole and absolute discretion. Alterations shall be performed in a satisfactory manner and shall not weaken or impair the structural strength, or lessen the value, of the building on the Premises, or change the purposes for which the building, or any part of the Premises may be used.

b. Before commencement of any work, Tenant shall have all plans and specifications approved by all requisite governmental departments or authorities and all work shall be done in accordance with the requirements of local regulations. Tenant shall pay any increase in premiums on insurance policies provided for in this Lease due to said work.

c. All alterations, additions and improvements on or in the Premises at the commencement of the Term, and which may be erected or installed during the term, shall become part of the Premises and the sole property of Landlord, except that all moveable trade fixtures installed by Tenant shall be and remain the property of Tenant, but any damage caused by said removal shall promptly be paid by Tenant.

5. Compliance. Tenant covenants and agrees that in the use and occupancy of said Premises, it will comply with all valid federal, state, local, zoning and other laws and ordinances together with all lawful requirements of all public authorities. Tenant covenants to comply with the federal, state, and city laws and ordinances in regard to nuisances, insofar as the Premises are concerned, and that it will not by any act of its own, or its Subtenants (if any), render Landlord liable therefor. Tenant shall be responsible for any and all Capital Improvements (as defined by generally acceptable accounting principles) to the Premises required by federal, state or local legal requirements arising from or relating to the Tenant's specific use of the Premises.

6. Utilities. Tenant shall, at its own cost and expense, be responsible for all utility service of any kind whatsoever to the Premises.

7. Duty to Pay. No demand of rent need at any time be made on the Premises or elsewhere, but it shall be the duty of Tenant to pay the same when due, without demand.

8. No Hazardous Substances. Tenant agrees that it will not possess, store or use upon the Premises: (i) any hazardous substances or materials regulated by state or federal laws, except in strict compliance with such laws; (ii) explosives or articles deemed extra-hazardous on account of fire; or (iii) use or allow to be used on the said Premises any oil, burning fluids, kerosene, or camphor for heating or warming purposes; and (iv) that it will not use or permit to be used on the Premises anything that will invalidate any policies of insurance which may now or hereafter be carried on said Premises or said building, or that will increase the rate of insurance thereon. Tenant agrees to indemnify and hold Landlord harmless from any and all liability for claims, suits, costs, expenses, causes of action, personal liability, remediation and property damage (including Landlord's reasonable attorney's fees) arising from the presence, use or storage of any hazardous substance or materials described above on the Premises.

9. Signs. Tenant shall not paint, affix, erect, or hang any signs on the demised Premises except such as shall have been approved in writing by Landlord, in its sole and absolute discretion, and comply with all applicable zoning law and applicable ordinances.

10. Maintenance and Repairs. Tenant shall, at its own expense, perform necessary maintenance and repairs to maintain the Premises and Parking Area clean and in good condition with appropriate signs, curbs, and striping. Landlord agrees, at its expense, to keep the roof, outside walls, foundation, structural elements and building systems (including plumbing, air conditioning, heating, sewers, and electrical supply) of the building on said Premises in good repair and in tenable condition at all times during the Term of this Lease. Tenant also agrees, at its own expense, to perform all interior maintenance and repairs to the Premises.

11. Inspection. Landlord and its agents shall have the right to enter said Premises at reasonable hours for the purpose of inspecting same for compliance with the terms and conditions of this Lease.

12. Casualty. In the event the Premises are rendered wholly untenable by fire, casualty or the elements, this lease shall be automatically terminated as of the date of the damage or casualty, without any further liability or responsibility on the part of either the Landlord or the Tenant as though that were the date set forth in this Lease for the expiration thereof. Landlord shall not be liable to repair or restore any trade fixtures brought or placed upon the Premises by Tenant.

13. Indemnification. Landlord shall not be liable for injury to persons or damage to property occurring within the Premises or for any claims, demands, actions or causes of actions arising from or in any relating to Tenant's use of the Premises during the Term of this Lease or any period thereafter in which the Tenant is holding over. Tenant hereby agrees to indemnify and hold harmless Landlord from any and all liability for any such claims, demands, actions, causes of action, injury or damage, unless caused by the negligence or intentional acts of Landlord or Landlord's officer, agent, servant, or employee. Tenant has inspected and satisfied itself that the Premises are suitable for the Tenant's intended use.

14. Insurance Requirements. Tenant agrees to procure and maintain policies of public liability insurance, fire and extended risk coverage from an insurance company admitted to do business in Kentucky, in an amount up to the sum of \$1,000,000.00 for injury or damage to any

person or persons for injury or damage caused by any accident or other occurrence or loss upon the Premises. Tenant shall list the Landlord as an additional insured on such insurance policies and to provide evidence of insurance to Landlord upon request. Tenant shall provide and keep in force other insurance in amounts that may from time to time be required by Landlord against other insurable hazards as are commonly insured against for the type of business and program activity that Tenant will conduct.

15. No Surrender. It is mutually agreed that no surrender of the Premises, or of any portion thereof the term herein created, shall be valid unless accepted by Landlord in writing.

16. Abandonment. In the event Tenant shall vacate or abandon the Premises for a period of 60 days during the Term of this Lease, Landlord may, at its option, without terminating this Lease, enter said Premises, remove Tenant's signs and effects therefrom, and relet the Premises for the account of Tenant for such rent and upon such terms as may be satisfactory to Landlord, without such re-entry working a forfeiture of the rents to be paid or the covenants to be performed by Tenant under the terms hereof. Landlord is authorized, at Tenant's expense, to make such repairs, alterations, changes, or additions in or to the Premises as may, in its opinion, be reasonably necessary to relet them advantageously, store all Tenant's personal property at Tenant's expense, and, if a sufficient sum of money shall not be realized monthly from such reletting to pay the cost of said repairs, alterations, changes, or additions, and the cost of reletting said Premises, and the rent to be paid hereunder by Tenant, then Tenant agrees to pay and satisfy the deficiency each month upon demand therefor.

17. Default. Tenant agrees that if the rent reserved by this Lease, or any part thereof, shall be unpaid for 10 days after the same is due, or if Tenant shall fail to keep and perform any of the other covenants, conditions, provisions, and agreements herein contained to be kept and performed by Tenant, and said default shall continue for 30 days after notice thereof has been given Tenant by Landlord, or if a petition in bankruptcy be filed by or against Tenant, or if Tenant shall be adjudged bankrupt or insolvent by any court, or if Tenant shall make an assignment for the benefit of creditors, or if a receiver or trustee in bankruptcy of Tenant shall be appointed in any suit or proceeding brought by or against Tenant, or if the leasehold interest of Tenant shall be levied upon under any execution which is not removed within 30 days of its entry, Landlord may, at its option, terminate this Lease. Tenant agreeing that the covenants and agreements made by Tenant herein shall be deemed conditions as well as covenants.

18. Return of Premises. Tenant agrees immediately upon the termination of this Lease by Landlord, for any of the causes specified in Section 18 hereof, or upon the expiration of said Lease by lapse of time, to remove all effects belonging to Tenant from the Premises, and to vacate and surrender possession of said Premises in the same condition as when received (ordinary wear and tear and casualty loss excepted), including all improvements added thereto by either party, except trade fixtures installed at the expense of Tenant, to Landlord, free and clear of any liens and encumbrances.

If such possession be not immediately surrendered, it is agreed that Landlord may forthwith re-enter said Premises and repossess itself thereof as of its former estate, and remove any

persons or effects therefrom, using such force as may be necessary for that purpose without being deemed guilty in any manner of trespass, forcible entry, or detainer.

If Tenant neglects or refuses to remove all effects belonging to Tenant from the Premises immediately upon the termination or expiration of this Lease as provided above, it is agreed that the property shall be deemed to be property of the Landlord or may be stored by Landlord or the account of the Tenant at Tenant's expense.

19. Holdover. Tenant hereby agrees to pay to Landlord, as liquidated damages, and not as a penalty, for all the time Tenant shall retain possession of the Premises after the expiration or termination of this Lease, by lapse of time or otherwise, a sum equal to treble the amount of the rent that would be due for such a period at the rate specified herein. This provision shall not operate as a waiver by Landlord of any right of re-entry hereinabove provided.

20. No Waiver. The failure of Landlord to insist upon a strict performance of any of the covenants or conditions of this Lease by Tenant, or to declare a forfeiture for any violations thereof, or to exercise any option conferred on it hereunder, shall not be construed as a waiver or relinquishment for the future of its right to insist upon a strict compliance by Tenant with all the covenants, agreements, and conditions thereof, or its right to exercise said options, or to declare a forfeiture for the violation of such condition or agreement, if the violation be continued or repeated.

21. Condemnation. If the whole of the Premises shall be taken or condemned by any competent authority for any public or quasi-public use or purpose, this Lease shall cease and terminate as of the date on which title shall vest in the authority, and the rent reserved under the Lease shall be apportioned and paid up to that date. If only a portion of the Premises shall be taken or condemned, this Lease shall not cease or terminate, but the rent payable after the date on which Tenant shall be required to surrender possession of such portion shall be reduced in proportion to the decreased use, if any, suffered by Tenant as the parties may agree or as shall be determined by arbitration. All awards for any taking or condemnation shall belong solely to Landlord.

22. Subordination; No Hypothecation by Tenant. This Lease and all rights of Tenant under this Lease shall be subject and subordinate to the lien of any and all mortgages of Landlord that may now or in the future affect the Premises, or any part of the Premises, and to any and all renewals, modifications, replacements or extensions of any such mortgages. Tenant shall, on demand, execute, acknowledge and deliver to Landlord, without expense to Landlord, any and all instruments that may be necessary or proper to subordinate this Lease and all rights in this Lease to the lien of any such mortgage or mortgages. Tenant shall not hypothecate, grant a security interest, mortgage or lien of any kind whatsoever on this Lease or the leasehold created hereby.

23. Assignment or Sublease. Tenant shall not assign, mortgage, pledge, or encumber this Lease or sublet the Premises in whole or in part, or permit the Premises to be used or occupied by others, nor shall this Lease be assigned or transferred by operation of law, without the prior, express and written consent of Landlord in each instance, in its sole and absolute discretion. In the instance of an allowed assignment or sublet, Tenant shall continue to be liable under this Lease in accordance with its terms and conditions and shall not be released from the performance of the terms and conditions of this Lease.

24. Relationship of Parties. The relationship of the parties shall be solely that of landlord and tenant. No partnership, joint venture or other business combination of the parties is created or is intended to be created by this Lease and none is to be inferred by the terms hereof.

25. Notices. All notices to be given by Landlord to Tenant in pursuance of the terms of this Lease, or otherwise, shall be deemed to be fully given if sent by registered mail addressed to Tenant at the Tenant's address first specified above, or such other address of Tenant as may be furnished to Landlord in writing from time to time. All notices to be given by Tenant to Landlord, pursuant to the terms of this lease, or otherwise, shall be deemed to be fully given if sent by registered mail to the respective addresses first set forth above, or at such address as Landlord and Tenant may hereinafter designate in writing.

IN TESTIMONY WHEREOF, Landlord and Tenant, by and through their duly authorized officers and representatives, have caused this Lease to be executed in duplicate effective as of the date first above written.

"LANDLORD"

BEREA COLLEGE

By: _____

Its: _____

"TENANT"

CITY OF BEREA

By: _____
Mayor

Attest: _____
City Clerk

Exhibit "O"

Allocation of Purchase Price

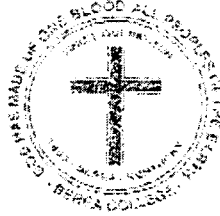
To be supplied at closing.

Exhibit "P"

Omitted

Exhibit "Q"

Berea College Resolutions



**CERTIFIED COPY OF THE RESOLUTIONS
ADOPTED AT THE FEBRUARY 28, 2004 REGULAR
MEETING OF THE BEREA COLLEGE BOARD OF
TRUSTEES IN REGARD TO THE PRELIMINARY
APPROVAL OF THE SALE OF BEREA COLLEGE
ELECTRIC AND WATER UTILITY ASSETS TO THE
CITY OF BEREA.**

WHEREAS, Berea College has served as the electric and water utility for the City of Berea and environs since the inception of public electric and water utility services in the Berea community.

WHEREAS, the College has invested equity capital and made substantial inter-account loans to the electric distribution system (the "Electric Utility") and the water treatment and distribution system (the "Water Utility") and has devoted significant amounts of personnel and management resources in the operation of the Electric Utility and the Water Utility (sometimes collectively referred to as the "Utilities").

WHEREAS, the College owns and has developed the property, plant and equipment necessary to operate the Utilities (the "Utility Assets").

WHEREAS, the College has developed reservoirs and watersheds within certain portions of the College Forest for the collection and storage of raw water to be used in the Water Utility.

WHEREAS, with the passage of time it has become common for municipalities and for-profit corporations to engage in the provision of electric and water utility service to communities such as Berea.

WHEREAS, the City of Berea and certain for-profit entities have expressed interest in acquiring either or both of the Utilities.

WHEREAS, the Board of Trustees has determined that the ownership and operation of the Utilities is no longer essential to the mission and purposes of Berea College and that the utility needs of the College and the community of Berea could also be well served by either a municipal utility operated by the City of Berea or by a for-profit utility provider.

WHEREAS, upon the recommendation of the administration of the College and the Buildings and Grounds Committee of the Board of Trustees, the Board has determined that a transaction with the City of Berea would be preferable in terms of (i) maintaining local control of the Utilities and (ii)

maximizing the prospects of job retention for the existing College employees engaged in the work of managing and operating the Utilities.

WHEREAS, the administration of the College has determined that the sale and disposition of the College's electric and water utility assets would recoup approximately \$200,000 in equity capital as well as \$6,150,000 in the form of inter-account borrowings from the College and eliminate approximately \$12,200,000 in general bond obligations owed by the College.

WHEREAS, this substantial reduction of the College's internal and external debt will greatly assist the College to secure funding for the Heat Plant Replacement project presently under consideration by the Board of Trustees.

WHEREAS, the Board of Trustees has previously authorized the College's administration to proceed with the negotiations for the possible sale of certain of the College's electric and water utility assets to the City of Berea.

WHEREAS, negotiations between the City of Berea and the College's administration have resulted in the execution of a non-binding Letter of Intent between the College and the City of Berea and the drafting and negotiation of the possible terms of a Utility Asset Purchase Agreement and Water Withdrawal Agreement between the College and the City of Berea.

WHEREAS, any such transaction between the College and the City of Berea requires due authorization from the Board of Trustees inasmuch as the same will necessitate the sale and transfer of certain of the College's (i) personal property, plant and equipment engaged in the water treatment and distribution system and the electric distribution system, (ii) certain real estate comprised of the water treatment plant and contiguous properties, transmission mains and lines, electric system substations, (iii) certain rights of way and easements, and (iv) certain accounts receivable, contract rights, general intangibles and other assets necessary to operate the electric and water utility systems currently being operated by the College.

WHEREAS, the College proposes to enter into one or more agreements (the "Utility Agreements") with the City, including a "Utility Asset Purchase Agreement" whereby the City will purchase certain of the property, plant and equipment presently utilized by the College in the operation of the Utilities and a "Water Withdrawal Agreement" for the purchase and withdrawal of raw, untreated water from the College's reservoirs for use in the operation of the Water Utility and such other agreements as are necessary and incident to these transactions.

WHEREAS, because of nature, timing and specific aspects of the contemplated transaction between the College and the City, the necessity of approval of the transaction by the Kentucky Public Service Commission and the obtaining of bond financing by the City in order to finance the purchase of the Utility Assets from the College, it is not feasible for the Board to approve all of the particular terms of the Agreements.

WHEREAS, the Board of Trustees has determined to delegate to the President and/or Vice President for Finance of the College the power and authority to approve on behalf of the College the particular terms and conditions of the Utility Agreements between the College and the City, including but not limited to: (i) the final sales price for the Utility Assets, (ii) the specific aspects relating to the transfer of property, plant and equipment from the College to the City, and (iii) the other terms and conditions of the Utility Asset Purchase Agreement, the Water Withdrawal Agreements and other necessary and incident agreements between the City and the College, subject to certain limitations and in accordance with the guidelines set forth in this resolution.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of Berea College as follows:

1. Authorization of the Sale of the Utility Assets. For the purposes set forth in the preamble hereto, the following actions are approved:

A. The negotiation and execution of a definitive Utility Asset Purchase Agreement with the City of Berea providing for the sale of the Utility Assets necessary to operate the Electric Utility and Water Utility for a total consideration of not less than \$18,550,000 based on the "book value" of such property, plant and equipment constituting the Utility Assets as determined by the Vice President for Finance of the College.

B. The negotiation and execution of a definitive Water Withdrawal Agreement with the City of Berea providing for the purchase and withdrawal of raw, untreated water from the College's reservoirs for use in the operation of the Water Utility.

C. The negotiation and execution of such subsidiary agreements, leases, deeds, easements and rights of way with the City of Berea that are necessary and incident to the Utility Asset Purchase Agreement and the purposes set forth in the preamble to these resolutions.

2. Exclusion of College Forest and Other Properties. The grant of authority under these resolutions shall not include any agreements to sell the College's reservoirs, the real property commonly known as the College Forest (apart from the site occupied by the existing water treatment plan) or the Owsley Fork Watershed, all of which shall be retained by the College.

3. Authorization of President and/or the Vice-President of Finance to Approve Terms of Utility Agreements. The President and/or the Vice President for Finance of the College are hereby authorized to approve on behalf of the College:

A. the actual purchase price to be paid by the City under the terms of the Utility Asset Purchase Agreement subject to the minimum valuation set forth in Section 1 of these resolutions;

B. the remaining terms and conditions of the Utility Asset Purchase Agreement and all subsidiary agreements, leases and arrangements to be identified as exhibits to the Utility Asset Purchase Agreement;

C. the terms and conditions of the Water Withdrawal Agreement between the City and the College;

D. the terms of a joint application by the City and the College before the Kentucky Public Service Commission or such other state or federal authority having jurisdiction over the transactions contemplated by these resolutions and the Utility Agreements, including the Utility Asset Purchase Agreement and the Water Withdrawal Agreement;


E. the negotiation and execution of any other agreements, contracts or arrangements necessary and incident to any of the foregoing, and;

This authorization is subject to the following conditions: [1] that all such Utility Agreements be conditioned upon the approval by the Board of Trustees, and [2] the administration of the College shall present the Utility Agreements and any other proposals concerning the Utilities to the Board of Trustees for final approval at its May, 2004 meeting.

The undersigned certifies that he is the duly elected, qualified and acting Secretary of Berea College and that the foregoing Resolutions were adopted by the Board of Trustees of Berea College at a regular meeting held on February 28, 2004.

WITNESSETH my hand this 25th day of August, 2004.

BEREA COLLEGE



Judge B. Wilson II, Secretary



**CERTIFIED COPY OF THE RESOLUTIONS
ADOPTED AT THE JULY 26, 2004 SPECIAL
MEETING OF THE EXECUTIVE COMMITTEE OF
THE BEREA COLLEGE BOARD OF TRUSTEES IN
REGARD TO THE APPROVAL OF THE SALE OF
BEREA COLLEGE ELECTRIC AND WATER
UTILITY ASSETS TO THE CITY OF BEREA.**

WHEREAS, the Board of Trustees has previously granted preliminary approval for the sale of certain of the College's electric and water utility assets (the "Utility Assets") to the City of Berea (the "City") pursuant to resolutions adopted at the Board's regular meeting on February 28, 2004 (the "Board Resolutions");

WHEREAS, the Board Resolutions require that the College administration submit the final terms and conditions of the sale of the Utility Assets (the "Sale") to the Board of Trustees for final approval;

WHEREAS, the College administration has completed negotiations with the City for the Sale and the President of the College and the Mayor of the City have, on June 18, 2004, executed the principal documents for the Sale, subject to approval by the Board of Trustees, the Berea City Council and other conditions precedent;

WHEREAS, the College administration has submitted the principal documents pertaining to the Sale for review by the entire Board of Trustees and has made a presentation concerning the terms of the Sale of the Utility Assets to the Buildings & Grounds Committee and the Finance Committee of the Board at a Special Meeting of such committees on July 26, 2004;

WHEREAS, the Buildings & Grounds Committee and the Finance Committee have reviewed the Sale and have recommended the approval of the Sale on the terms and conditions presented by the College administration;

WHEREAS, the next regular meeting of the full Board of Trustees is not scheduled until October 23, 2004 and it is desirable to have the Sale approved and consummated as soon as practicable;

WHEREAS, the entire Board has received notice of the Sale, the revised terms and conditions of the Sale as well as this special meeting of the Executive Committee; and

WHEREAS, the Executive Committee is empowered to act for and on behalf of the Board of Trustees pursuant to Section 14.2 of the By Laws of the College.

