

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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JUN 27 2006

PUBLIC SERVICE
COMMISSION

In the Matter of:

Joint Petition of the city of Pikeville
and Mountain Water District for the transfer
of certain wastewater facilities and related
debt

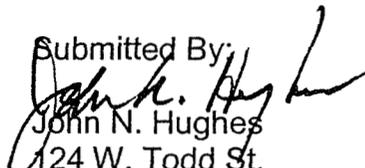
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Case No. 2006-00123

Response of Mountain Water District and city of Pikeville

The Joint Applicants, Mountain Water District and the city of Pikeville, by counsel,
submit the following responses to the Commissions Order of June 21, 2006.

Submitted By:


John N. Hughes
124 W. Todd St.
Frankfort, KY 40601
502-227-7270

Attorney for the city of Pikeville
and Mountain Water District

1 a. Provide all correspondence that the Applicants have received from Kentucky Infrastructure Authority ("KIA") and Rural Development ("RD") regarding their requests for approval of the debt assignment and assumption.

Response: See attached

b. State whether KIA has approved the proposed debt assignment and assumption. If KIA has not approved the proposed debt assignment and assumption, then state when Applicants expect such approval to be granted,

Response: Yes, the minutes of the KIA board meeting of March 2, 2006 approving the assignments and the minutes of May 4, 2006 adopting those minutes are attached.

c. State whether RD has approved the proposed debt assignment and assumption. If RD has not approved the proposed debt assignment and assumption, then state when Applicants expect such approval to be granted,

Response: See attached

Re: Mossy Bottom
Case No. 2006-00123

Item No. 1(a)
Respondent: Roger Recktenwald
606-437-5114

Sheet 1 of 2

Re: KIA Correspondence

Be advised there is no written correspondence received by the Applicants regarding the request for approval of the debt assignment and assumption.

Re: RD Correspondence

RD correspondence directed to Ms. Karen Harris, Pikeville City Clerk, dated 5/2/2006, is enclosed. (cf. Item 1(a), Sheet 2 of 2)

Note: Ms. Harris subsequently secured and forward to Mr. Brooks, all items requested in the referenced correspondence, with the exception of Form RD 442-22, Opinion of Counsel Relative to Right-Of-Way. At present, Mr. Rusty Davis, Pikeville City Attorney, is reviewing all easements related to the Mossy Bottom Sewer System and associated draft documents to be executed by the Applicants assigning these easements to the City of Pikeville, pending Commission approval of the asset transfer.



United States Department of Agriculture
Rural Development
Morehead Area Office

5/2/2006

Ms. Karen Harris, City Clerk
City of Pikeville
118 College Street
Pikeville, KY 41501

Re: Assumption Agreement with Mountain Water District of the
Mossy Bottom Sewer Bond

Dear Ms. Harris:

As per our phone conversation this date, I am sending you a packet of documents relative to the above referenced transfer. Please have the mayor and/or city attorney complete these documents and return to me at your earliest convenience.

- Legal Opinion of Due Incorporation and Continued Legal Existence for the City of Pikeville. (I have enclosed a model for Rusty to use on his Letterhead)
- Copy of the City Resolution authorizing the Assumption of the Mossy Bottom Sewer Bond.
- Form RD 400-4, Assurance Agreement
- Form RD 442-21, Right-Of-Way Certificate
- Form RD 442-22, Opinion of Counsel Relative to Right-Of-Way

If you should have any question, please call Ronnie Brooks of this office at (606) 784-6447, Ext. 117.

Sincerely


for JIMMY H. HALL
Area Director

Cc: State Director, Rural Development, Att: Community Programs
Roger Recktenwald, Veolia Water, via FAX

226 West First Street, Morehead, KY 40351
Phone: (606) 784-6447 - Fax: (606) 784-2076 - TDD: (606) 224-7422 - Web: <http://www.rurdev.usda.gov/ky>

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Re: Mossy Bottom
Case No. 2006-00123

Item 1(b)
Respondent: Roger Recktenwald
606-437-5114
Sheet 1 of ____

KIA approved the debt assignment and assumption at the March 2, 2006 meeting of the Board of Directors. A certified copy of the minutes of the KIA March 2, 2006 meeting are included as response to this Item.

KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board

Meeting Date/Location: **March 2, 2006 – 1:30 p.m.**
 Kentucky Infrastructure Authority
 1024 Capital Center Drive, Suite 340, Frankfort

Members present:

Mr. John Farris, *Finance and Administration Cabinet*
(proxy for Secretary R. B. Rudolph, Jr., FAC)
Ms. LaJuana Wilcher, *Secretary, Environmental and Public Protection Cabinet*
Mr. George Burgess, *Deputy Commissioner, Department for Existing Business Development, Economic Development Cabinet*
(proxy for Secretary Gene Strong, EDC)
Ms. Colleen Chaney, *Chief of Staff, Governor's Office for Local Development*
(proxy for Commissioner Steve Robertson, GOLD)
Mr. Gerald E. Wuetcher, *Public Service Commission*
(proxy for Ms. Beth O'Donnell, Executive Director, PSC)
Mr. Damon Talley, *representing the Kentucky Rural Water Association*
Mr. Gregory Heitzman, *representing the American Water Works Association*
Ms. Linda C. Bridwell, *representing for-profit private water companies*
Mr. Lyn Bailey, *Mayor, City of Cadiz, representing the Kentucky League of Cities*

Members absent:

Mr. Larry B. Whitaker, *McLean County Judge/Executive, representing the Kentucky Association of Counties*

Guests:

Mr. Tony Harover, *Strand Associates*
Ms. Sheryl Chino, *Green River Area Development District*
Ms. Donna Marlin, *DOW, Drinking Water Branch, EPPC*
Ms. Terri Fugate, *Office of Financial Management, FAC*
Ms. Sandy Gruzesky, *DOW, EPPC*
Mr. Tim Thomas, *EPPC*
Ms. Kelli Rice, *DOW, Resource Planning and Program Support*
Mr. Gary Larimore, *Kentucky Rural Water Association*
Mr. Kevin E. Bailey, *Ledbetter Water District*
Mr. Chris Lasher, *Livingston County Judge Executive*
Mr. Phillip Dae, *Ledbetter Water & Sewer*
Mr. Len Hale, *Hopkinsville Water Environment Authority*
Mr. Ralph Johanson, *GRW Engineers*
Ms. Kay Sanborn, *KY/TN AWWA*
Ms. Andrea Zimmer, *EPA*
Mr. Dan Shoemaker, *Tetra Tech*
Mr. David W. Morgan, *DOW*
Mr. Mike Bethurem

PROCEEDINGS

Vice Chair Damon Talley chaired the board meeting. Vice Chair Talley called a meeting of the Kentucky Infrastructure Authority (KIA) Board to order and asked all attendees to introduce themselves. Vice Chair Talley noted a quorum was present and that the press had been notified regarding the meeting.

I. INFORMATION ITEM

A. Watershed Based Planning

Ms. Andrea Zimmer, of the United States Environmental Protection Agency, Region IV, presented to the board an informational item concerning Watershed Based Planning. Over the past 30 years, substantial reductions have been achieved in the discharge of pollutants; however, despite enormous investments of time and money over the past decade limited success in protecting and improving water quality has been achieved. It is apparent that a revised plan is necessary.

Although combined sewer overflow (CSOs) and storm water discharges are allowed under the Clean Water Act certain management strategies are required. Opposite to CSOs and storm water discharges, sanitary sewer overflows (SSOs) are not allowed under the Clean Water Act and must be eliminated.

There are three types of wet weather discharges that have a major impact on water quality in Kentucky. It is important to use permitting and enforcement as management tools to control these discharges. Funding is another critical tool in addressing water quality improvements. The State Revolving Fund can be used to solve water resource challenges by following two strategies. One is to ensure that the State Revolving Fund gives the highest priority to projects that will result in water quality improvement. A second strategy is to use watershed based planning, which is an approach for looking at all of the problems and opportunities in a watershed. This type of planning looks at the connections between programs, and the connections between the uses of the water and connections between potential threats to that water. Projects that are selected based on the results of watershed planning will have the greatest potential to improve water quality.