NOW, THEREFORE, BE IT RESOLVED by the Executive Committee of the Board of Trustees of Berea College as follows:

1. Authorization of the Sale of the Utility Assets. For the purposes set forth in the preamble hereto, the following agreements and actions are approved:

A. The Utility Asset Purchase Agreement between the College and the City, executed by the President of the College and dated June 18, 2004, providing for the sale of the Utility Assets to the City for a total consideration of \$18,336,878 (plus or minus adjustments at closing based on the "book value" of such property, plant and equipment constituting the Utility Assets as determined by the Vice President for Finance of the College).

B. The Water Withdrawal Agreement between the College and the City, executed by the President of the College and dated June 18, 2004, providing for the withdrawal of raw, untreated water by the City from the College's reservoirs for use in the City's operation of the water utility.

C. The negotiation, execution and delivery of such subsidiary agreements, leases, deeds, easements and rights of way with the City that are necessary and incident to the Utility Asset Purchase Agreement and the Water Withdrawal Agreement as well as the purposes set forth in the preamble to these resolutions and the previous Board Resolutions.

2. Exclusion of College Forest and Other Properties. The grant of authority under these resolutions shall not include any agreements to sell the College's reservoirs, the real property commonly known as the College Forest (apart from the site occupied by the existing water treatment plant and sites occupied by electrical transmission facilities) or the Owsley Fork Watershed, all of which shall be retained by the College.

3. Authorization of College Officers to Approve Terms of Documents and Complete Actions Necessary and Incident to the Sale. The President, the Vice President for Finance and the Secretary of the College are hereby authorized to execute, approve and undertake on behalf of the College:

A. the actual purchase price to be paid by the City under the terms of the Utility Asset Purchase Agreement subject to the provisions of these resolutions;

B. the remaining terms and conditions of all subsidiary agreements, leases and arrangements identified as exhibits to the Utility Asset Purchase Agreement or the Water Withdrawal Agreement;

C. the terms of a joint application by the City and the College before the Kentucky Public Service Commission or such other state or federal authority having jurisdiction over the transactions contemplated by these

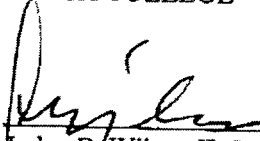
resolutions, the Utility Asset Purchase Agreement and the Water Withdrawal Agreement and to diligently pursue any and all necessary applications and regulatory approvals of the Sale; and

D. the negotiation, execution and delivery of any other deeds, easements, rights of way, agreements, contracts or arrangements necessary and incident to any of the foregoing.

The undersigned certifies that he is the duly elected, qualified and acting Secretary of Berea College and that the foregoing Resolutions were adopted by the Executive Committee of the Board of Trustees of Berea College at a special meeting held on July 26, 2004.

WITNESSETH my hand this 25th day of August, 2004.

BEREA COLLEGE



Judge B. Wilson II, Secretary

Exhibit "R"

Seller's Book Value Listings as of December 31, 2003

See Exhibits "A" and "E" which contain book values on all assets.

Exhibit "S"

Land Farms Lease

To be supplied at closing.

30336586.2
9/3/2004 8:36 AM

“E” - Published Notice

PUBLIC NOTICE

Please take notice that Berea College and the City of Berea have entered into an agreement by which the City of Berea would purchase electric and water utility assets currently used by Berea College to provide electric and water service to customers in the Berea area. (Agreement). Berea College and the City of Berea intend to apply to the Kentucky Public Service Commission (PSC) for approval of the Agreement.

The Joint Application of Berea College and the City of Berea for an order approving the transfer of assets will be considered by the PSC in Case No. 2004-00331. Any corporation, association, or person with a substantial interest in this matter may, by written request, within thirty (30) days after publication of this notice request to intervene, and intervention may be granted beyond the thirty (30) day period for good cause shown.

Any person who has been granted intervention by the PSC may obtain copies of the Agreement and any other filings made by the utility by contacting: James H. Newberry, Jr., Attorney for Berea College, 250 West Main Street, Suite 1600, Lexington, KY 40507. Mr. Newberry's telephone number is (859) 233-2012.

Any person may examine the Agreement and any other filings made by Berea College or other parties at the main office for the Berea College Electric and Water Utility Department, Lincoln Hall, Berea College, Berea, KY 40404. Telephone inquiries to Berea College may be made at (859) 985-3666. Any person may also examine the Agreement and any other filings made by Berea College or other parties at the Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, KY 40601. Telephone inquiries to the PSC may be made at (502) 564-3940.

“F” - Letter to Garrard County Water District



**BEREA
COLLEGE**

Berea, Kentucky 40404

Judge B. Wilson II
General Counsel
(859) 985-3131
Fax: (859) 985-3904
CPO 2211

September 1, 2004

Mr. Harold C. Ward
President/Executive Director
Garrard County Water Association, Inc.
P.O. Box 670, 315 Lexington Road
Lancaster, Kentucky 40444-0670

Re: Sale of Utility Assets from Berea College to City of Berea

Dear Mr. Ward:

As you are aware, Berea College d/b/a Berea College Water Utility currently supplies water to the Garrard County Water Association, Inc. (the "Association") under the terms of a Water Purchase Agreement (the "Garrard Agreement") between the College and the Association, originally dated August 3, 1992.

The purpose of this letter is to advise that the College has entered into a Utility Asset Purchase Agreement (the "Agreement") for the sale of its electric and water utility assets to the City of Berea and for the continued operation of the electric and water utility systems by the City. The College has also entered into a Water Withdrawal Agreement with the City providing for a continuing source of water for the water utility. Under the terms of these agreements between the College and the City (the "Utility Agreements"), the City will assume the College's obligations under the terms of the Garrard Agreement. Copies of the Utility Agreements are enclosed for your information.

This transaction is subject to the approval of the Kentucky Public Service Commission (PSC). The College has been requested to also send you a copy of the following Public Notice:

PUBLIC NOTICE

Please take notice that Berea College and the City of Berea have entered into an agreement by which the City of Berea would purchase electric and water utility assets currently used by Berea College to provide electric and water service to customers in the Berea area. (Agreement). Berea College and the City of Berea intend to apply to the Kentucky Public Service Commission (PSC) for approval of the Agreement.

The Joint Application of Berea College and the City of Berea for an order approving the transfer of assets will be considered by the PSC in Case No. 2004-00331.

Any corporation, association, or person with a substantial interest in this matter may, by written request, within thirty (30) days after publication of this notice request to intervene, and intervention may be granted beyond the thirty (30) day period for good cause shown.

Any person who has been granted intervention by the PSC may obtain copies of the Agreement and any other filings made by the utility by contacting: James H. Newberry, Jr., Attorney for Berea College, 250 West Main Street, Suite 1600, Lexington, KY 40507. Mr. Newberry's telephone number is (859) 233-2012.

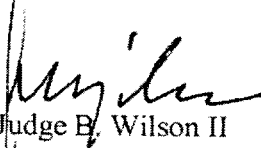
Any person may examine the Agreement and any other filings made by Berea College or other parties at the main office for the Berea College Electric and Water Utility Department, Lincoln Hall, Berea College, Berea, KY 40404. Telephone inquiries to Berea College may be made at (859) 985-3666. Any person may also examine the Agreement and any other filings made by Berea College or other parties at the Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, KY 40601. Telephone inquiries to the PSC may be made at (502) 564-3940.

This is also to acknowledge the timely receipt of your letter dated June 21, 2004 concerning the Association's extension of the Garrard Agreement through August 3, 2014, and to advise you that the College has previously advised the City of Berea of this extension.

On behalf of the College, it has been a pleasure to work with the Association. If you should have any questions concerning this matter, please do not hesitate to contact Ms. Diane Kerby, Vice President for Business & Administration at 859.985.3130 or my office at the number listed above. You may also contact Mr. Randy Stone, City Administrator, City of Berea, at 859.986.8528.

Very truly yours,

BEREA COLLEGE



Judge B. Wilson II

Enclosures

Copies to: Kentucky Public Service Commission
Ms. E. Diane Kerby, Berea College
Mr. Randy Stone, City of Berea
Ms. Sarah Botkin, Berea College Utilities
James T. Gilbert, Esq.
James H. Newberry, Esq.

“G” - Letter to Southern Madison Water District



**BEREA
COLLEGE**

Berea, Kentucky 40404

Judge B. Wilson II
General Counsel
(859) 985-3131
Fax: (859) 985-3904
CPO 2211

September 1, 2004

Mr. Dallas Cox
Southern Madison Water District
P.O. Box 220
Berea, Kentucky 40403

Re: Sale of Utility Assets from Berea College to City of Berea

Dear Mr. Cox:

As you are aware, Berea College currently supplies water to the Southern Madison Water District (the "District") under the terms of a Water Purchase Contract (the "Southern Madison Agreement") between the College and the District, originally dated December 28, 1984.

The purpose of this letter is to advise that the College has entered into a Utility Asset Purchase Agreement (the "Agreement") for the sale of its electric and water utility assets to the City of Berea and for the continued operation of the electric and water utility systems by the City. The College has also entered into a Water Withdrawal Agreement with the City providing for a continuing source of water for the water utility. Under the terms of these agreements between the College and the City (the "Utility Agreements"), the City will assume the College's obligations under the terms of the Southern Madison Agreement. Copies of the Utility Agreements are enclosed for your information.

This transaction is subject to the approval of the Kentucky Public Service Commission (PSC). The College has been requested to also send you a copy of the following Public Notice:

PUBLIC NOTICE

Please take notice that Berea College and the City of Berea have entered into an agreement by which the City of Berea would purchase electric and water utility assets currently used by Berea College to provide electric and water service to customers in the Berea area. (Agreement). Berea College and the City of Berea intend to apply to the Kentucky Public Service Commission (PSC) for approval of the Agreement.

The Joint Application of Berea College and the City of Berea for an order approving the transfer of assets will be considered by the PSC in Case No. 2004-00331. Any corporation, association, or person with a substantial interest in this matter may, by

Re: Sale of Utility Assets from Berea College to City of Berea
September 1, 2004
Page 2

written request, within thirty (30) days after publication of this notice request to intervene, and intervention may be granted beyond the thirty (30) day period for good cause shown.

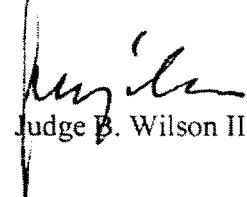
Any person who has been granted intervention by the PSC may obtain copies of the Agreement and any other filings made by the utility by contacting: James H. Newberry, Jr., Attorney for Berea College, 250 West Main Street, Suite 1600, Lexington, KY 40507. Mr. Newberry's telephone number is (859) 233-2012.

Any person may examine the Agreement and any other filings made by Berea College or other parties at the main office for the Berea College Electric and Water Utility Department, Lincoln Hall, Berea College, Berea, KY 40404. Telephone inquiries to Berea College may be made at (859) 985-3666. Any person may also examine the Agreement and any other filings made by Berea College or other parties at the Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, KY 40601. Telephone inquiries to the PSC may be made at (502) 564-3940.

On behalf of the College, it has been a pleasure to work with the District. If you should have any questions concerning this matter, please do not hesitate to contact Ms. Diane Kerby, Vice President for Business & Administration at 859.985.3130 or my office at the number listed above. You may also contact Mr. Randy Stone, City Administrator, City of Berea, at 859.986.8528.

Very truly yours,

BEREA COLLEGE



Judge B. Wilson II

Enclosures

Copies to: Kentucky Public Service Commission
Ms. E. Diane Kerby, Berea College
Mr. Randy Stone, City of Berea
Ms. Sarah Botkin, Berea College Utilities
James T. Gilbert, Esq.
James H. Newberry, Esq.

“H” - Newspaper Articles Relating to Proposed Transaction

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X05 20030301 01/17/05
CITY OF BEREA
212 CHESTNUT ST
BEREA, KY 40403-1536

Thursday, June 24, 2004 • Vol. 105, Issue 1

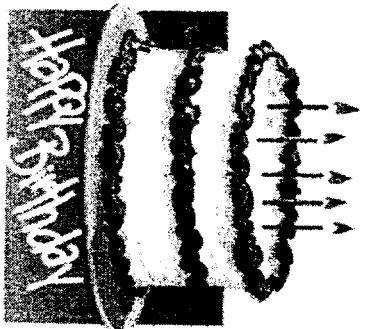
Berea Citizen

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Gateway to Appalachia

Celebrating

105 years

as Berea's
news
leader!



Flip the Switch



Scott Powell photos

Berea Mayor **Steve Connelly** and Berea College President **Larry Shinn** hold a press conference Friday at City Hall to discuss the sale of Berea College Utilities to the City of Berea at a cost of over \$18 million.

Agreement signed to begin transfer of utility company

by **Scott Powell**
teknohillbilly@yahoo.com

CITY HALL — It's not a done deal, but the city came one step closer to taking ownership of Berea College Utilities with the signing of an agreement Friday morning.

"This is a historic day for Berea College and the City of Berea," said College President Larry Shinn. "Our two basic concerns in selling the utilities were control of policies and preservation of the jobs of our current employ-

ees. This agreement accomplishes both."

The agreement is good for the long-term interests of both the college and the city, said Mayor Steven Connelly as he thanked all who participated in the negotiations. He also said Berea College Utilities have had excellent managers and employees who will just change hats and become city employees. BCU employees 22 people.

Under the agreement, the city will purchase the utilities for a little over

continues on page A6

City, college sign agreement for sale of utilities I

from the front
\$18.25 million, pending further adjustments at closing. The city will obtain all properties necessary to operate the electric utilities including equipment and the distribution system. The city will lease the current utilities offices on campus, as well as the Scaffold Cane Road maintenance facility next to Brushy Fork Park, for up to five years. The city will assume the current agreement to purchase electricity from Kentucky Utilities.

The city will also obtain all properties and equipment needed to operate the water utility including the water treatment plant, intake pumps and rights-of-way. The college will keep ownership of its watershed, which includes the Owsley Fork, Cowbell, and Upper and Lower Silver Creek reservoirs near Big Hill. The city must maintain the reservoirs' dams, and the city-owned utility will purchase water from the college at a cost of 14-cents per 1,000 gallons for the first billion gallons annually. Currently, the city uses around 900 million gallons each year.

Berea College Utilities also sells water to the



Berea College Public Relations

Berea Mayor **Steve Connelly** and Berea College President **Larry Shinn** sign the agreement that begins the process of the city's purchase of Berea College Utilities last Friday, June 18, at Shinn's office in Lincoln Hall.

Southern Madison and Garrard County water districts. Those contracts will be honored by the new city-run utilities.

The decision to 'sell BCU came in 2001 after the college board of trustees concluded the operation was not in the best interest of the college's long-term mission and dedication to education. The college has operated the utilities since their inception in the early 1900s.

Shinn said the college has invested in needed improvements at the utilities every year, and the college was not unloading the utilities because they had been "run into the ground."

"It's a healthy, working utilities," Shinn said, citing that the water utility is a gem in the region because of a pure water source.

At a press conference Friday afternoon, Mayor Connelly said the signing of

the agreement marked an historic day for the city and the college. The sale is contingent on final approval by both the Berea City Council and Berea College Board of Trustees, which should be complete by Aug. 17. A joint application has been filed with the Kentucky Public Service Commission seeking approval of the sale, which once approved, could be final around Dec. 31.

BEREA

City to purchase college utilities

By Ryan Garrett

Register News Writer

BEREA — Berea College and the city of Berea entered into an agreement Friday for the city to purchase Berea College Utilities. For \$18,556,878 — subject to adjustments at closing — the city will purchase the property, plant and equipment necessary to operate the existing electric distribution system and water treatment distribution system.

The existing dams, reservoirs and watershed will still be owned by the college, and the city will continue to draw water from these sources. The college will continue to maintain the watershed, but the city will take over responsibility to maintain and operate the dams and reservoirs.

All Berea College Utilities employees will be able to continue their work under the agreement, which is still subject to approval by city council, the college's Board of Trustees and the Kentucky Public Service Commission.

"This is a historic day for Berea College and the city of Berea," said Berea College President Larry Shinn. "Our two basic concerns in selling the utilities were local control of policies and preservation of the jobs of our current employees. This agreement accomplishes both."

Mayor Steven Connelly said the purchase would be a

Turn to BERE A page A3

BEREA

Continued from page A1

prominent event in local history.

"I believe we've crafted an agreement that is good for the long-term interests of the city and the college," he said.

The closing is anticipated to be conducted on or before Dec. 31.

"While our BCU colleagues will soon leave the employ of the college, they will continue to be our friends and neighbors," said Diane Kerby, the college's vice president for business and administration. "They will still be the team that provides electricity and water to our community. We wish them well as they continue to serve the community on behalf of the city of Berea."

Customers should not

notice any changes in their bill, other than it being sent by the city rather than the college. For the first billion gallons withdrawn, the city will be charged \$0.14 per 1,000 gallons. Currently, the average is 900 million, safely below the billion mark. The city will be charged \$0.15 per 1,000 gallons, should it withdraw more than a billion gallons.

Berea College Utilities was started by Berea College just more than 100 years ago to provide water and electricity for the college and community. Over the years, the utilities evolved into an auxiliary business as a department of the college regulated by the Kentucky Public Service Commission.

The decision to sell the utilities followed a strategic planning process that began in 2001. The college's administration and the Board of Trustees

decided the needs of the college and community would be better served by an electric and water utility operating outside the processes that are tailored for an higher-learning institution, Shinn said.

"As we try to serve the historic mission that Berea College has, you say, 'How shall we then attend to English, history, biology, water, electric?'" Shinn said. "It just became clear to us that it was time to let someone who could provide opportunity for growth of the water company in the context of still providing local control. From our point of view, it's a historic day for Berea College and the city of Berea, but I think it's also a historic day for customers of the utilities."

Ryan Garrett can be reached at rgarrett@richmondregister.com

Kentucky.com

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Lexington Herald-Leader (KY)

June 19, 2004

Section: City&Region

Edition: Final

Page: B3

COLLEGE IS SELLING UTILITIES TO BEREA WATER, ELECTRICITY OWNED AND RUN BY SCHOOL FOR 100 YEARS

*Peter Mathews
Central Kentucky Bureau*

Berea College will turn over the local water and electric **utilities** to the city, ending an unusual arrangement that has lasted more than 100 years.

In fact, **Berea** President Larry Shinn said, administrators don't know of any other college that runs the **utilities** in the city where it's located.

Under the agreement, signed yesterday, the college will sell the **utilities** to the city for \$18.3 million. The college will keep its 6,000 acres of watershed and dams and lease the water from its four reservoirs to the city for \$140,000 a year.

Unlike Lexington's attempt to buy Kentucky American Water, this transaction concluded amicably after several months of negotiations.

Because local control of the **utilities** -- and the jobs they provide -- is important, the college did not consider selling to anyone other than the city, Shinn said.

Berea Mayor Steve Connelly agreed. "We as a community think it is critical for us to have a significant say in who owns it, what the rates are going to be," he said.

All 22 employees will be retained at their current pay, Connelly said.

Before the deal can take effect, which is expected sometime before Dec. 31, the city must still complete inspection of the facilities. Approval also is needed from the city council, **Berea** College trustees and the state Public Service Commission.

The city will sell bonds to pay for the **utilities**. Connelly said he expects them to bring in enough revenue to pay the cost of the bonds, the water and improvements to the system.

The agreement means the college, which once operated the local hospital, schools, fire department and nearly everything else in **Berea**, will become a bit more traditional.

"We just wanted to get out of the **utility** business," Shinn said. "It just doesn't fit with English, biology and history."

Reach Peter Mathews in the Richmond bureau at (859) 626-5878 or pmathews@herald-leader.com.

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"I" - City Financial Statements

Kw
08/30/04
CK

CITY OF BEREA
COMPARATIVE BALANCE ;
GENERAL FUND
AS OF 06/30/2004

REPORT DATE 06/30/2004
SYSTEM DATE 06/30/2004
FILS ID B

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	CURRENT YEAR	PREVIOUS YEAR	DIFFERENCE FROM PREV YEAR	PERCENTAGE
ASSETS:					
CURRENT ASSETS					
CASH IN BANK					
	CASH IN BANK - BNB	500026.38	1128987.64	-628961.26	-55.71%
	CLEARING ACCOUNT	11.79	11.79		
	PETTY CASH - FINANCE	500.00	500.00		
	PETTY CASH - PARKS	325.00	325.00		
	PETTY CASH - POOL CONCESS	150.00	150.00		
	PETTY CASH - CODES	50.00	50.00		
	PETTY CASH - POOL ADMISS	75.00	75.00		
	TOTAL	501138.17	1130087.64	-628949.47	-55.65%
CURRENT INVESTMENTS					
	CD'S - BNB	3975000.00	3345000.00	630000.00	18.83%
	CD'S - PEOPLES	600000.00	530000.00	70000.00	13.21%
	CD - INTEREST INCOME	14705.19	14705.19		
	CUMBERLAND VALLEY - CD	575000.00	575000.00		
	TOTAL	5164705.19	4464705.19	700000.00	15.68%
OTHER CURRENT ASSETS					
	PROP TAX RECEIVABLE-CURR	17065.31	17906.06	-840.75	-4.70%
	RESERVE FOR UNCOLLECTABLE	-16155.89	-17887.08	1731.19	-9.68%
	ACCURRD INTEREST-CD	71633.61	97069.56	-25435.95	-26.20%
	ACCURRD REVENUE	633165.28	589638.00	43527.28	7.38%
	DUE FROM OTHER FUNDS	719094.00	508258.09	210835.91	41.48%
	DUE FROM TOURISM	24831.19	24831.19		
	TOTAL	1449633.50	1219815.82	229817.68	18.84%
	TOTAL CURRENT ASSETS	7115476.86	6814608.65	300868.21	4.42%
LONG TERM ASSETS					
FIXED ASSETS					
	TOTAL				
FIXED ASSETS					
	TOTAL				
LONG TERM ASSETS					
	TOTAL	7115476.86	6814608.65	300868.21	4.42%

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	CURRENT YEAR	PREVIOUS YEAR	DIFFERENCE FROM PREV YEAR	PERCENTAGE
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
CURRENT LIABILITIES					
CURRENT LIABILITIES					
	DUE TO OTHER FUNDS	567974.44	427756.67	140217.77	32.78%
	ACCRUED ACCOUNTS PAYABLE	146721.35	61850.16	84871.19	137.22%
	ACCRUED P/R TAXES	5750.64	4255.03	1495.61	35.15%
	ACCURAL PENSIONS PAYABLE	4738.04	2888.90	1849.14	64.01%
	OTHER WITHHOLDING	-28.00	-28.00		
	DENTAL INSURANCE PAYABLE	-634.41	1303.39	-1937.80	-148.67%
	HEALTH INSURANCE PAYABLE	-1843.47	28183.22	-30026.69	-106.54%
	LIFE INSURANCE PAYABLE	-87.98	1145.89	-1233.87	-107.68%
	ACCURED VACATION	57627.13	57627.13		
	ACCURED PAYROLL	75326.58	55579.87	19746.71	35.53%
	RETURNED CHECKS	-202.50	-212.00	9.50	-4.48%
TOTAL		855341.82	640378.26	214963.56	33.57%
CURRENT LIABILITIES					
TOTAL		855341.82	640378.26	214963.56	33.57%
CURRENT LIABILITIES					
TOTAL		855341.82	640378.26	214963.56	33.57%
LIABILITIES					
FUND BALANCES:					
FUND BALANCE					
TOTAL		6174230.39	6174230.39		
UNRESTRICTED FUND BALANCE					
TOTAL		6174230.39	6174230.39		
FUND BALANCE					
TOTAL		6174230.39	6174230.39		
FUND BALANCES					
EXCESS OF REVENUE					
OVER EXPENDITURES					
		85904.65		85904.65	
TOTAL LIABILITIES AND					
FUND BALANCES					
		7115476.86	6814608.65	300868.21	4.42%

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	CURRENT YEAR	PREVIOUS YEAR	DIFFERENCE FROM PREV YEAR	PERCENTAGE
ASSETS:					
CURRENT ASSETS					
	CASH IN BANK	237596.23	233686.77	3909.46	1.67%
	CURRENT INVESTMENTS				
	TOTAL				
	CURRENT INVESTMENTS				
	OTHER CURRENT ASSETS				
	TOTAL	11619.31		11619.31	
	OTHER CURRENT ASSETS	11619.31		11619.31	
	TOTAL	249215.54	233686.77	15528.77	6.65%
	CURRENT ASSETS	249215.54	233686.77	15528.77	6.65%
	TOTAL				
	ASSETS				
	ACCRUED REVENUES				
	TOTAL	11619.31		11619.31	
	OTHER CURRENT ASSETS	11619.31		11619.31	
	TOTAL	249215.54	233686.77	15528.77	6.65%
	CURRENT ASSETS	249215.54	233686.77	15528.77	6.65%
	TOTAL				
	ASSETS				
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
	CURRENT LIABILITIES				
	CURRENT LIABILITIES				
	TOTAL				
	CURRENT LIABILITIES				
	TOTAL				
	CURRENT LIABILITIES				
	TOTAL				
	LIABILITIES				
	FUND BALANCES:				
	FUND BALANCE	233686.77	233686.77		
	TOTAL	233686.77	233686.77		
	FUND BALANCE	233686.77	233686.77		
	TOTAL	233686.77	233686.77		
	FUND BALANCES	233686.77	233686.77		
	EXCESS OF REVENUE OVER EXPENDITURES	15528.77		15528.77	
	TOTAL LIABILITIES AND FUND BALANCES	249215.54	233686.77	15528.77	6.65%

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	CURRENT YEAR	PREVIOUS YEAR	DIFFERENCE FROM PREV YEAR	PERCENTAGE
ASSETS:					
CURRENT ASSETS					
CASH IN BANK					
OTHER CURRENT ASSETS					
TOTAL	ACCRUED REVENUES	33601.24	36988.38	-3387.14	-9.16%
	DUE FROM OTHER FUNDS	730281.65	590063.88	140217.77	23.76%
TOTAL	OTHER CURRENT ASSETS	763882.89	627052.26	136830.63	21.82%
TOTAL	CURRENT ASSETS	763882.89	627052.26	136830.63	21.82%
TOTAL	ASSETS	763882.89	627052.26	136830.63	21.82%
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
CURRENT LIABILITIES					
CURRENT LIABILITIES					
	DUE FROM GENERAL FUND	-10959.83	-10959.83		
	DUE TO OTHER FUNDS	837476.71	631296.19	206180.52	32.66%
	ACCOUNTS PAYABLE	4038.69	793.79	3244.90	408.79%
TOTAL	CURRENT LIABILITIES	830555.57	621130.15	209425.42	33.72%
TOTAL	CURRENT LIABILITIES	830555.57	621130.15	209425.42	33.72%
TOTAL	LIABILITIES	830555.57	621130.15	209425.42	33.72%
FUND BALANCES:					
FUND BALANCE					
TOTAL	UNRESTRICTED FUND BALANCE	5922.11	5922.11		
TOTAL	FUND BALANCE	5922.11	5922.11		
TOTAL	FUND BALANCES	5922.11	5922.11		
	EXCESS OF REVENUE OVER EXPENDITURES	-72594.79		-72594.79	
TOTAL	LIABILITIES AND FUND BALANCES	763882.89	627052.26	136830.63	21.82%

CITY OF BEREA
 COMPARATIVE BALANCE SHEET
 INDUSTRIAL DEVELOPMENT
 AS OF 06/30/2004

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	CURRENT YEAR	PREVIOUS YEAR	DIFFERENCE FROM PREV YEAR	PERCENTAGE
ASSETS:					
CURRENT ASSETS					
	CASH IN BANK	60263.88	34023.48	26240.40	77.12%
	CURRENT INVESTMENTS				
	CD's - BNB	850000.00	850000.00		
	CD - INTEREST	14586.90	7358.51	7228.39	98.23%
	TOTAL	864586.90	857358.51	7228.39	.84%
	OTHER CURRENT ASSETS				
	TOTAL				
	OTHER CURRENT ASSETS				
	TOTAL	924850.78	891381.99	33468.79	3.75%
	CURRENT ASSETS				
	TOTAL	924850.78	891381.99	33468.79	3.75%

LIABILITIES AND FUND BALANCES:

LIABILITIES:					
CURRENT LIABILITIES					
	CURRENT LIABILITIES				
	TOTAL				
	CURRENT LIABILITIES				
	TOTAL				
	CURRENT LIABILITIES				
	TOTAL				
	LIABILITIES				
FUND BALANCES:					
	FUND BALANCE				
	UNRESTRICTED FUND BALANCE	891381.99	891381.99		
	TOTAL	891381.99	891381.99		
	FUND BALANCE				
	TOTAL	891381.99	891381.99		
	FUND BALANCES				
	TOTAL	891381.99	891381.99		

REPORT DATE 06/30/2004
 SYSTEM DATE 06/30/2004
 FILES ID B

CITY OF BEREA
 COMPARATIVE BALANCE S
 INDUSTRIAL DEVELOPMENT
 AS OF 06/30/2004

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 TIME 10:49:07
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ACCOUNT NUMBER	ACCOUNT DESCRIPTION	CURRENT YEAR	PREVIOUS YEAR	DIFFERENCE FROM PREV YEAR	PERCENTAGE
EXCESS OF REVENUE OVER EXPENDITURES		33468.79		33468.79	
TOTAL LIABILITIES AND FUND BALANCES		924850.78	891381.99	33468.79	3.75%

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	CURRENT YEAR	PREVIOUS YEAR	DIFFERENCE FROM PREV YEAR	PERCENTAGE
ASSETS:					
CURRENT ASSETS					
CASH IN BANK	CASH IN BANK - PEOPLES	58565.50	75498.13	-16932.63	-22.43%
OTHER CURRENT ASSETS					
TOTAL	ACCRUED REVENUES	-13218.38		-13218.38	
TOTAL	DUE FROM OTHER FUNDS	21600.16	21600.16		
CURRENT ASSETS	DUE FROM GENERAL	15.00	15.00		
TOTAL	DUE TO OTHER FUNDS	-9713.29	-9713.29		
ASSETS	TOTAL	-88716.51	-75498.13	-13218.38	17.51%
	TOTAL	-30151.01		-30151.01	17.51%
	CURRENT ASSETS	-30151.01		-30151.01	17.51%

LIABILITIES AND FUND BALANCES:

LIABILITIES:					
CURRENT LIABILITIES					
CURRENT LIABILITIES	ACCRUED ACCOUNTS PAYABLE	61158.55		61158.55	
TOTAL		61158.55		61158.55	
CURRENT LIABILITIES		61158.55		61158.55	
TOTAL		61158.55		61158.55	
LIABILITIES		61158.55		61158.55	
FUND BALANCES:					
FUND BALANCE					
TOTAL					
FUND BALANCE					
TOTAL					
FUND BALANCES					
EXCESS OF REVENUE		-91309.56		-91309.56	
OVER EXPENDITURES					
TOTAL LIABILITIES AND		-30151.01		-30151.01	
FUND BALANCES					

CITY OF BEREA
 COMPARATIVE BALANCE ;
 FEDERAL N. BROADWAY D/1
 AS OF 06/30/2004

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	CURRENT YEAR	PREVIOUS YEAR	DIFFERENCE FROM PREV YEAR	PERCENTAGE
ASSETS:					
CURRENT ASSETS					
	CASH IN BANK		114.82	-114.82	-100.00%
	TOTAL CASH IN BANK		114.82	-114.82	-100.00%
OTHER CURRENT ASSETS					
	TOTAL OTHER CURRENT ASSETS				
	TOTAL CURRENT ASSETS		114.82	-114.82	-100.00%
	TOTAL ASSETS		114.82	-114.82	-100.00%
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
CURRENT LIABILITIES					
	TOTAL CURRENT LIABILITIES				
	TOTAL LIABILITIES				
FUND BALANCES:					
	FUND BALANCE	114.82	114.82		
	TOTAL FUND BALANCE	114.82	114.82		
	FUND BALANCES	114.82	114.82		
	EXCESS OF REVENUE OVER EXPENDITURES	-114.82		-114.82	
	TOTAL LIABILITIES AND FUND BALANCES	114.82	114.82	-114.82	-100.00%

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	CURRENT YEAR	PREVIOUS YEAR	DIFFERENCE FROM PREV YEAR	PERCENTAGE
ASSETS:					
CURRENT ASSETS					
CURRENT INVESTMENTS					
	BOND FUND-STATE NATIONAL	1.00	1.00		
	DEBT SRV - CENTRAL BANK	76.24	76.24		
	TOTAL				
	CURRENT INVESTMENTS	77.24	77.24		
OTHER CURRENT ASSETS					
	TOTAL				
	OTHER CURRENT ASSETS				
	TOTAL	77.24	77.24		
	CURRENT ASSETS				
	TOTAL	77.24	77.24		
	ASSETS				
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
CURRENT LIABILITIES					
CURRENT LIABILITIES					
	TOTAL				
	CURRENT LIABILITIES				
	TOTAL				
	CURRENT LIABILITIES				
	TOTAL				
	LIABILITIES				
FUND BALANCES:					
	FUND BALANCE				
	RESERVED FOR DEBT SERVICE	77.24	77.24		
	TOTAL	77.24	77.24		
	FUND BALANCE				
	TOTAL	77.24	77.24		
	FUND BALANCES				
	EXCESS OF REVENUE				
	OVER EXPENDITURES				
	TOTAL LIABILITIES AND				
	FUND BALANCES	77.24	77.24		

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	CURRENT YEAR	PREVIOUS YEAR	DIFFERENCE FROM PREV YEAR	PERCENTAGE
ASSETS:					
CURRENT ASSETS					
	CASH IN BANK	36477.66	38629.18	-2151.52	-5.57%
	CASH IN BANK - BNB				
CURRENT INVESTMENTS					
	TOTAL				
OTHER CURRENT ASSETS					
	TOTAL				
	OTHER CURRENT ASSETS				
	TOTAL	36477.66	38629.18	-2151.52	-5.57%
	CURRENT ASSETS				
	TOTAL	36477.66	38629.18	-2151.52	-5.57%
	ASSETS				
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
CURRENT LIABILITIES					
CURRENT LIABILITIES					
	TOTAL	4655.39		4655.39	
DUE TO OTHER FUNDS					
	TOTAL	4655.39		4655.39	
CURRENT LIABILITIES					
	TOTAL	4655.39		4655.39	
CURRENT LIABILITIES					
	TOTAL	4655.39		4655.39	
FUND BALANCES:					
FUND BALANCE					
	TOTAL	38629.18	38629.18		
UNRESTRICTED FUND BALANCE					
	TOTAL	38629.18	38629.18		
FUND BALANCES					
	TOTAL	38629.18	38629.18		
EXCESS OF REVENUE OVER EXPENDITURES					
	TOTAL	-6806.91		-6806.91	
TOTAL LIABILITIES AND FUND BALANCES					
	TOTAL	36477.66	38629.18	-2151.52	-5.57%

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	CURRENT YEAR	PREVIOUS YEAR	DIFFERENCE FROM PREV YEAR	PERCENTAGE
ASSETS :					
CURRENT ASSETS					
CASH IN BANK	CASH IN BANK - PEOPLES	3264.88	2692.44	572.44	21.26%
OTHER CURRENT ASSETS					
TOTAL	DUE FROM OTHER FUNDS	14286.20			
TOTAL	DUE TO OTHER FUNDS	-13848.20			
TOTAL		438.00	438.00		
TOTAL		3702.88	3130.44	572.44	18.29%
TOTAL		3702.88	3130.44	572.44	18.29%
LIABILITIES AND FUND BALANCES:					
LIABILITIES :					
CURRENT LIABILITIES					
CURRENT LIABILITIES					
TOTAL					
TOTAL					
TOTAL					
TOTAL					
FUND BALANCES:					
FUND BALANCE	UNRESTRICTED FUND BALANCE	3130.44	3130.44		
TOTAL					
FUND BALANCE		3130.44	3130.44		
TOTAL					
FUND BALANCES		3130.44	3130.44		
EXCESS OF REVENUE					
OVER EXPENDITURES		572.44	572.44		
TOTAL LIABILITIES AND		3702.88	3130.44	572.44	18.29%
FUND BALANCES					

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	CURRENT YEAR	PREVIOUS YEAR	DIFFERENCE FROM PREV YEAR	PERCENTAGE
ASSETS:					
CURRENT ASSETS					
	CASH IN BANK		11908.45	-11908.45	-100.00%
	TOTAL		11908.45	-11908.45	-100.00%
	CASH IN BANK		11908.45	-11908.45	-100.00%
	TOTAL		11908.45	-11908.45	-100.00%
	OTHER CURRENT ASSETS				
	TOTAL				
	OTHER CURRENT ASSETS				
	TOTAL				
	CURRENT ASSETS		11908.45	-11908.45	-100.00%
	TOTAL		11908.45	-11908.45	-100.00%
	ASSETS				
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
CURRENT LIABILITIES					
	CURRENT LIABILITIES				
	TOTAL				
	CURRENT LIABILITIES				
	TOTAL				
	CURRENT LIABILITIES				
	TOTAL				
	LIABILITIES				
FUND BALANCES:					
	FUND BALANCE	11908.45	11908.45		
	TOTAL	11908.45	11908.45		
	FUND BALANCE	11908.45	11908.45		
	TOTAL	11908.45	11908.45		
	FUND BALANCES	11908.45	11908.45		
	EXCESS OF REVENUE				
	OVER EXPENDITURES				
	TOTAL LIABILITIES AND		11908.45	-11908.45	-100.00%
	FUND BALANCES		11908.45	-11908.45	-100.00%

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	CURRENT YEAR	PREVIOUS YEAR	DIFFERENCE FROM PREV YEAR	PERCENTAGE
ASSETS:					
CURRENT ASSETS					
CASH IN BANK	CASH IN BANK-USBANK	1396.01	1368.66	27.35	2.00%
OTHER CURRENT ASSETS					
TOTAL	ACCRUED REVENUE	74057.00	13680.00	60377.00	441.35%
TOTAL	OTHER CURRENT ASSETS	74057.00	13680.00	60377.00	441.35%
TOTAL	CURRENT ASSETS	75453.01	15048.66	60404.35	401.39%
TOTAL	ASSETS	75453.01	15048.66	60404.35	401.39%
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
CURRENT LIABILITIES					
TOTAL	ACCRUED ACCOUNTS PAYABLE	74057.00	13680.00	60377.00	441.35%
TOTAL	CURRENT LIABILITIES	74057.00	13680.00	60377.00	441.35%
TOTAL	CURRENT LIABILITIES	74057.00	13680.00	60377.00	441.35%
TOTAL	LIABILITIES	74057.00	13680.00	60377.00	441.35%
FUND BALANCES:					
FUND BALANCE	UNRESTRICTED FUND BALANCE	1368.66	1368.66		
TOTAL	FUND BALANCE	1368.66	1368.66		
TOTAL	FUND BALANCES	1368.66	1368.66		
TOTAL	EXCESS OF REVENUE OVER EXPENDITURES	27.35		27.35	
TOTAL	LIABILITIES AND FUND BALANCES	75453.01	15048.66	60404.35	401.39%

CITY OF BEREA
 COMPARATIVE BALANCE :
 DARRELL FRENCH ESCROW
 AS OF 06/30/2004

REPORT DATE 06/30/2004
 SYSTEM DATE 6/30/2004
 FILES ID B

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	CURRENT YEAR	PREVIOUS YEAR	DIFFERENCE FROM PREV YEAR	PERCENTAGE
ASSETS :					
CURRENT ASSETS					
	CASH IN BANK		1515.53	-1515.53	-100.00%
	TOTAL		1515.53	-1515.53	-100.00%
	CASH IN BANK				
	OTHER CURRENT ASSETS				
	TOTAL				
	OTHER CURRENT ASSETS				
	TOTAL		1515.53	-1515.53	-100.00%
	CURRENT ASSETS				
	TOTAL		1515.53	-1515.53	-100.00%
	ASSETS				
LIABILITIES AND FUND BALANCES :					
LIABILITIES :					
CURRENT LIABILITIES					
	CURRENT LIABILITIES				
	TOTAL				
	CURRENT LIABILITIES				
	TOTAL				
	CURRENT LIABILITIES				
	TOTAL				
	LIABILITIES				
FUND BALANCES :					
	FUND BALANCE	1515.53	1515.53		
	TOTAL	1515.53	1515.53		
	FUND BALANCE				
	TOTAL	1515.53	1515.53		
	FUND BALANCES				
	EXCESS OF REVENUE				
	OVER EXPENDITURES	-1515.53		-1515.53	
	TOTAL LIABILITIES AND		1515.53	-1515.53	-100.00%
	FUND BALANCES				

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	CURRENT YEAR	PREVIOUS YEAR	DIFFERENCE FROM PREV YEAR	PERCENTAGE
ASSETS:					
CURRENT ASSETS					
CASH IN BANK	CASH IN BANK-BMB	11024.55	10994.13	30.42	.28%
OTHER CURRENT ASSETS					
TOTAL					
OTHER CURRENT ASSETS					
TOTAL		11024.55	10994.13	30.42	.28%
CURRENT ASSETS					
TOTAL		11024.55	10994.13	30.42	.28%
ASSETS					
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
CURRENT LIABILITIES					
CURRENT LIABILITIES					
TOTAL					
CURRENT LIABILITIES					
TOTAL					
LIABILITIES					
FUND BALANCES:					
FUND BALANCE					
TOTAL	UNRESTRICTED FUND BALANCE	10994.13	10994.13		
FUND BALANCE					
TOTAL		10994.13	10994.13		
FUND BALANCES					
EXCESS OF REVENUE					
OVER EXPENDITURES					
		30.42		30.42	
TOTAL LIABILITIES AND					
FUND BALANCES					
		11024.55	10994.13	30.42	.28%

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	CURRENT YEAR	PREVIOUS YEAR	DIFFERENCE FROM PREV YEAR	PERCENTAGE
ASSETS:					
CURRENT ASSETS					
CASH IN BANK	CASH IN BANK-BNB	2.63		2.63	
OTHER CURRENT ASSETS					
TOTAL	ACCRUED REVENUE	26114.00		26114.00	
TOTAL	OTHER CURRENT ASSETS	26114.00		26114.00	
TOTAL	CURRENT ASSETS	26116.63		26116.63	
TOTAL	ASSETS	26116.63		26116.63	
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
CURRENT LIABILITIES					
ACCRUED ACCOUNTS PAYABLE					
TOTAL		26114.00		26114.00	
TOTAL	CURRENT LIABILITIES	26114.00		26114.00	
TOTAL	CURRENT LIABILITIES	26114.00		26114.00	
TOTAL	LIABILITIES	26114.00		26114.00	
FUND BALANCES:					
FUND BALANCE					
TOTAL					
TOTAL	FUND BALANCE				
TOTAL	FUND BALANCES				
TOTAL	EXCESS OF REVENUE OVER EXPENDITURES	2.63		2.63	
TOTAL	LIABILITIES AND FUND BALANCES	26116.63		26116.63	

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	CURRENT YEAR	PREVIOUS YEAR	DIFFERENCE FROM PREV YEAR	PERCENTAGE
ASSETS:					
CURRENT ASSETS					
	CASH IN BANK	3536.96		3536.96	
	OTHER CURRENT ASSETS				
	TOTAL				
	OTHER CURRENT ASSETS				
	TOTAL	3536.96		3536.96	
	CURRENT ASSETS				
	TOTAL	3536.96		3536.96	
	ASSETS				
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
CURRENT LIABILITIES					
	CURRENT LIABILITIES				
	TOTAL				
	CURRENT LIABILITIES				
	TOTAL				
	CURRENT LIABILITIES				
	TOTAL				
	LIABILITIES				
FUND BALANCES:					
	FUND BALANCE				
	TOTAL				
	FUND BALANCE				
	TOTAL				
	FUND BALANCES				
	EXCESS OF REVENUE	3536.96		3536.96	
	OVER EXPENDITURES				
	TOTAL LIABILITIES AND	3536.96		3536.96	
	FUND BALANCES				

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	CURRENT YEAR	PREVIOUS YEAR	DIFFERENCE FROM PREV YEAR	PERCENTAGE
ASSETS:					
CURRENT ASSETS					
CASH IN BANK	CASH IN BANK-BEREA NATION	300.00		300.00	
OTHER CURRENT ASSETS					
TOTAL					
OTHER CURRENT ASSETS					
TOTAL					
CURRENT ASSETS					
TOTAL		300.00		300.00	
ASSETS					
TOTAL		300.00		300.00	
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
CURRENT LIABILITIES					
CURRENT LIABILITIES					
TOTAL					
CURRENT LIABILITIES					
TOTAL					
CURRENT LIABILITIES					
TOTAL					
LIABILITIES					
FUND BALANCES:					
FUND BALANCE					
TOTAL					
FUND BALANCE					
TOTAL					
FUND BALANCES					
EXCESS OF REVENUE					
OVER EXPENDITURES					
		300.00		300.00	
TOTAL LIABILITIES AND					
FUND BALANCES					
		300.00		300.00	

“J” - Proposed BMUD Ordinance

ORDINANCE # ____ - 04

AN ORDINANCE OF THE CITY OF BEREА, KENTUCKY, PROVIDING THAT THE CODE OF ORDINANCES OF THE CITY OF BEREА, KENTUCKY, BE AMENDED BY ADDING SECTIONS 32.100-32.102, ESTABLISHING THE DEPARTMENT OF PUBLIC UTILITIES, PROVIDING FOR THE FUNCTIONS OF SUCH DEPARTMENT, PROVIDING FOR A PUBLIC UTILITIES SUPERINTENDENT, AND PROVIDING FOR DIVISIONS OF ELECTRIC LINE DISTRIBUTION, SEWER OPERATIONS, AND WATER OPERATIONS, AND FURTHER BY REPEALING SECTIONS 31.200-31.209 OF THE CODE, ABOLISHING THE SEWER COMMISSION AND THE OFFICE OF SEWER SUPERINTENDENT.

WHEREAS, the City of Berea has negotiated to purchase the water and electric utilities from Berea College; and

WHEREAS, the City currently operates a municipal sewer system; and

WHEREAS, the City Council has determined that it would appropriate and foster administrative efficiency to operate all City owned public utilities under a unified city department;

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Berea,

Kentucky as follows:

SECTION I

That the Code of Ordinances of the City of Berea, Kentucky, be amended by adding the following sections to be numbered 32.100-32.102, such sections to read as follows:

Chapter 32. Department of Public Utilities.

§ 32.100. Creation of Department of Public Utilities; Functions.

There is hereby created and established the Department of Public Utilities. The functions of the Department of Public Utilities shall include the following:

1. Construct, inspect, operate and maintain the City's public utilities facilities, including electrical distribution facilities, water supply and distribution facilities, and sewage facilities and treatment plants, as well as landfill facilities.
2. Perform such other duties as may be required by the City Council, Mayor, or City Administrator.

§ 32.101 Public Utilities Superintendent

There is hereby created and established the office of Public Utilities Superintendent who shall be appointed by the Mayor and approved by the City Council and shall be under the direct supervision of the City Administrator. The Public Utilities Superintendent shall be responsible for all matters relating to construction, management, maintenance, and operation of the physical properties of the Public Utilities Department; shall be responsible for the direction and control of all functions of the Public Utilities Department or any of its divisions; and shall supervise the acquisition and use of goods and equipment, and subject to the authority of the office of Mayor, hire and assign personnel in such a manner as to achieve economy and efficiency in the operation of the Public Utilities Department.

§ 32.102 Division of the Public Utilities Department.

The Department of Public Utilities shall be divided into the following divisions under the designated supervisors:

1. Division of Electric Line Distribution, directed by the electric line supervisor, shall be responsible for the maintenance and operation of the electrical distribution system.
2. Department of Water Operations, directed by the water operations supervisor, shall be responsible for the construction, operation, and maintenance of the City water distribution system and the pumping, purification and filtration of water supplied to the water distribution system.
3. Division of Sewer Operations, directed by the sewer operations supervisor, shall be responsible for the construction, operation, and maintenance of the waste water treatment facility, sanitary sewer lines, pumping stations, and related facilities, and the landfill facilities and operations.

SECTION II

That the Code of Ordinances of the City of Berea, Kentucky, be amended by repealing the following sections:

§ 31.200; 31.201; 31.202; 31.203; 31.204; 31.205; 31.206; 31.207; 31.208; and 31.209. As a result, the Berea Sewer Commission is abolished.

SECTION III

This Ordinance shall be effective on the date when the City of Berea closes on the purchase, and takes possession of the assets of, the Berea College water and electric utilities.

SECTION IV

All ordinances or parts of ordinances in conflict herewith are repealed. This ordinance shall be published according to law.

FIRST READING: _____, 2004

SECOND READING AND ENACTMENT: _____, 2004

CITY OF BERA, KENTUCKY

ATTEST:

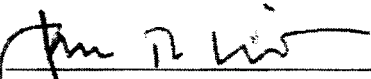
Clerk of the City Council

APPROVED BY:

Steven Connelly, Mayor

Published this _____ day of _____, 2004

PREPARED BY:



James T. Gilbert
Corporation Counsel
City of Berea, Kentucky

“K” - Sewer Commission Financial Statements for Fiscal Year 2001

BEREA SEWER COMMISSION
BALANCE SHEETS
June 30,

	2001	2000
ASSETS		
Current Assets		
Cash	\$ 354,917	\$ 297,054
Investments, at cost	579,269	521,933
Accounts receivable (net allowance)	136,240	110,038
Interest receivable	11,621	15,706
	1,082,047	944,731
Restricted Assets		
Cash-reserve accounts	398,286	405,527
Investments	6,298,242	5,754,020
Accrued interest	52,389	83,255
	6,748,917	6,242,802
Fixed Assets		
Land, easements and buildings	372,275	374,234
Plant and sewer system	13,892,587	13,635,527
Vehicles and equipment	307,894	352,452
Less accumulated depreciation	(6,281,163)	(5,870,290)
	8,291,593	8,491,923
Other Assets		
Unamortized bond discount	16,998	25,498
	16,998	25,498
TOTAL ASSETS	\$ 16,139,555	\$ 15,704,954
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 17,911	\$ 10,346
Accrued interest payable	11,685	14,943
Bonds payable, current	240,000	220,000
Other liabilities	110,453	134,478
	380,049	379,767
Long-term debt		
Bonds payable, net	520,000	760,000
Equity		
Contributed capital	6,230,176	6,424,996
Depreciation reserve	6,368,754	5,875,253
Debt Service reserve	325,476	323,102
Retained earnings	2,315,100	1,941,836
	15,239,506	14,565,187
TOTAL LIABILITIES AND EQUITY	\$ 16,139,555	\$ 15,704,954

CITY OF BERA, KENTUCKY
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES
 BERA SEWER COMMISSION
 for the year ended June 30, 2001

OPERATING INCOME	
Sewer service	\$ 1,363,865
Late payment charges	27,549
Disconnect fees	8,962
Other	<u>4,986</u>
Total operating income	<u>1,405,362</u>
OPERATING EXPENSES	
Personnel services	395,913
Commodities	47,859
Contractual services	<u>226,898</u>
Total operating expense	<u>670,670</u>
Operating income before depreciation	734,692
Depreciation expense	<u>(471,740)</u>
OPERATING INCOME	262,952
Non-operating income (expenses)	
Interest income	406,451
Other income	-
Interest expense and amortization	<u>(66,284)</u>
NET INCOME	603,119
Add back depreciation on assets acquired with contributed capital	266,020
Retained earnings - beginning	1,941,836
Transfers from (to) reserves	<u>(495,875)</u>
RETAINED EARNINGS - ENDING	<u>\$ 2,315,100</u>

The accompanying notes are an integral part
of the financial statements.

“L” - Sewer Commission Financial Statements for Fiscal Year 2002

**BEREA SEWER COMMISSION
BALANCE SHEETS
June 30,**

	2002	2001
ASSETS		
Current Assets		
Cash	\$ 325,878	\$ 354,917
Investments, at cost	659,436	579,269
Accounts receivable (net allowance)	109,733	136,240
Interest receivable	7,199	11,621
	<u>1,102,246</u>	<u>1,082,047</u>
Restricted Assets		
Cash-reserve accounts	1,780,657	398,286
Investments	4,927,662	6,298,242
Accrued interest	36,036	52,389
	<u>6,744,355</u>	<u>6,748,917</u>
Fixed Assets		
Land, easements and buildings	372,275	372,275
Plant and sewer system	14,146,835	13,892,587
Vehicles and equipment	293,288	307,894
Less accumulated depreciation	(6,728,177)	(6,281,163)
	<u>8,084,221</u>	<u>8,291,593</u>
Other Assets		
Construction in progress	338,700	-
Unamortized bond discount	8,499	16,998
	<u>347,199</u>	<u>16,998</u>
TOTAL ASSETS	<u>\$ 16,278,021</u>	<u>\$ 16,139,555</u>
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 14,625	\$ 17,911
Accrued interest payable	7,995	11,685
Bonds payable, current	250,000	240,000
Other liabilities	121,405	110,453
	<u>394,025</u>	<u>380,049</u>
Long-term debt		
Bonds payable, net	<u>270,000</u>	<u>520,000</u>
Equity		
Contributed capital	6,027,956	6,230,176
Depreciation reserve	6,390,279	6,368,754
Debt Service reserve	292,080	325,476
Retained earnings	2,903,681	2,315,100
	<u>15,613,996</u>	<u>15,239,506</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 16,278,021</u>	<u>\$ 16,139,555</u>

CITY OF BERA, KENTUCKY
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES
 BERA SEWER COMMISSION
 for the year ended June 30, 2002

OPERATING INCOME	
Sewer service	\$ 1,300,262
Late payment charges	24,181
Disconnect fees	9,089
Other	<u>5,605</u>
Total operating income	<u>1,339,137</u>
OPERATING EXPENSES	
Personnel services	420,790
Commodities	40,232
Contractual services	<u>246,513</u>
Total operating expense	<u>707,535</u>
Operating income before depreciation	631,602
Depreciation expense	<u>(484,779)</u>
OPERATING INCOME	146,823
Non-operating income (expenses)	
Interest income	216,192
Other income	-
Interest expense and amortization	<u>(52,324)</u>
NET INCOME	310,691
Add back depreciation on assets acquired with contributed capital	266,020
Retained earnings - beginning	2,315,100
Transfers from (to) reserves	<u>11,870</u>
RETAINED EARNINGS - ENDING	<u>\$ 2,903,681</u>

The accompanying notes are an integral part
of the financial statements.

“M” - Sewer Commission Financial Statements for Fiscal Year 2003

BEREA SEWER COMMISSION
BALANCE SHEETS
June 30,

	2003	2002
ASSETS		
Current Assets		
Cash	\$ 369,640	\$ 325,878
Investments, at cost	669,427	659,436
Accounts receivable (net allowance)	122,394	109,733
Interest receivable	3,426	7,199
	<u>1,164,887</u>	<u>1,102,246</u>
Restricted Assets		
Cash-reserve accounts	2,849,600	1,780,657
Investments	4,186,840	4,927,662
Accrued interest	22,636	36,036
	<u>7,059,076</u>	<u>6,744,355</u>
Fixed Assets		
Land, easements and buildings	372,276	372,275
Plant and sewer system	14,146,835	14,146,835
Vehicles and equipment	301,388	293,288
Less accumulated depreciation	(7,213,645)	(6,728,177)
	<u>7,606,854</u>	<u>8,084,221</u>
Other Assets		
Construction in progress	571,033	338,700
Unamortized bond discount	-	8,499
	<u>571,033</u>	<u>347,199</u>
TOTAL ASSETS	<u>\$ 16,401,850</u>	<u>\$ 16,278,021</u>
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 11,794	\$ 14,625
Construction payable	34,900	-
Accrued interest payable	4,151	7,995
Bonds payable, current	270,000	250,000
Other liabilities	113,756	121,405
	<u>434,601</u>	<u>394,025</u>
Long-term debt		
Bonds payable, net	-	270,000
Equity		
Contributed capital	5,833,336	6,027,956
Depreciation reserve	6,771,821	6,390,279
Debt Service reserve	215,603	292,080
Retained earnings	3,146,489	2,903,681
	<u>15,967,249</u>	<u>15,613,996</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 16,401,850</u>	<u>\$ 16,278,021</u>

CITY OF BERA, KENTUCKY
**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
BEREA SEWER COMMISSION
for the year ended June 30, 2003**

OPERATING INCOME	
Sewer service	\$ 1,368,706
Late payment charges	21,989
Disconnect fees	9,871
Other	<u>4,135</u>
Total operating income	<u>1,404,701</u>
OPERATING EXPENSES	
Personnel services	414,333
Commodities	42,896
Contractual services	<u>268,586</u>
Total operating expense	<u>725,815</u>
Operating income before depreciation	678,886
Depreciation expense	<u>(485,468)</u>
OPERATING INCOME	193,418
Non-operating income (expenses)	
Interest income	125,724
Other income	-
Interest expense and amortization	<u>(37,290)</u>
NET INCOME	281,852
Add back depreciation on assets acquired with contributed capital	266,020
Retained earnings - beginning	2,903,681
Transfers from (to) reserves	<u>(305,064)</u>
RETAINED EARNINGS - ENDING	<u>\$ 3,146,489</u>

The accompanying notes are an integral part
of the financial statements.

“N” - Compilation of Pro Forma Cash Flows Prepared by Work & Greer, PC



CITY OF BEREA, KENTUCKY

**COMPILATION OF COMBINED PROFORMA REVENUES,
AND AVAILABLE CASH FLOWS
AND**

**ASSEMBLY OF PROFORMA BUDGET STATEMENTS OF
REVENUES, EXPENSES AND AVAILABLE CASH FLOWS
FOR BEREA COLLEGE UTILITY OPERATIONS**



WORK & GREER, PC

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Mayor and Members of the City Council

City of Berea
Berea, Kentucky

We have compiled the accompanying statements of available net cash flow – combined and the related statements of pro forma revenues and expenses – combined, water and electric of Berea College water and electric utility operations for the years ended June 30, 2001, 2002 and 2003.

The objective of this pro forma information is to show what the significant effects on the historical information might have been had the acquisition of the utility operations of Berea College (Utility) by the City of Berea, Kentucky (City) occurred at an earlier date. However, the pro forma financial statements are not necessarily indicative of the cash flows or related results of operations that would have been attained had the above-mentioned acquisition occurred earlier.

A compilation is limited to presenting in the form of pro forma financial statements information that is the representation of management and does not include evaluation of the support for the assumptions underlying the pro forma transactions. We have not examined or reviewed the accompanying pro forma financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

We have also assembled, from information provided by management, the accompanying pro forma budget statements of available net cash flow – combined and the related statements of pro forma revenues and expenses – combined, water and electric for the years ending June 30, 2004 and 2005 of the Utility. The accompanying pro forma budget statements and this report were prepared to assist the Mayor and City Council of the City with respect to their deliberations regarding the potential acquisition of the water and electric utilities of Berea College and should not be used for any other purpose. We have not compiled or examined the pro forma budget statements and express no assurance of any kind on them. Further, even if the City acquires the Utility, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. This report and the accompanying pro forma financial statements are restricted to internal use and may not be shown to any third party for any purpose.

UTILITY COMBINED PROFORMA AVAILABLE NET CASH FLOW

The calculation of available net cash flow was derived from the proforma fiscal years ended June 30, 2001, 2002 and 2003 and from the proforma budget years ending June 30, 2004 and 2005. Proforma financial information was prepared by taking actual fiscal and budget year amounts for these periods and making adjustments to remove expenses that were not expected by the City's management to be incurred upon acquisition of the Utility.

We have not audited the financial and operating information provided by the Utility. We therefore do not express any opinion or other form of assurance on that information.

AFFILIATIONS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • TENNESSEE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AICPA PRIVATE COMPANIES PRACTICE SECTION • CPAmericA INTERNATIONAL • HORWATH INTERNATIONAL



We calculated the available net cash flow generated by the Utility for the proforma fiscal years ended June 30, 2001, 2002 and 2003 and for the proforma budget years ending June 30, 2004 and 2005. Available net cash flow is defined as follows:

- Net operating income plus
- Non-cash charges to income (depreciation and amortization) minus
- Debt service (principal and interest)

Available net cash flow is the excess cash that can be used to make capital expenditures and provide for contingencies.

The following table summarizes the available net cash flows for the proforma budget years ended June 30, 2004 and 2005 fiscal years and the proforma fiscal years ended June 30, 2001, 2002, and 2003.

Description	Proforma 2001	Proforma 2002	Proforma 2003	Proforma Budget 2004	Proforma Budget 2005
Net operating income	\$ 1,827,038	\$ 1,422,674	\$ 1,490,135	\$ 1,763,364	\$ 1,918,060
Add:					
Depreciation	612,820	651,058	654,790	706,960	704,000
	<u>2,439,858</u>	<u>2,073,732</u>	<u>2,144,925</u>	<u>2,470,324</u>	<u>2,622,060</u>
Less:					
Debt service (principal and interest)	<u>1,375,979</u>	<u>1,375,979</u>	<u>1,375,979</u>	<u>1,375,979</u>	<u>1,375,979</u>
Available net cash flow	\$ <u>1,063,879</u>	\$ <u>697,753</u>	\$ <u>768,946</u>	\$ <u>1,094,345</u>	\$ <u>1,246,081</u>

The following table summarizes the available net cash flows for the proforma budget years ended June 30, 2004 and 2005 fiscal years and the average of the proforma fiscal years ended June 30, 2001, 2002, and 2003. These cash flows have been summarized for the first 5 years, the first 10 years and for a 20 year period (the expected term of the debt to be issued in conjunction with the acquisition.)



Mayor and Members of the City Council
June 9, 2004
Page 3 of 5

Description	Proforma Budget 2004	Proforma Budget 2005	Average Proforma 2001-2003
Net operating income	\$ 1,763,364	\$ 1,918,060	\$ 1,579,949
Add			
Depreciation	706,960	704,000	639,556
	<u>2,470,324</u>	<u>2,622,060</u>	<u>2,219,505</u>
Less:			
Debt service (principal and interest)	<u>1,375,979</u>	<u>1,375,979</u>	<u>1,375,979</u>
Available net cash flow	<u>\$ 1,094,345</u>	<u>\$ 1,246,081</u>	<u>\$ 843,526</u>
Total available net cash flow - First 5 years	<u>\$ 5,471,725</u>	<u>\$ 6,230,405</u>	<u>\$ 4,217,630</u>
Total available net cash flow - First 10 years	<u>\$ 10,943,450</u>	<u>\$ 12,460,810</u>	<u>\$ 8,435,260</u>
Total available net cash flow - 20 years	<u>\$ 21,886,900</u>	<u>\$ 24,921,620</u>	<u>\$ 16,870,520</u>

The Utility has provided operating budgets which are calculated to produce available net cash flows ranging from \$1,094,345 for the proforma fiscal year 2004 to \$1,246,081 for the proforma fiscal year 2005. The average available annual net cash flows from the prior three proforma fiscal years are calculated to be \$843,526. Over a twenty year period, available net cash flows therefore range from a high of \$24,921,620 to a low of \$16,870,520.

As previously noted, these are the cash flows available to pay for capital expenditures, provide funds for contingencies and afford the City a return on its investment. The sufficiency of these cash flows therefore depends upon the following factors:

1. The capital expenditures required by the Utility over the next twenty years will not, in any case, exceed the range of \$16,870,520 to \$24,921,620.
2. Excess available cash flows over and above those required for capital expenditures will be adequate to meet the City's policies regarding the provision for contingencies.
3. Excess available cash flows over and above those required by 1) and 2) will at least meet the level of return that the City typically applies to its investment decisions.

In addition to these factors, we recognize that there will probably be various operating efficiencies, opportunities or other synergies arising from the incorporation of the Utility's operations into the City's utility operations. Apart from the elimination of selected annual operating expenses that the City's management believes will not be incurred upon acquisition of the Utility, we have not evaluated or attempted to quantify these additional factors.

Mayor and Members of the City Council
 June 9, 2004
 Page 4 of 5

We recommend that the City carefully consider the net available cash flows and balance them against its assumptions regarding the acquisition of the Utility, particularly the need for capital expenditures over the term of the debt repayment. This will help ensure that the City's current customers are not adversely impacted and that the City's financial health will not be impaired.

SUMMARY OF SIGNIFICANT ASSUMPTIONS

The statements of available net cash flow – combined and the related statements of pro forma revenues and expenses – combined, water and electric of Berea College water and electric utility operations were prepared from financial information provided by Management for the each of the respective utilities for the following periods:

1. Berea College Utility – Water Operations
 - a. Internal financial and operating information for the 12 months ended June 30, 2001, 2002 and 2003.
 - b. Internal budget financial and operating information for the 12 months ending June 30, 2004 and 2005.
2. Berea College Utility – Electric Operations
 - a. Internal financial and operating information for the 12 months ended June 30, 2001, 2002 and 2003.
 - b. Internal budget financial and operating information for the 12 months ending June 30, 2004 and 2005

Significant accounting policies used in the preparation of these statements can be found in the audited financial statements for Berea College at June 30, 2003.

The internal financial information for the 12 months ended June 30, 2001, 2002 and 2003, and the budget financial information for the 12 months ending June 30, 2004 and 2005 were adjusted to remove the effect of operating expenses that were not expected to be incurred on a proforma basis once the utility operations of Berea College were absorbed into the operations of the City of Berea. These expenses are summarized in the following tables:

Berea Utility – Adjustments to Water Operations

Description	2001	2002	2003	Budget 2004	Budget 2005
Customer					
Computer Usage	\$ 14,168	\$ 14,168	\$ 26,780	\$ 29,420	\$ 30,000
	<u>14,168</u>	<u>14,168</u>	<u>26,780</u>	<u>29,420</u>	<u>30,000</u>
Administrative					
Kentucky PSC Assessment	\$ 4,357	\$ 4,284	\$ 4,231	\$ 4,500	\$ -
Administrative charges	65,000	65,000	65,000	65,000	-
Loss on PP&E Retirements	5,117	2,480	3,096	500	2,500
Amortization of Rate Case expense	-	-	414	-	-
	<u>\$ 74,474</u>	<u>\$ 71,764</u>	<u>\$ 72,741</u>	<u>\$ 70,000</u>	<u>\$ 2,500</u>



Mayor and Members of the City Council
 June 9, 2004
 Page 5 of 5

Berea Utility – Adjustments to Electric Operations

Description	2001	2002	2003	Budget 2004	Budget 2005
Customer					
Computer Usage	\$ 16,832	\$ 16,832	\$ 26,780	\$ 29,420	\$ 30,000
	<u>16,832</u>	<u>16,832</u>	<u>26,780</u>	<u>29,420</u>	<u>30,000</u>
Administrative					
Kentucky PSC Assessment	\$ 7,349	\$ 7,362	\$ 7,098	\$ 8,000	\$ -
Loss on PP&E Retirements	188	21,890	10,778	1,000	10,000
Administrative charges	78,000	78,000	78,000	78,000	-
	<u>\$ 85,537</u>	<u>\$ 107,252</u>	<u>\$ 95,876</u>	<u>\$ 87,000</u>	<u>\$ 10,000</u>

The proposed purchase price of the Utility is expected to be \$18,700,000. The purchase price is to be financed in total by the issuance of debt. The term of the debt repayment is twenty years. The interest rate that will be incurred is expected to be 4.00% per annum. This will require annual debt service payments (principal and interest) of \$1,375,979.

It is assumed that upon acquisition and through the subsequent debt repayment period, the City's management will maintain rates sufficient to sustain the Utility's net operating income and net available cash flows as presented here.

This report is intended solely for the information and use of the Mayor and members of the City Council of City of Berea, Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Work & Greer, PC

WORK & GREER, PC

June 9, 2004

Berea College Utility
Available Net Cash Flow - Combined
Year Ended June 30

Line No.	(1) Description	(2) Proforma 2001	(3) Proforma 2002	(4) Proforma 2003	(5) Proforma Budget 2004	(6) Proforma Budget 2005	(7) Average Proforma 2001-2003
1	Net operating income	\$ 1,827,038	\$ 1,422,674	\$ 1,490,135	\$ 1,763,364	\$ 1,918,060	\$ 1,579,949
	Add:						
2	Depreciation	612,820	651,058	654,790	706,960	704,000	639,556
3		<u>2,439,858</u>	<u>2,073,732</u>	<u>2,144,925</u>	<u>2,470,324</u>	<u>2,622,060</u>	<u>2,219,505</u>
	Less:						
4	Debt service (principal and interest)	<u>1,375,979</u>	<u>1,375,979</u>	<u>1,375,979</u>	<u>1,375,979</u>	<u>1,375,979</u>	<u>1,375,979</u>
5	Available net cash flow	<u>\$ 1,063,879</u>	<u>\$ 697,753</u>	<u>\$ 768,946</u>	<u>\$ 1,094,345</u>	<u>\$ 1,246,081</u>	<u>\$ 843,526</u>
6	Total available net cash flow - First 5 years	<u>\$ 5,471,725</u>	<u>\$ 5,471,725</u>	<u>\$ 5,471,725</u>	<u>\$ 5,471,725</u>	<u>\$ 6,230,405</u>	<u>\$ 4,217,630</u>
7	Total available net cash flow - First 10 years	<u>\$ 10,943,450</u>	<u>\$ 10,943,450</u>	<u>\$ 10,943,450</u>	<u>\$ 10,943,450</u>	<u>\$ 12,460,810</u>	<u>\$ 8,435,260</u>
8	Total available net cash flow - 20 years	<u>\$ 21,886,900</u>	<u>\$ 21,886,900</u>	<u>\$ 21,886,900</u>	<u>\$ 21,886,900</u>	<u>\$ 24,921,620</u>	<u>\$ 16,870,520</u>





Schedule 2

Berea College Utility
Proforma Revenues and Expenses - Combined
Year Ended June 30

Line No.	(1) Description	(2) Proforma 2001	(3) Proforma 2002	(4) Proforma 2003	(5) Proforma Budget 2004	(6) Proforma Budget 2005
	Operating Revenue:					
	Sales Revenue					
1	Water sales	\$ 1,688,946	\$ 1,621,291	\$ 1,622,798	\$ 1,662,150	\$ 1,580,400
2	Sales for resale	575,812	501,996	596,890	549,390	637,700
3	Total water sales	2,264,758	2,123,287	2,219,688	2,211,540	2,318,100
4	Electric sales	5,719,491	5,805,817	6,561,629	6,899,770	7,149,100
5	Total sales revenue	7,984,249	7,929,104	8,781,317	9,111,310	9,467,200
6	Bad debt expense	(41,302)	(91,839)	(170,842)	(40,000)	(55,000)
7	Net sales revenue	7,942,947	7,837,265	8,610,475	9,071,310	9,412,200
	Other Operating Revenues					
8	Forfeited discounts	91,667	100,885	105,662	114,010	102,230
9	Other income	110,406	71,248	111,870	82,934	109,030
10	Total other operating revenues	202,073	172,133	217,532	196,944	211,260
11	Total operating revenue	8,145,020	8,009,398	8,828,007	9,268,254	9,623,460
	Cost of Sales:					
12	Purchase of electricity	4,076,968	4,105,380	4,741,611	4,832,800	4,816,590
13	Net revenues	4,068,052	3,904,018	4,086,396	4,435,454	4,806,870
	Operating Expenses:					
14	Production	294,532	355,707	485,205	388,670	435,388
15	Distribution	638,362	763,396	806,255	839,620	954,573
16	Customer	246,310	291,095	302,524	287,515	313,610
17	Administrative	448,990	419,088	347,487	449,325	481,239
18	Total operating expenses	1,628,194	1,830,286	1,941,471	1,965,130	2,184,810
19	Depreciation expense	612,820	651,058	654,790	706,960	704,000
20	Taxes other than income taxes	-	-	-	-	-
21	Total operating expense	2,241,014	2,481,344	2,596,261	2,672,090	2,888,810
22	Net operating income	\$ 1,827,038	\$ 1,422,674	\$ 1,490,135	\$ 1,763,354	\$ 1,918,060



Berea College Utility
Proforma Revenues and Expenses - Water
Year Ended June 30

Line No.	(1) Description	(2) Proforma 2001	(3) Proforma 2002	(4) Proforma 2003	(5) Proforma Budget 2004	(6) Proforma Budget 2005
Operating Revenue:						
Sales Revenue						
1	Residential	\$ 741,985	\$ 736,589	\$ 739,375	\$ 757,080	\$ 764,300
2	Commercial	339,187	331,425	348,919	351,390	361,500
3	Industrial	534,082	476,498	457,694	476,940	479,400
4	Fire protection - City Public	73,692	76,779	76,810	76,740	75,200
5	Fire protection - College	-	-	-	-	-
6	Sales for resale	575,812	501,996	596,890	549,390	637,700
7	Total sales revenue	2,264,758	2,123,287	2,219,688	2,211,540	2,318,100
8	Bad debt expense	(9,722)	(10,582)	(43,665)	(10,000)	(20,000)
9	Net sales revenue	2,255,036	2,112,705	2,176,023	2,201,540	2,298,100
Other Operating Revenues						
10	Forfeited discounts	21,692	22,357	22,390	22,870	23,190
11	Other income	19,682	16,876	21,804	22,370	25,110
12	Total other operating revenues	40,974	39,233	44,194	45,240	48,300
13	Total operating revenue	2,296,010	2,151,938	2,220,217	2,246,780	2,346,400
Operating Expenses:						
Production						
14	Salaries and wages	87,303	63,841	65,201	63,240	67,790
15	Employee benefits	19,256	15,205	15,280	13,930	16,098
16	Chemicals	45,243	49,361	86,659	75,000	90,000
17	Electricity	295	52,860	55,019	52,500	60,000
18	Operating	31,754	57,097	83,965	61,000	72,500
19	Maintenance	16,479	17,852	25,218	19,000	13,000
20	Equipment	136	53	1,226	1,000	1,000
21	Consulting	39,053	38,560	98,665	41,000	60,000
22	Other	55,013	61,848	53,972	62,000	55,000
23	Total	294,532	356,707	485,205	388,670	435,388
Distribution						
24	Salaries and wages	171,913	188,626	209,731	212,130	270,050
25	Employee benefits	37,918	44,926	49,152	46,726	64,129
26	Operating	31,653	33,273	36,470	30,200	45,000
27	Equipment	4,417	2,834	873	4,000	4,000
28	Maintenance	58,388	46,213	56,333	45,000	60,000
29	Consulting	19,410	13,371	11,285	5,000	7,000
30	Other	12,979	10,443	4,720	12,000	6,000
31	Total	336,678	339,686	368,564	355,056	456,179
Customer						
32	Salaries and wages	76,310	92,463	83,216	79,840	95,400
33	Employee benefits	16,831	22,027	19,502	17,586	22,655
34	Materials and supplies	16,713	14,709	16,436	16,000	17,000
35	Other	-	-	-	-	-
36	Total	109,854	129,219	119,154	113,426	135,055
Administrative						
37	Salaries and wages	119,209	120,996	108,954	125,790	133,860
38	Employee benefits	26,294	28,818	25,534	27,708	31,788
39	Materials and supplies	3,864	4,080	3,489	3,500	4,000
40	Consulting	18,942	8,626	4,486	29,000	10,500
41	Other	106,673	64,286	58,397	74,550	65,350
42	Total	275,282	226,806	200,860	260,548	245,498
43	Total operating expenses	1,016,346	1,052,418	1,173,783	1,117,700	1,272,120
44	Depreciation	254,352	274,283	277,569	276,670	292,000
45	Taxes other than income taxes	-	-	-	-	-
46	Total operating expense	1,270,698	1,326,701	1,451,352	1,394,370	1,564,120
47	Net operating income	\$ 1,025,312	\$ 825,237	\$ 768,865	\$ 852,410	\$ 782,280



**Berea College Utility
Proforma Revenues and Expenses - Electric
Year Ended June 30**

Line No.	(1) Description	(2) Proforma 2001	(3) Proforma 2002	(4) Proforma 2003	(5) Proforma Budget 2004	(6) Proforma Budget 2005
	Operating Revenue:					
	Sales Revenue					
1	Residential	\$ 2,151,387	\$ 2,169,712	\$ 2,508,697	\$ 2,628,000	\$ 2,805,300
2	Commercial	1,147,174	1,180,530	1,273,703	1,348,090	1,381,600
3	Industrial	2,324,059	2,362,959	2,682,741	2,820,150	2,858,100
4	Security lights - public	46,978	44,028	46,752	49,980	51,700
5	Security lights - private	50,493	48,588	49,736	53,550	52,400
6	Sales for resale	-	-	-	-	-
7	Total sales revenue	5,719,491	5,805,817	6,561,629	6,899,770	7,149,100
8	Bad debt expense	(31,580)	(81,257)	(127,177)	(30,000)	(35,000)
9	Net sales revenue	5,687,911	5,724,560	6,434,452	6,869,770	7,114,100
	Other Operating Revenues					
10	Forfeited discounts	69,775	78,528	83,272	91,140	79,040
11	Other income	91,324	54,372	90,066	60,564	83,920
12	Total other operating revenues	161,099	132,900	173,338	151,704	162,960
13	Total operating revenue	5,849,010	5,857,460	6,607,790	7,021,474	7,277,060
	Cost of Sales:					
14	Purchase of electricity	4,076,968	4,105,380	4,741,611	4,832,800	4,816,590
15	Net revenues	1,772,042	1,752,080	1,866,179	2,188,674	2,460,470
	Operating Expenses:					
	Distribution					
16	Salaries and wages	196,705	228,372	271,025	266,130	282,130
17	Employee benefits	40,342	49,990	60,892	56,634	62,464
18	Operating	32,100	132,851	100,983	156,500	158,300
19	Equipment	12,486	13,319	15,385	13,000	13,000
20	Maintenance	54,292	39,839	36,083	35,300	36,500
21	Consulting	-	-	-	-	-
22	Other	(34,241)	(40,661)	(46,677)	(43,000)	(54,000)
23		301,664	423,710	437,691	484,564	498,394
	Customer					
24	Salaries and wages	92,773	113,738	129,674	124,990	126,130
25	Employee benefits	19,027	24,897	29,134	26,599	27,925
26	Materials and supplies	21,203	18,643	20,208	19,000	19,000
27	Other	3,453	4,598	4,354	3,500	5,500
28		136,456	161,876	183,370	174,089	178,555
	Administrative					
29	Salaries and wages	79,838	72,627	76,839	88,000	129,270
30	Employee benefits	16,374	15,898	17,264	18,727	28,621
31	Materials and supplies	-	-	-	-	-
32	Consulting	51,707	67,161	29,611	30,000	30,000
33	Other	25,789	36,596	22,913	52,050	47,850
34		173,708	192,282	146,627	188,777	235,741
35	Total operating expenses	611,848	777,868	767,688	847,430	912,690
36	Depreciation	358,468	376,775	377,221	430,290	412,000
37	Taxes other than income taxes	-	-	-	-	-
38	Total operating expense	970,316	1,154,643	1,144,909	1,277,720	1,324,690
39	Net operating income	\$ 801,726	\$ 597,437	\$ 721,270	\$ 910,954	\$ 1,135,760

“O” - Report of CDP Engineers, Inc.

Evaluation of Berea College Utilities City of Berea, Kentucky



prepared for

The City of Berea

prepared by

**CDP Engineers, Inc.
3250 Blazer Parkway
Lexington, Kentucky 40509
(859) 264-7500**

August 2004



ENGINEERING ■ LANDSCAPE ARCHITECTURE ■ SURVEYING
www.cdpenineers.com

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Executive Summary

CDP Engineers, Inc. was retained by the City of Berea to evaluate the condition and capacity of the Berea College Utilities as well as create a five-year capital improvement plan before the final utility purchase agreement was agreed upon between the City and the College.

To complete our evaluation of the Utilities, we gathered various data from interviews, site visits, past reports and inspections, and current drawings and maps. CDP interviewed BCU, City, and regulatory agency staff, performed limited inspections of the accessible facilities in the field, and reviewed existing construction plans and reports during the completion of this study. Due to the limited scope and schedule of the study, the contents of this report does not constitute a complete evaluation of the systems, but rather an overview of the condition and capacity of the utilities. The purpose of CDP's efforts was the assist the City with its "due diligence" investigations prior to executing a purchase agreement.

We found the utility systems to be in generally average condition with adequate capacity to meet current utility demands. In order for the utilities to better serve their customers and meet future demands, capital improvements must be made.

A capital improvement plan was developed for the next five years, based on current BCU capital planning plus our evaluations. Most of these improvements serve as

supplements to the existing systems and are not mandatory investments over the next five years. However, be it the City or College who owns and operates the water and electric utilities, it is imperative that the raw water supply or treated water purchasing efforts begin, and water quality improvement efforts continue. The following is a summary of the anticipated capital requirements:

	Priority	Total
Raw Water System	\$1,375,000	\$2,585,000
Water Treatment Plant	\$1,565,000	\$2,065,000
Water Storage and Distribution	\$360,000	\$600,000
Electric System	\$418,000*	\$1,700,000
Total	\$3,718,000	\$6,950,000

The "priority" costs are proposed improvements that are required to meet regulatory compliance or address critical needs.

I – Background/Methodology

Berea College owns and operates the water and electric system in the City of Berea. Water is treated from local reservoirs and distributed throughout the City as well as wholesaled to the Southern Madison Water District and the Garrard County Water Association. Electricity is purchased by BCU from Kentucky Utilities and distributed to city customers.

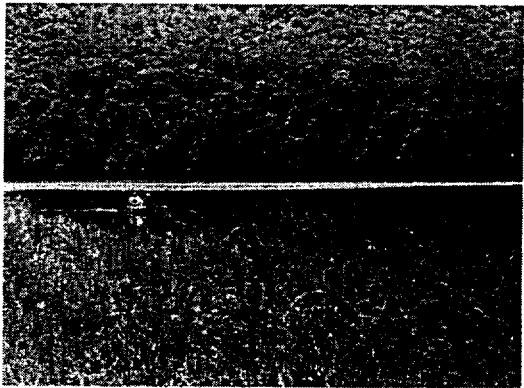
The City of Berea has initiated efforts to purchase the utility assets of Berea College. CDP Engineers (with assistance from Mr. Roger Wilson for electrical system evaluations) were retained to evaluate these utilities for their capacity and ability to serve customers with quality and reliability. The condition of the utilities was also evaluated and a five-year capital improvement plan (CIP) developed. The utilities were evaluated with consideration given to the most current rules and regulations governing operations of water treatment/distribution from the Kentucky Division of Water (DOW), and electric distribution from the Kentucky Public Service Commission (PSC).

II – Raw Water Supply

A. Description/Capacity

Berea College owns and operates four reservoirs - "B" Lake, Kales Lake, Upper Cowbell Lake, and Lower Owsley Fork Lake - which provide raw water to the water

treatment plant (WTP) located east of the city off KY 21. The largest of the four, Lower Owsley Fork Lake, was constructed in 1975 and has a surface area of 151 acres, a watershed of 4,505 acres, and a usable volume of approximately 650 million gallons (MG). A September 1996 study by



Howard K. Bell Engineers (HKB) found that during a drought similar to that of 1930-1931 (worst on record), Lower Owsley Fork Lake would yield 3.30 million gallons per day (MGD). The Owsley Fork Pump Station contains two vertical turbine pumps that deliver water to the Cowbell Pump Station at a rate of 2.5 MGD.



Upper Cowbell Lake, the second largest of the four, was constructed in 1955 and has a surface area of 16.8 acres, a watershed of 707 acres, and a usable volume of approximately 151 MG. Upper Cowbell Lake would have a yield

of 0.60 MGD from the 1930-1931 drought. Similar to Owsley Fork Pump Station, the Cowbell Pump Station has two vertical turbine pumps. These pumps tie to the line from the Owsley Fork pumps and boost raw water to the upper end of "B" Lake. With all four pumps operating, water can be delivered directly to the plant or to "B" Lake at a rate of 2.5 MGD.

Kales Lake, constructed in the 1940's, supplies water by gravity to "B" Lake , which was constructed in 1950. Kales and "B" lakes have a combined surface area of 24.6 acres, a watershed of 691 acres, and usable volume of approximately 104 MG. "B" Lake would have a yield of 0.42 MGD from the 1930-1931 drought. With the pump stations at Owsley Fork and Cowbell only capable of supplying 2.5 MGD to "B" Lake, raw water could only be supplied to the plant at a rate of 2.92 MGD during this extreme condition. A pumping capacity upgrade of the Owsley Fork Pump Station and Cowbell Pump Station would gain full utilization of all four reservoirs, bringing the minimum yield to 4.32 MGD.



B. Condition



A study was completed in March, 2004 by HKB evaluating the condition of the lakes and dams. It includes a compilation of past field inspections, reports, and sediment surveys as well as the recent field inspections. An "Estimated Repair and

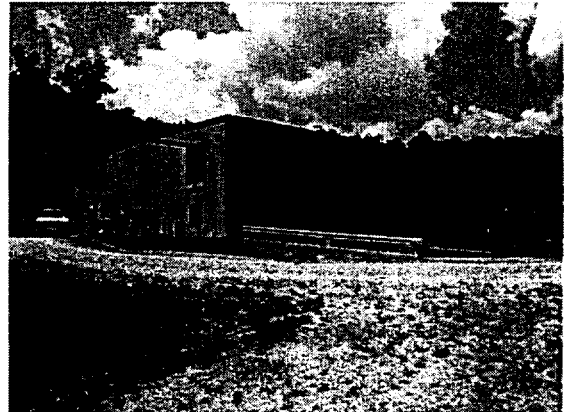
Maintenance Cost" was then calculated for each reservoir to provide 40 years of additional structure life. A summary of suggested improvement to each reservoir is

shown in Chapter IV-A. The Owsley Fork and Lower Cowbell Pump Stations are in fair condition. Poor drainage has resulted in water standing on the floor in some areas, which has led to slight rusting problems. Both pump stations have adequate ventilation.

III – Water Treatment Plant

A. Description/Capacity

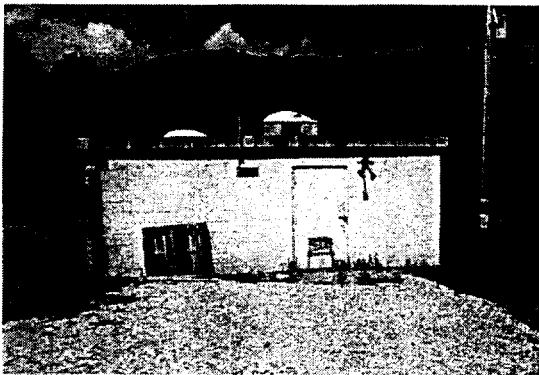
The Berea College Utilities WTP was built in 1990 with a rated capacity of 3.0 MGD. Based on recent discussion with DOW, the rated plant capacity is 4.0 MGD. However, this does not satisfy DOW



redundancy requirements for the pre-manufactured treatment units (clarifiers and filters). Should any clarifier or filter be out of service, plant capacity is reduced to 3.0 MGD. Raw water enters the plant from either the Cowbell Pump Station or from "B" Lake via a 20-inch ductile iron line. Water is then treated by pre-disinfection/oxidation, adsorption clarification, gravity filtration, and post-disinfection/fluoridation. The 1996 HKB report forecasted the average daily water demand in 2005 to be 2.39 MGD, with a projected increase to 2.66 MGD by the year 2015. However, in 2003, the average daily production was 2.53 MGD and this year through June, average daily production has increased to

2.71 MGD. The plant is currently operated approximately 15 hours per day at a rate of 2900 gallons per minute (gpm).

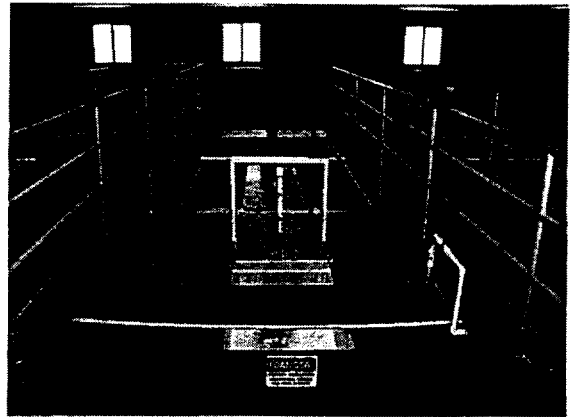
The first chemical introduced prior to the inline mixer is chlorine dioxide. Chlorine dioxide, which is housed in the old raw water pump station, is produced on site due to its difficulty to store, and pumped into the raw water from the old raw water pump station between "B" Lake and the WTP. It serves as an oxidant and pre-disinfectant prior to clarification. Thermofloc 4133 (coagulant) and CatFloc DL Polymer



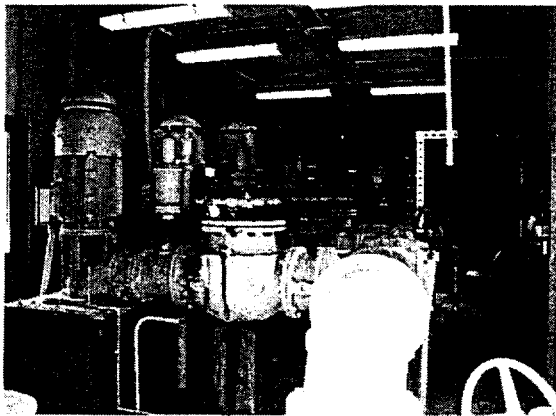
(coagulant) are fed to the raw water and the three chemicals are thoroughly mixed before entering the plant.

Chemically dosed water is then divided into four separate pre-manufactured treatment units, each containing a clarifier and a filter. The adsorption clarifiers have a rated capacity of 700 gpm each (70 square feet x a maximum upflow rate of 10 gpm/sf²) and a combined capacity of 2800 gpm (4.0 MGD) with four clarifiers in operation. The clarifiers remove sludge and particles as water moves upward through four feet of plastic media. Under current operation, the upflow rate is 10.4 gpm/ft² (725 gpm), which exceeds the 10.0 gpm/sf² design rate.

Clarified water then travels to four mixed media gravity filters at a rate of 5.2 gpm/ft² (725 gpm). The filters have a surface area of 140 square feet and are designed to filter water at a rate of 5.0 gpm/ft² (700 gpm). At 5.0 gpm/ft² and with one filter out of service, the gravity filter system could only produce 3.0 MGD.



Filtered water is then disinfected with chlorine. Fluoride and a corrosion inhibitor are also added to the filtered water as it travels to an on-site 100,000-gallon underground clearwell, which holds treated water before it is pumped. The high



service pump station sits atop the clearwell and houses two-2.0 MGD and one-3.0 MGD vertical turbine pumps. These pumps transport water to a 3 MG ground storage tank via a 16-inch ductile iron line. This tank serves as the lead

tank for the distribution system. With the largest pump out of service, the high service pump station should be rated at 4.0 MGD. Due to large amount of storage from the 3.0 MG ground storage tank, the Contact Time (CT) rating for the plant from DOW is 3,100 gpm.

BCU has two earthen washwater lagoons, which are used to hold particulates removed from the water during treatment. Flushing the clarifiers and backwashing the filters are the two main processes that produce side streams with high particulate



concentrations. As this washwater enters the lagoons, the particulates and added chemicals slowly settle to the bottom. On the opposite end, water is drawn from the surface then released into the nearby creek after most particles have settled. Each lagoon must be cleaned twice per year to remove accumulated sludge. This requires the lagoon to be taken out of service, completely drained of water, and the sludge removed. BCU currently has provisions for landfarming the sludge once it is removed. The City must make provisions in the lease agreement with BCU to continue landfarming the washwater lagoon sludge.

B. Condition

Overall, the condition of the WTP is good. No major flaws were seen to the structure, including doors, windows, lights, fans, flooring, walls, stairs, and walkways. Laboratory equipment, control panels, and furniture looked to be in good condition as well. Water treatment equipment such as chemical feed pumps, chemical storage tanks, day tanks, dry feeders, piping, and valves show normal signs of wear and tear. Some rust on pipe flanges was noticed as well as some small leaks beneath the filters. A considerable leak, estimated at 100 gpm, was

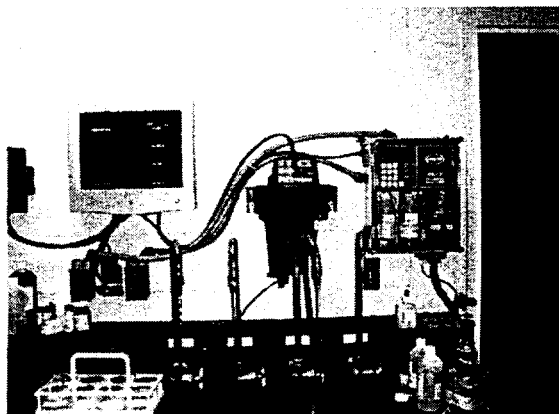


seen from the four washwater gates on the clarifiers. The operator was aware of this problem and stated that it was being addressed by the purchase and installation of a new gate closer. Also, some chemical areas lacked the required

ability to contain a spill if a large tank were to rupture.

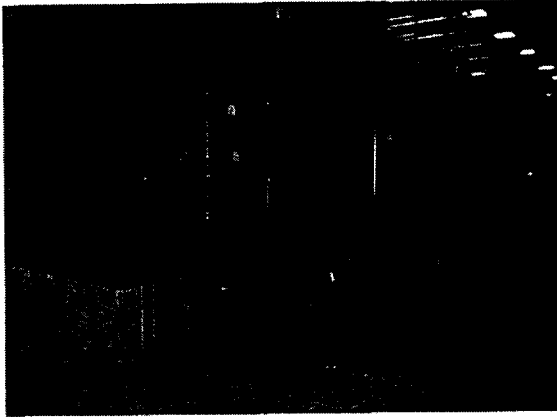
C. Water Quality

BCU's Annual Water Quality Reports were obtained for 2001, 2002, and 2003. These reports summarize the quality of treated water throughout the distribution system and are sent to all customers every year. Upon review of the water quality, it was determined that BCU was well within safe drinking water limits set by the Environmental Protection Agency on almost all constituents. All inorganic contaminants, synthetic organic contaminants, and particulates tested in these three years were found to be negative or below the maximum contaminant level (MCL).



Two constituents were found to be above the MCL in 2002 and 2003. They are Total Trihalomethanes (TTHM's) and Haloacetic Acids (HAA's), which are both

byproducts created when chlorine and chlorine compounds are added to water with



organic carbons. These chemicals are formed by adding chlorine to raw water before turbidity, and total organic carbon (TOC) levels can be reduced by clarification and filtration. TTHM's and HAA's are tested quarterly at various

points in the distribution system. There are a number of ways to try to prevent the formation of TTHM's and HAA's. The easiest, and cheapest, is to not pre-disinfect the raw water at all, especially with pure chlorine as has been done in Berea for years. The WTP operator stated that eliminating the pre-disinfection was not feasible because it would lead to algae growth in the filters and reduced filter run times between backwashes.

The WTP operators have attempted to address the formation of TTHM's and HAA's by pre-disinfecting with chlorine dioxide in a one-year pilot study that began in November 2003. Chlorine dioxide does not produce TTHM's and HAA's as does chlorine, but is more expensive, more difficult to feed, and can be explosive. Since the third quarter (summertime) sample is the most difficult to comply with due to warmer temperatures, chlorine dioxide will need to show that the result of this sample can show a significant reduction. Third quarter sampling has already taken place for 2004, and the results of these tests will be available in early August. This will be the first third quarter result after the switch from chlorine to chlorine dioxide.

If pre-disinfecting with chlorine dioxide proves successful, this would be a big step in gaining future compliance for TTHM's and HAA's.

One other constituent that has been out of compliance since 2002 is TOC. Unlike most constituents that are reported by their concentration in the finished water, TOC is required to be reported by the percentage removed from the raw water. Since the raw water from the reservoirs is relatively low in TOC compared to many raw water sources in Kentucky, it is difficult to remove a large percentage. A pilot study with carbon filters is ongoing at the plant to address this violation.



IV – Water Distribution and Storage Systems

A. Description

The water distribution system in Berea was developed over the course of the past century, with the original source of water being a system of groundwater wells. The oldest part of the current system was constructed within the College campus and the downtown area, and consists of cast iron pipes. As the system spread into the suburban areas, polyvinyl chloride (PVC) pipes became the standard. More recently, BCU has switched to ductile iron equivalent PVC (C900). These materials are commonly used by municipalities in water distribution. We understand that there

are no asbestos cement (AC) pipes in the system, which is positive as AC pipes are hazardous material when they are disturbed during construction operations.

BCU has water system mapping and a hydraulic model that serve as valuable tools in the management and operations of the system. The system is fed by 14- and 16-inch mains from the water treatment plant site. Most of the pipes in the system are 6-inches and 8-inches in diameter, with the larger transmission mains being 10 to 12 inches. Some of the local streets have galvanized steel lines as small as 1.5 to 2 inches. While most of the system is looped, there are numerous dead-end lines that can result in reliability and water quality problems.



maintenance activities.

The water system serving the college campus includes water meters at all buildings; therefore the lines in this area will convey to the City instead of remaining private. The college is to provide a blanket easement to allow for

Berea has two storage tanks – the 3.0 MG concrete ground storage tank at the treatment plant and a 0.5 MG elevated steel tank just north of KY 21, west of

downtown. The combined storage exceeds the average daily water usage of approximately 2.7 MG, as required.

Berea provides water to Southern Madison Water District (SMWD) and Garrard County Water Association (GCWA). These wholesale customers represent nearly all of the growth potential of the water system, as Berea's own service area is landlocked by SMWD.

B. Condition

Based on interviews with current and former BCU staff, and analysis of the hydraulic model, system pressures are consistently at or above 50 pounds per square inch (psi) – well above the minimum requirements. We understand that fire hydrant tests result in fire flows consistently in excess of 500 gpm. Chlorine residuals in the outer portions of the system are adequate. These factors are indicative of a water distribution system that has been properly planned (in terms of pipe sizes and connectivity) and maintained.

While there are occasional water main breaks, especially in the older (downtown) areas, the incidence does not appear to be excessive. Water losses through leaks are approximately 13% of the production, which is about average or slightly better than average for municipal systems.

While there is a hydrant flushing program (to maintain water quality), there has been no valve exercising program, resulting in problems due to inoperative valves and in maintenance crews that can't find valves to isolate broken lines.

The storage tanks are in generally good condition. Water quality (turnover) issues at the 0.5 MG tank have been resolved recently through some minor modifications. This tank will need to be painted in the near future. The ground storage tank is overdue for an inspection, although it was in good condition during the last inspection a few years ago.

C. Capital Needs

The only near-term capital improvement project planned is the replacement of mains along Chestnut Street to eliminate some of the system's oldest mains currently in service. This project (estimated at \$160,000) will be implemented if a grant currently being sought is procured.

The most critical capital improvement needed in the distribution system is for a second line under Interstate 75 near KY 21. If the existing line goes out of service, service to Garrard County Water Association and a portion of the Southern Madison Water District would be totally shut down. Another line needs to be constructed for system reliability.

Other identified capital needs involve completing loops at certain locations to improve local supply, water quality, and pressures. These locations are between Walnut Street and Scaffold Cane Road, between Elm Street and Central Avenue, and in the Dixie Heights (North Powell Street) area.

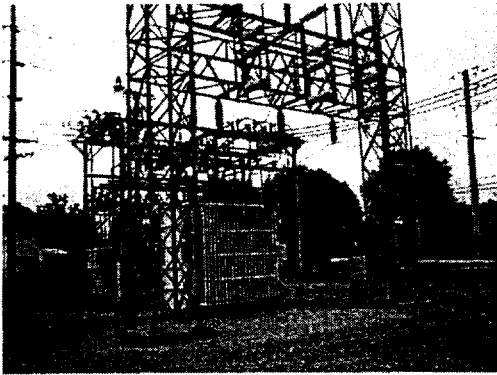
While the current storage volume meets regulatory requirements, continued growth of the system will necessitate the construction of a new storage facility at some point in the future. The most likely locations for a new facility would be at the industrial park or behind the college poultry farm. Based on current growth projections, this tank will not have to be constructed within the next 5 years.

A table of anticipated capital projects with associated costs is included in Chapter VI of this report.

V – Electric System

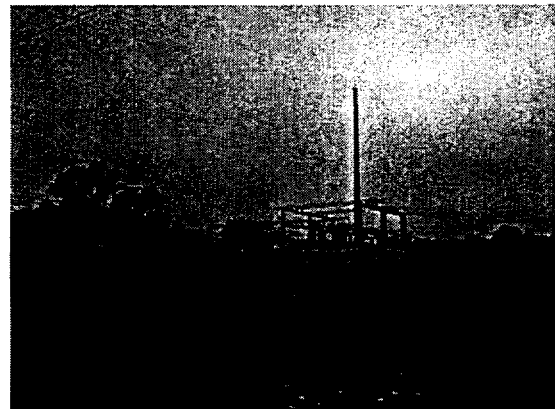
A. Description/Capacity

Berea College owns and operates two electric distribution substations. The oldest of the two is located on Lewis & Oak Street , and has a capacity of 10 Mega-Volt-Amperes at 4160 Volts. The station has five circuits installed with no additional bays available. The second substation is located on Rash Road and has just been converted to parallel transformers. Transformer #1 has a capacity of 10 Mega-Volt-Amperes and transformer #2 has a capacity of 15 Mega-Volt-Amperes; both are at



7200 Volts. The Rash Road substation has four circuits installed with no additional bays available. The Lewis & Oak Street substation is presently loaded to 8 Mega-Volt-Amperes and Rash Road substation is loaded to 19 Mega-Volt-Amperes.

Electricity is purchased through Kentucky Utilities (LG&E-Eon) on a multiple delivery point supplemental agreement with Electric Rate Schedule WPS—87 (M). The Utility then resells to consumers at various rates, which were approved by the Public Service Commission. The electric utility presently has about 4700 customers with about 9,600,000 KW-hours billed per month. The consumer base and usage level have been stable for the last few years, even though BCU lost a large industrial customer.



There are about 80 miles of overhead and underground facilities. There is also a blend of 2400 Volts and 7250 Volts, which does pose some difficulty in loop feeding particular areas. The R.W. Beck 2002 Construction Work Plan calls for this blend to be eliminated in the 10 load level plan. The Construction Work Plan analyzed the system for voltage drops or over-current wire conditions and established a program

to change wire out to larger conductor size, or converting the voltage level to 7250 as a preset load level was reached.



The electric utility is staffed with one electric operations coordinator, one meter technician, three linepersons, two apprentice linepersons, one administrative assistant, and four part-time students.

There is also, housed on campus, a customer service supervisor, one clerk, one service technician, one purchasing clerk, and three customer service representatives

that are shared with the water department. BCU has two bucket trucks, two digger trucks, one flat bed truck, and five passenger vehicles.



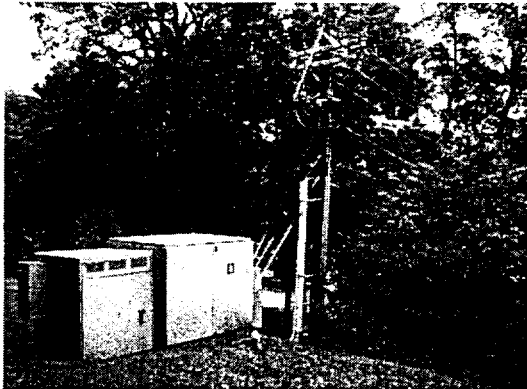
The office space on the poultry farm is currently three offices, one meeting

room, and a lock room. There is a mechanic/truck garage, ag-dept/wire storage, hardware warehouse (back of office space), and outdoor on-site storage. The poles and transformers are stored at the water treatment plant, approximately five miles from the office space.

D. Condition/Concerns

The pole numbering and identification has been maintained through the field work. Records on meters and testing of the meters are up-to-date. The mapping system has need for updating and revision. The present system does not locate pole positions, consumer positions, or link meter/consumer data to a line section number. The Public Service Commission has not performed an annual inspection in the last two years. However, the last inspection did not show major failures. After work hours trouble calls are handled through the BCU. The communication system of two-way radio's are also shared with the BCU.

The Lewis & Oak Street substation does not have oil containment for the power transformer. The transformers in storage at the office site or WTP have no oil containment area. The PCB building does have oil containment but does not have



the secondary oil containment required for contaminated PCB distribution transformers. The electric operations coordinator has recently received bid prices of \$50,000 to have all the oil containment concerns renovated to EPA standards. The scope of the project is to

have the substation work done on-site and the oil containment and secondary containment done at the poultry farm. An additional expense will be incurred by

moving all transformers to the poultry farm from the water treatment plant. The added benefit, however, is less travel due to the more convenient location.

The pole routes were traveled in random order, looking at new and old overhead and underground facilities. There were no unexplained problems found in this investigation. The Berea College underground system was noted as a possible section to be metered separately in order to provide the City of Berea an option to leave that portion as a dedicated area.

The outage summary shows a good record in outage times, although tree-induced outages are a concern. Of the six categories of measurement evaluated, trees are either first or second as the major element. The following table is a summary of outages from May 2003 through July 2004.

Reason for Outage	Number of Occurances	% of Outages	Hours Affected	Consumers Affected
Man	8	12.1	23	263
Trees	17	25.8	31	1,408
Animals	7	10.6	10	1,224
Equipment Failure	7	10.6	14	134
Overload Condition	3	4.5	4	92
Lightning	11	16.7	22	126
Planned Outage	7	10.6	9	6,285
Loose Connection	1	1.5	1	6
Unknown	5	7.6	6	130
Totals	66	100%	120	9,668

The electric department has maintained a partial annual contract with a tree trimming crew to provide their services to cut the system on a five-year rotation. The last few years have been extremely wet and trees have grown at a fast rate, which has added to the problem of stretching trimming service to a budget friendly five-year program. It would be advantageous to have a contracted crew on full-time trimming and move the cycle time back to four years.

Safety and job training has been maintained over the past years. Management and employees have attended safety meetings on a monthly basis with signed records of meetings. The electric department has used various organizations in the state to assemble well-rounded and useful programs for training. The truck log books were checked for daily safety inspections and annual testing.

The warehouse accounting has an open-door policy for the work orders, creating the potential for inaccuracies in end-of-year inventory. The system should work if accurate records are maintained. The work order specifications are a generic form of the Rural Electric Administration bulletin and have been modified to reflect BCU's particular needs. These modifications are recorded for publication as needed.

VI – Capital Improvement Plan

A. Raw Water Supply

BCU has conducted two separate studies (1996 and 2001) that address the future of the raw water supply. The 1996 study, by HKB, focuses on upgrades to the Owsley Fork and Cowbell Pump Stations and conveyance systems. This study provides recommendations and modification steps to upgrade the raw water system to up to 6.0 MGD and provides associated costs of upgrading to a 4.0 MGD capacity.

The 2001 study focused more on the ability of the reservoirs to provide raw water in an extreme drought condition such as the 1998-2000 drought. The construction of a new reservoir was evaluated from three possible locations and it was recommended that BCU pursue land and environmental permits, and begin construction as soon as possible. The three watersheds evaluated were the Upper Owsley Fork, Upper Floyds Fork, and Joe Lick. Construction costs were given for each alternative, with the Joe Lick watershed being recommended as the best long-term alternative with a capital cost of \$3,747,500 (2001 dollars). At the current rate of water usage growth, the Joe Lick reservoir, in combination with the existing reservoirs, would have adequate yield for a 1998-2000 type of drought, through the year 2070. It should be noted that the Bluegrass Water Supply Consortium might offer an alternative to constructing a new reservoir, and expanding the water treatment plant, to meet future growth projections.

The following table is a summary of proposed raw water improvements (excluding a new reservoir) and estimated CIP costs:

Description	5-Year CIP Cost
"B" Lake Reservoir	\$40,000*
Kales Lake Reservoir	\$525,000*
Upper Cowbell Lake Reservoir	\$775,000*
Lower Owsley Fork Lake Reservoir	\$35,000*
Cowbell Pump Station	\$215,000**
Owsley Fork Pump Station	\$425,000**
Owsley Fork Reservoir Aeration	\$570,000**
Total Cost	\$2,585,000

*Referenced from 2004 HKB study (40-year additional life).

**Referenced from 1996 HKB study with 4% construction inflation added per year (4 MGD capacity).

B. Water Treatment Plant

The WTP shows little need for common capital or maintenance improvements often apparent in 14-year-old plants such as corrosion of metals, lack of handrails, and inadequate power supply. The plant site, structures, plant controls and office areas are in good condition. All chemical feed equipment such as bulk storage tanks, day tanks, and feed pumps are adequately sized and give little trouble to the operators. However, as previously stated, the water treatment plant has the "rated" capacity of 4.0 MGD assuming the four treatment units are in continuous operation. With the average daily demand at 2.71 MGD and peak water demands exceeding 4.0 MGD there is a need to increase the clarification and filtration capacity.

The plant is currently operated 15 hours per day at a rate of 2900 gpm. To produce water this fast through the plant, all four clarifiers and filters must operate above their

designed flowrates, as mentioned in Chapter III-A. By operating in this manner, the plant could be sacrificing water quality, contributing to violations of TTHM's, HAA's and TOC. Moreover, if the need arose to shut down a clarifier or filter for a significant amount of time, the plant may not be able to meet the daily demand. In conversation with DOW, they agreed that slowing the plant down should be the first step in attempting to gain complete water quality compliance. They also stated that even though the plant function adequately and produced good finished water, that the only long-term solution for water quality might be to implement a new technology in clarification/filtration.

Two pilot studies are being conducted at the WTP. The first involves a chlorine dioxide system using to address disinfection byproducts. The second is a carbon filtration process intended to remove TOC. These are steps in the right direction to improve water quality. However, any improvements could be being hindered by a high flowrate through the plant. WTP performance would be expected to improve if the plant were operated at a slower rate for longer hours. Plans for expansion of the plant or purchase of water from another producer (i.e. Bluegrass Water Supply Consortium) should begin in the near future.

The following table is a summary of proposed water treatment plant improvements and estimated CIP costs:

Description	5-Year CIP Cost
General Improvements:	
Two additional treatment units.	\$750,000
Alternate clarification system (Actiflo)	\$1,700,000
Expand washwater lagoons	\$300,000
TTHM and HAA-5 and TOC control:	
Purchasing current chlorine dioxide system*	\$65,000
Alternate disinfectant (Miox)	\$425,000
Install Carbon Filtration*	\$1,500,000

*Pilot study not yet complete.

C. Water Storage and Distribution System

The following table is a summary of proposed water storage and distribution system improvements and estimated CIP costs:

Description	5-Year CIP Cost
4,200 feet of 12-inch DI Pipe to connect Haiti Street to KY 21 (bore and jack underneath I-75 to S. Dogwood Street).	\$360,000
Chestnut Street Main Replacements	\$160,000
300 feet of 6-inch C-900 Pipe to connect Elm Street to Central Avenue.	\$10,000
1,600 feet of 8-inch DI Pipe to connect Walnut Street to Scaffold Cane Road.	\$50,000
600 feet of 6-inch C-900 PVC Pipe at various locations in North Powell Street area.	\$20,000
New 1 MG Storage Tank	(beyond 5-year period)
Total Cost	\$600,000

D. Electric System

The following table is a summary of proposed electric system improvements and estimated CIP costs:

Description	5-Year CIP Cost*
Dixie Park Re-Conductor 795 mcm.	\$96,000**
Step Transformer on Scaffold Cane Road.	\$38,000**
Single phase to three phase conversion on Scaffold Cane.	\$87,000**
Convert New Oak Street URD to 7200 Volts.	\$317,000**
Convert Wal-Mart Line to 7,200 Volts and provide for taps.	\$187,000**
Convert West Jefferson Line to 7200 Volts and provide for taps.	\$145,000**
Convert Oak Street Substation to 7200 Volts.	\$695,000***
Convert Chestnut Street to 7200 Volts.	\$135,000***
Total Cost	\$1,700,000

*As recommended by RW Beck in 2002 with 4% construction inflation added per year.

**Combining first five load levels.

***Combining second five load levels.

Appendix A – Minutes of Meetings

Meeting Minutes

Project: Berea Utility Evaluations

Date: July 9, 2004

Attendees: John Steinmetz, CDP Engineers
Mike Bethurem, KLC (formerly with Berea College Utilities)

A meeting was held this date at the Frankfort offices of the Kentucky League of Cities with the attendance as listed above, and the following was noted:

Distribution System:

1. Most line breaks are downtown, in the older portion of the system consisting of unlined ductile iron pipe.
2. Smaller lines (< 2") are galvanized.
3. In the 1970's new pipes were PVC and class 160 ductile iron; by the '90's BCU was installing C900 and large diameter ductile.
4. Longer lines have air release and intermediate valves (~ 1000' intervals).
5. There has been no valve exercising program, resulting in problems in older neighborhoods as maintenance crews can't find valves to isolate broken lines. BCU has now developed map books.
6. A hydraulic model was completed in the '80's and updated several times. There is a great deal of information on past pressure tests. There are no areas with pressures less than 50 psi; most areas exceed 70 psi. There are short-term pressure fluctuations at the industrial park.
7. BCU flushes hydrants to improve water quality; firemen flush to exercise the hydrants and train their men. The FD and BCU have significant fire flow data.
8. Fire flows are above average – most exceed 500 gpm and many exceed 750 gpm.
9. Each building on campus has separate meters for water & electric, so the City would own the lines on campus. Mike expects there to be a blanket

easement as part of the agreement. There is a mini-substation for the "quad" – central campus.

10. As-builts are available for newer water mains, based on contractor markups. Inspections were conducted during construction.
11. Mike provided the City info regarding costs per gallon and line losses per month (he'll e-mail me the data). This will provide trends on operating costs.
12. The maximum water age in the wholesale system is 2.5 days (a high value), based on a report about 2 years ago.
13. Coupon data is available from past phosphate studies.

Water Treatment Plant & Storage

14. WTP operators work one 12-hour shift per day, although recent averages are 14-16 hours per day. BCU would need 2 more operators to go to 24-hour operation – a cost analysis concluded that it may be cheaper to expand the WTP than to hire new operators.
15. Average production is 2.5 MGD; 3.1 MGD in the summer.
16. There is 3.5 MG storage available (3 MG ground storage at the WTP and 0.5 MG just north of Chestnut Street). The 0.5 MG tank was recently inspected, and its interior may have been painted (Michael Eirich would know). The exterior needs paint. The ground storage tank is concrete. It was inspected and videoed recently – info available in a HKB report.
17. BCU looked at adding storage behind the poultry farm or at the industrial park.
18. Turnover issues at the 0.5 MG tank have been resolved with Red Valve and other modifications. There may be some contact time issues to be resolved in the future.
19. Disinfection byproduct (DPB) issues are the biggest concern at the WTP. HAA and TOC. Pilot projects involving chlorine dioxide and carbon filters. Mike expects that switching to chloramines will be the ultimate solution. Likely \$2 million upgrade.
20. There are four – 1 MGD cells at the WTP (some may need to be painted), with expansion capabilities for two more cells. If Berea joins the Bluegrass Water Supply Consortium (BWSC), the need for plant expansion could be eliminated.

21. Sludge is pumped and landfarmed. (Will the landfarming permits transfer to the City?) Landfarming sites are on BC property that is not a part of the current draft lease agreement.
22. There is an average amount of equipment failure – mostly valve actuators. High service pumps are in good shape.
23. There is no emergency generator at the WTP or at the reservoir pump stations (although one reservoir drains to the WTP by gravity).
24. The 3 MGD reservoir pump houses at Owsley Fork and Cowbell are planned to be expanded to 4 MGD. BCU also planned flood control improvements to Owsley Fork.

Supply/Reservoir

25. Mike predicts that purchasing 2 MG from BWSC may be warranted due to the water supply costs in the draft agreement.
26. Red Lick Watershed Conservancy District (portions of Madison, Estill, Jackson counties) has jurisdiction. 4 of 5 potential reservoirs have been built; the best place for the other one is above Owsley Fork although joining BWSC would negate the need.

Financial/Rate Issues

27. Mike and Jeff Eisenbark developed a CIP for a new water source and WTP upgrades.
28. Current agreement does not address computers, phones, etc. Billing system is on college's mainframe and network.
29. PSC may not approve water withdrawal agreement due to extra costs such as administrative and overhead.
30. Mike recommends the City also purchase SMWD and possibly GCWA to achieve a better economy of scale.
31. All BCU net income goes to the college general fund. All CIP is financed through new debt. There are no debt service payments and the debt is never reduced – only refinanced through bonds.
32. There are no funds available for CIP – either postpone improvements or raise rates. Electric rates should be OK for 4-5 years if growth continues. Water rates may be OK if BWSC addresses supply and demand issues.

33. The ~\$800,000 net income would offset the \$300,000+ franchise fee lost by the City. But the City would have to pay the debt service. The City may be able to charge the new water commission a franchise fee, or rename the current line item on bills to keep it.

General/regulatory issues:

34. College campus utility operations evolved into a city-wide utility by the 1950's.
35. Mike suggest the City visit 2-3 other systems to see their structure and operations. Barbourville would be a good model, as it has water, sewer, and electric.
36. All facilities are to be sold to the City except the reservoirs and the old WTP on campus.
37. We should meet with Julie Roney at DOW – she and Maxine Global (?) did the most recent sanitary survey. Ted _____ is the local inspector.
38. We can access PSC's web site to see their annual reports. We should obtain PSC inspection reports on voltages, pressures, testing programs, tree trimming, etc.
39. BCU hasn't had good inventory control - ~ \$30,000 per year in lost materials.
40. Electric system may need step-down transformers for developments – Dixie Park and Roselawn areas most critical.

Meeting Minutes

Project: Berea Utility Evaluations

Date: July 14, 2004

Attendees: John Steinmetz, CDP Engineers
Michael Eirich, Berea College Utilities
Tommy Bussell, BCU

A meeting was held this date at BCU's Operations Building with the attendance as listed above, and the following was noted:

Distribution System:

1. Center Street has a fire hydrant on a 4" line, but still produces over 500 gpm.
2. Downtown area has the most maintenance problems. We should compare pressures in model with the hydrant tests.
3. Oldest lines are on campus, then along Chestnut to Boone. They've tried to replace old lines during adjacent construction projects. Dixie Park lines are undersized (1.5", no fire flows available).
4. Last report was 13% system water loss (this is about average, or slightly better than average).
5. Biggest concern is that there is only one line under I-75 at KY 21 – if that line goes out of service, feeds to Garrard County and SMWD would be totally shut down. Another line needs to be constructed for reliability.
6. Capital projects in at least the planning stages are \$160,000 for replacement along Chestnut (if the grant is awarded), a line from the end of Walnut Street to Scaffold Cane Road (to boost pressure and supply), interconnections at Roselawn/Dixie Park (to eliminate dead ends), and the second feed under I-75 listed above.

Water Treatment Plant & Storage

7. Previous discussion with Mike Bethurem about water quality issues and current experiments were confirmed – trying chlorine dioxide; expect to go to chloramines. May try dissolved air flotation (DAF).

8. WTP met TOC requirements in April and May this year, but not the other months. WTP can't use enough flocculent to meet TOC regs.
9. Red Valve at downtown tank helped turnover. This tank was last inspected in 1995 – overdue. They can do these in-house now as they have a diver on staff.

Supply/Reservoir

10. The system dates back nearly 100 years, from springs around Kale Lake.
11. A new reservoir may be difficult to obtain DOW permits.

Financial/Rate Issues

12. They use water refund contracts, to have developers pay for lines in new development. Reimbursement to developers occurs as services get added.
13. BCU does not charge water meter/tap fees (this is unusual in the business).
14. SMWD sales are at \$1.95/kgal; volume is about 0.9 MG/day or 20 MG/month through 11 master meters. New contract needed. GCWA contract calls for delivery pressure of 70 psi.
15. Homestead Estates is the only significant growth area in the City; rest is SWMD expansion.

General/regulatory issues:

16. Everything is generally in good shape except for the WTP compliance and capacity issues.
17. BC is planning on a new steam plant – four 24" pipes to be installed, which will conflict with many water mains and other utilities.
18. Their relocation policy follows most other utilities – if conflicts are on private easements they will be reimbursed.

Meeting Minutes

Project: Berea Utility Evaluations

Date: July 14, 2004

Attendees: Ken Roseman, CDP Engineers
Alan Robinson, CDP Engineers
James Rickles, Berea College Utilities

A meeting was held this date at the Berea College Utilities (BCU) Water Treatment Plant (WTP) with the attendance as listed above, and the following was noted:

- Current Operations
 - Average water production for 2003 was 2.53 MGD.
 - Average water production for 2004 is 2.71 MGD.
 - The plant currently operates 15 hours per day on average.

- Raw Water
 - Approximately 2900 gpm of raw water enters the plant by gravity during operating hours via a 20" DI pipe from "B" Lake.
 - Raw water turbidity is normally between 1 and 5 NTU. Rarely above 20 NTU.
 - Chemicals introduced to the raw water prior to the plant are chlorine dioxide (oxidizing agent), Thermofloc 4133 (coagulant), and CatFloc DL Polymer (coagulant).
 - Chlorine dioxide has been used as an oxidizing agent in a pilot run for nine months in place of chlorine, to address disinfectant byproduct (DBP) issues.
 - Chemically dosed water is mixed through an inline mixer.
 - A pilot run using carbon filters to address DPB is ongoing as well.
 - Copper sulfate and SCI-62 is added to the surface of the reservoirs.

- Adsorption Clarifiers
 - Raw water enters four (4) adsorption clarifiers.
 - Surface area is 70 sf per clarifier.
 - Design upflow rate is 10 gpm/sf.
 - Actual upflow rate through four clarifiers is 10.4 gpm/sf.
 - Actual upflow rate through three clarifiers is 13.8 gpm/sf.
 - Current Kentucky DOW regulations require an upflow rate of 16 gpm/sf or less.
 - Therefore, the clarifiers (4) should be rated at 4.83 MGD.

- Filters
 - Clarified water then enters four (4) mixed-media gravity filters.
 - Surface area is 140 sf per filter.
 - Design filtration rate is 5 gpm/sf.
 - Top of filter NTU is 0.5 on average.
 - Combined filter effluent NTU is 0.05 on average.
 - Filter backwash is manually initiated and monitored from loss of head.
 - Average run times between backwashes are 20-25 hours.
 - Actual filtration rate through four filters is 5.2 gpm/sf.
 - Actual filtration rate through three filters is 6.9 gpm/sf.
 - Current Kentucky DOW regulations limit filtration rates to 4 gpm/sf, although 5 gpm/sf can be used if proved successful.
 - DOW also requires that the maximum filtration rate shall not be exceeded with one filter out of service.
 - Therefore, the filters (4) should be rated at 3.0 MGD.
 - Media has never been replaced.

- High Service Pump Station / 3 MG Storage Tank
 - Chemicals added after filtration are chlorine (disinfection), sodium fluorosilicate (fluoride), and corrosion inhibitor.
 - Filtered water proceeds to the 500,000 gallons clearwell/pump station.
 - The high service building contains 2-2 MGD vertical turbine pumps and 1-3 MGD vertical turbine pump.
 - With the largest pump out of service, the high service pump station should be rated at 4 MGD.
 - Finished water is pumped via a 16" DI line to a 3 MG concrete storage tank, which serves as the lead tank of the system.

- Washwater Lagoons
 - Each of the two lagoons requires dewatering and sludge removal twice per year.

- Water Quality
 - Free chlorine residuals in the distribution system average 1.0 ppm, 1.5 ppm at the plant tap, from a 2.2 to 2.5 ppm filter effluent dose.
 - TTHM's and HAA's have been in violation since at least 2002. Both are byproducts of chlorine disinfection (DPB).
 - In 2002, TTHM's had a running average of 89 ppb. The MCL is 80 ppb.
 - In 2002, HAA's had a running average of 75 ppb. The MCL is 60 ppb.
 - In 2003, TTHM's had a running average of 84 ppb.
 - In 2003, HAA's had a running average of 77 ppb.
 - TOC removal has also been in violation since 2002.
 - TTHM's and HAA's have been addressed by using chlorine dioxide instead of chlorine in raw water oxidation, but with no success.
 - Chlorite, a byproduct of chlorine dioxide, plant tap residuals average 0.40 ppm. The MCL is 1.0 ppm.

- Other
 - Plant was constructed in 1990.
 - Overall plant condition is good.
 - Slight rust on some metals.
 - No chemical containment in some areas.
 - Biggest day-to-day maintenance item is valve actuators.
 - Electric system was said to be in good condition.
 - Maintenance logs since 2002 were obtained.

Appendix B – References/Sources

Reports:

Howard K. Bell, "Preliminary Engineering Evaluation of Berea College Lakes and Conveyance System", September 1996
Unknown Author, "Analysis of Additional Raw Supplies", April 2001
Howard K. Bell, "Report of Inspection of Lakes and Dams", March 30, 2004
2001-2003 Berea College Utility Water Quality Reports
2001-2004 WTP Monthly Operating Reports
2002-2004 WTP Daily Maintenance Reports
2002-2004 Fire Hydrant Flow Tests
2002 R. W. Beck Construction Work Plan
Safety Binder Electric Department
Training Binder Electric Department
Outage Reports Electric Department

Plans and Specifications:

1988 Plans for Contract 1: 3 MGD Water Treatment Plant and Associated Work
1988 Specifications for Contract 1: 3 MGD Water Treatment Plant and Associated Work
Current mapping of all water distribution lines
Wall map of electric system

Personnel Interviews:

Mike Bethurem – Former Berea College Utilities Operations Manager
(Currently with KY League of Cities)
Michael Eirich – Operations Manager, Berea College Utilities
Tommy Bussell – Water Operations Coordinator, Berea College Utilities
James Rickles – Water Treatment Plant Operator
Earl Botkins – Electric Operation Coordinator
Sarah Botkins – Business Services Manager
Gayle Clark – Line Person

“P” - Wholesale Electric Agreement between Berea College and Kentucky Utilities

Customer shall, on a continuing basis, forecast its requirements eight years in advance. Customer shall submit to Company Customer's forecast at least once every 12 months, the date by which Customer shall submit its forecast to be determined by mutual agreement. Company shall plan and provide for forecasted increases in Customer's requirements, giving consideration to Company's and Customer's forecasts. Company shall submit to Customer at least once every 12 months the forecast Company uses to plan for Customer's requirements, the date by which Company shall submit its forecast to be determined by mutual agreement. If Customer anticipates an increase in its requirements beyond that for which Company has planned, Customer shall notify Company as soon as possible. Company will provide for such an increase to the extent it is able to do so from its own resources or by purchasing power without impairing its ability to provide adequate service to other customers. As soon as practicable after receipt of such notice from Customer, Company will inform Customer whether Company is able to provide for the increased requirements and the rate at which it will do so. If Company is unable to provide for Customer's increased requirements, Company will do so as soon as it reasonably can without impairing its ability to provide adequate service to other customers. The rate for service shall be the rate specified herein or in a superseding rate schedule properly filed with the Federal Energy Regulatory Commission.

In the event any occurrence, condition or circumstance leads Company to request voluntary curtailment of consumption, or to impose mandatory curtailment of consumption, with respect to Company's own retail customers, or a segment thereof which would include the retail customers of Customer if Company supplied such retail customers directly, Customer will make the same request for voluntary curtailment of consumption, or impose the same mandatory curtailment of consumption, upon its retail customers, to the end that retail customers of Company, or the affected segment thereof, and retail customers of Customer will be treated alike; and Customer will cooperate fully in taking the same character of enforcement action as Company takes with respect to any such request or mandate.

Each month Customer will pay Company at its office, in cash or check of Customer, within ten days of rendition of bills, for all electricity delivered to Customer during the preceding month determined in accordance with Rate Schedule WPS-87(M), which is made a part of this Contract. The minimum bill will be as provided in the Rate Schedule but not less than \$ 146,691.62* a MONTH. If payment is by check of Customer, payment will be effective only if check is honored upon presentation.

[Where service is to be metered or billed at other than delivered voltage, and/or a minimum other than standard minimum is to apply, or if there is an agreement supplemental to this Contract, explain below.]
Supplemental Agreement and Facilities Lease Agreement, both dated July 20, 1976, are attached to and made parts of this Contract, to the same extent and with the same effect as previously parts of the prior Contract For Electric Service between the parties dated July 20, 1976.

*BASED ON TWELVE MONTHS ENDING OCTOBER 31, 1989. MINIMUM BILL DOLLAR AMOUNTS ARE TO BE DETERMINED BY APPLICATION OF THE MINIMUM MONTHLY BILL PROVISIONS OF THE RATE SCHEDULE AND IN THE FUTURE MAY BE EITHER HIGHER OR LOWER THAN THE DOLLAR AMOUNT INSERTED ABOVE.

Nothing contained herein shall be construed as affecting in any way the right of Company, and Company shall at all times have the right, to unilaterally file with the Federal Energy Regulatory Commission, or other regulatory agency having jurisdiction, a change in rates, charges, classification or service, or any rule, regulation or contract relating thereto, under Section 205 of the Federal Power Act and pursuant to the Commission's Rules and Regulations promulgated thereunder, or under other applicable statutes and regulations.

Neither this Contract nor any right or obligation of Customer hereunder is assignable by Customer, in whole or in part or voluntarily or involuntarily, without the prior written consent of Company; provided, however, that consent shall not be required for an assignment to a bona fide purchaser of Customer's electric distribution system and business, which purchaser thereafter continues to own and operate such system and business and accepts such assignment and, as new Customer hereunder, agrees with Company to the terms, provisions and conditions hereof.

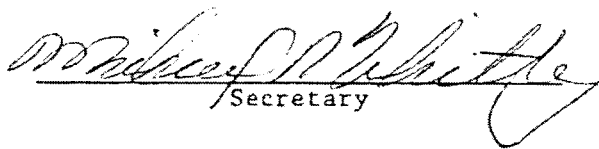
This Contract shall become effective when approved by every regulatory agency having jurisdiction hereof.

When effective, this Contract will replace the following contract(s) for electric service and amendments and/or supplements thereto between the parties:

Contract For Electric Service dated July 20, 1976.

IN WITNESS WHEREOF, the parties have caused this Contract to be executed by their respective duly authorized officers or representatives, as of the day and year written first above.

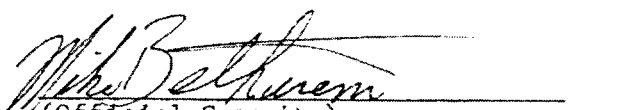
Attest:


Secretary

KENTUCKY UTILITIES COMPANY

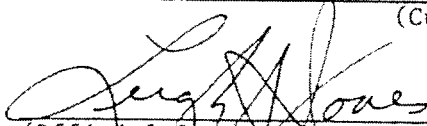
By: 
Vice President

Attest:


(Official Capacity)
Utility Administrator

BEREA COLLEGE

(Customer)

By: 
(Official Capacity)
Vice President for Business
& Finance

SUPPLEMENTAL AGREEMENT
TO
CONTRACT FOR ELECTRIC SERVICE
FOR
WHOLESALE POWER SERVICE TO OTHER UTILITIES

To enable Customer to provide better electric service to consumers within its electric service area, Company, upon request by Customer, will deliver, at multiple delivery points in Customer's electric service area at locations to be agreed upon between the parties, energy supplied by Company under the Contract for Electric Service and Electric Rate Schedule to which this Agreement is supplemental, with conjunctive billing (as hereafter defined) for all such delivery points, upon the following terms and conditions:

1. All such deliveries shall be only at transmission voltage level of 69 KV.
2. Company shall be obligated to agree to such a delivery point, in addition to those in existence at any time, only if at the time of the request therefor Company has in existence a transmission circuit or circuits and other required facilities then having adequate surplus capacity (i.e., capacity in excess of the use then being made of the involved facilities) for the deliveries at such additional point.
3. As provided in the said Contract for Electric Service and Electric Rate Schedule, Customer must provide all transformers and other facilities necessary to take service at the delivered voltage. Company will provide all other facilities required in the establishment of the first delivery point as

identified in the said Contract and Facilities Lease Agreement which is part thereof. If additional delivery points are established, Company will provide, install, maintain and operate special metering equipment, the required space and supporting structures therefor to be provided by Customer in its substations. Company shall not be required to make any other investment in the establishment of any delivery point after the first; and Customer will provide all facilities, except metering equipment, required for each such additional delivery point, including facilities for the protection of Company's system made necessary by the establishment of such delivery point.

4. Measurement of and billing for service supplied by Company through multiple delivery points established hereunder, at rates and subject to other terms and conditions prescribed in such Electric Rate Schedule as from time to time in effect, not inconsistent with provisions herein, will be as follows:

(a) Measurement of service supplied hereunder at transmission voltages will be accomplished by means of special metering equipment installed, owned and operated by Company in connection with each delivery point. In consideration of the additional cost and expense required of Company in the provision, ownership and operation of such special metering equipment and special billing computations, Customer, where there is more than one delivery point, will pay to Company, in addition to other amounts, for deliveries at 69 KV, \$45 per month for the initial delivery point plus \$220 per month for each additional delivery point. In the event of change in Company's costs of providing, owning, maintaining, and operating such special metering equipment and of making such special billing computations, the amounts of the said charges may be adjusted, either by agreement of the parties or in the manner provided in the said Contract for Electric Service for adjustment of rates and charges.

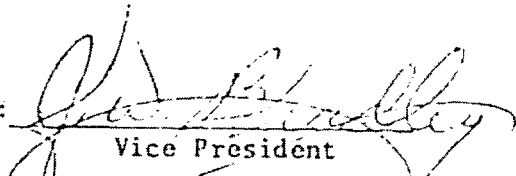
(b) During each monthly billing period, the Maximum Load Charge shall be computed based upon the average kilowatt load used by Customer during the 15-minute period of maximum simultaneous use at all metering points, and the Energy Charge shall be computed based upon the total energy used by Customer at all metering points.

5. This Agreement supplements, and to the extent of the provisions herein modifies, the Contract for Electric Service between the parties of even date herewith and the Electric Rate Schedule thereunder as from time to time in effect (the present such Schedule being designated WPS-73, copy attached); and the said documents and the Facilities Lease Agreement hereinabove referred to, together, constitute the agreement between the parties. This Supplemental Agreement shall become effective and billing hereunder commence upon the date of commencement of service by Company at the second delivery point now under construction by Customer, and shall continue in effect during the effectiveness of the said Contract and related Rate Schedule, or until an earlier date when service thereunder may, by agreement of the parties, again be reduced to a single delivery point.

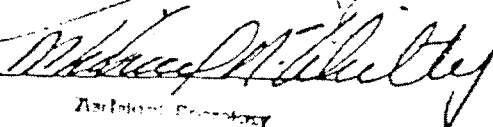
IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Agreement to be executed by their respective duly authorized representatives, as of July 20, 1976.

KENTUCKY UTILITIES COMPANY

By:

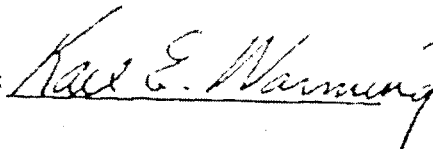

Vice President

Attest:

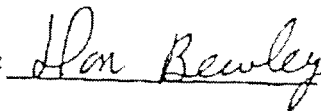

Assistant Secretary

BEREA COLLEGE

By:



Attest:



FACILITIES LEASE AGREEMENT
SUPPLEMENTAL TO
CONTRACT FOR ELECTRIC SERVICE

WHEREAS, BEREA COLLEGE of Berea, Kentucky, (Customer) desires to receive electric service from KENTUCKY UTILITIES COMPANY (Company) at a nominal voltage of 69,000 volts, but does not own facilities making possible receipt of service at such voltage; and

WHEREAS, Company owns facilities of such type, described hereafter, and is willing to lease such facilities to Customer on the basis of the terms and conditions set forth herein and in the Contract for Electric Service between the parties of even date herewith and to which this Agreement is supplemental;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the parties agree as follows:

1. Company owns, and hereby leases to Customer and Customer hereby leases from Company, that 69/4 KV 10,000 KVA substation, known as the Berea No. 676 Substation, located as shown on the map which is Exhibit "A" hereto, and including those facilities listed on the schedule which is Exhibit "B" hereto, (hereafter referred to as the Substation).
2. During the term hereof, Company will continue to own, operate and maintain the Substation.
3. As rent for the Substation and consideration for Company's services in relation thereto, Customer will pay to Company an annual facility charge of \$15,411.36 consisting of 23% of Company's investment of \$67,005.76 in the Substation, one-twelfth of such annual charge, or \$1,284.28 to be paid to

Company with each of Customer's monthly bills for electric service under the said Contract. In the event of change in the amount of Company's investment in the Substation or in the cost of Company's ownership, operation and maintenance thereof, the amount of the annual facility charge may be adjusted, either by agreement of the parties or in the manner provided in the said Contract for Electric Service for adjustment of rates and charges.

4. This Facilities Lease Agreement is attached to and made a part of the Contract for Electric Service between the parties of even date herewith. This Agreement shall become effective and billing hereunder commence upon the date of commencement of service by Company at the second delivery point now under construction by Customer, and shall continue in effect for a period of five years thereafter, and after the expiration of the said period shall be automatically renewed in accordance with the provisions of the rate schedule then in effect.

IN WITNESS WHEREOF, the parties hereto have caused this Facilities Lease Agreement to be executed by their respective duly authorized representatives, as of July 20, 19 76.

KENTUCKY UTILITIES COMPANY

BEREA COLLEGE

By:

J. W. Bradley
Vice President

By:

Karl E. Werning

Attest:

Michael Whitley
Attorney at Law

Attest:

Don Bewley

(Berca # 676 Substation)

Transformer C 454 -	\$51,900.89
Fencing (Current 71) -	310.64
Fencing (1958) -	369.70
Grading (Current) -	269.75
Grading (1958) -	312.60
Transformer mat -	487.35
Tower Piers -	1,012.07
Steel -	3,817.48
69 K.V. APS -	1,984.32
69 K.V. Fuses -	1,390.80
L.A. 69 K.V. -	1,745.33
15 K.V. Disc -	831.37
3 K.V. L.A. -	401.98
C.O. (Power Supply) -	28.77
4/0 Cu.	226.23
300 MCM -	121.17
1000 MCM -	133.47
10 in. Bell -	104.95
34 P.T. Ins. -	49.58
69 Post Ins. -	376.35
Grounding -	931.56
Hook Stick & Container -	201.33
Total -	<u>\$67,005.76</u>