Ms. LaJuana Wilcher added that watershed planning legislation, House Bill 746, was recently developed and introduced. Ms. Wilcher encouraged any comments or suggestions regarding this legislation be directed to Mr. Tim Thomas.

II. BUSINESS (Board Action Required)

A. 1. APPROVAL OF MINUTES

For: KIA Full Board Meeting of February 2, 2006

Ms. Linda Bridwell moved to approve the minutes. Mayor Lyn Bailey seconded, and the motion carried.

B. NEW PROJECTS/ACTION ITEMS

1. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS AUTHORIZING THE APPOINTMENT OF THE CHAIR AND APPOINTMENT OF THE 1ST VICE CHAIR OF THE KENTUCKY INFRASTRUCTURE AUTHORITY

Vice Chair Talley stated that in accordance with KRS 224A and the KIA Board By-laws, election of a new Chair and 1st Vice Chair was in order.

Vice Chair Talley opened the floor for nominations. Ms. Colleen Chaney, GOLD, moved to re-elect Secretary Robbie Rudolph as board Chair. Ms. Linda Bridwell seconded, and the motion carried. Ms. Chaney moved to elect Mr. Steve Robertson as 1st Vice Chair for the Authority. Mr. John Farris seconded, and the motion carried.

2. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS AUTHORIZING ISSUANCE OF THE CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE FUND C LOAN (CITY OF STAMPING GROUND, C94-03) TO THE CITY OF GEORGETOWN

Mr. John Covington, KIA, presented the resolution to the board. The City of Georgetown is in the process of acquiring the water distribution and wastewater collection system of the City of Stamping Ground. The City of Stamping Ground has an outstanding Fund C loan in the amount of \$68,333.33. The loan has an average interest rate of 3.84%, an average annual debt service payment of \$10,142.80, and matures on June 1, 2014. The City of Stamping Ground is adding a total of 260 new water customers, for a combined total of 10,835 (City of Georgetown water customers: 10,575); and is adding a total of 260 new sewer customers, for a combined total of 8,462 (City of Georgetown sewer customers: 8,202). Current rate per 4,000 gallons of water is \$16.48; current rate per 4,000 gallons sewer is \$17.25. The consumers of the City of Stamping Ground are receiving a reduction in rates due to the consolidation.

Based upon the information provided and the cash flow analysis KIA staff recommended the approval of this loan assumption.

Vice Chair Talley disclosed that he served as attorney for the City of Georgetown and therefore would not comment on the project.

Mr. George Burgess made a motion to adopt the resolution. Mayor Lyn Bailey seconded, and the motion carried.

3. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS FOR APPROVAL OF A FUND A LOAN (A06-01) FOR THE LEDBETTER WATER DISTRICT IN THE AMOUNT OF \$2,326,078

Ms. Sandy Williams, KIA, presented the project to the board. Ledbetter Water District is requesting a Fund A loan in the amount of \$2,326,078 to refinance the acquisition of the Ledbetter Sanitation District. The Water District is requesting a 0% interest rate, with a loan term of 20 years, and an estimated annual payment of \$116,304.

In 1994 the Ledbetter Sanitation District was established to provide new collection and treatment services to a previously unsewered area. The initial debt issuance was \$3,624,359. Due to an incorrect estimate of customers, lines were not sized correctly causing structural problems that lead to construction debris in the pump stations. The

engineering firm who designed the system went out of business, the contractor went bankrupt, and all of the board members resigned. All of these problems lead to lower than expected revenue and greater than expected expenses. From the start the Sanitation District experienced both operational and financial difficulties. The Water District assumed all operating and managing responsibilities for the Sanitation District. Due to the outstanding debt there was inadequate sewer system revenue to meet all the sewer obligations.

The Water District requested assistance from KIA and the Public Service Commission (PSC) to help put a plan in place. The plan mapped out by KIA and PSC was approved by the Water District, the Sanitation District, the Livingston County Fiscal Court, PSC and the Attorney General. Based on the debt structure that was in place rates would have to be increased approximately 100%; with the revised plan rates will only have to increase 47%. In addition to the requested Fund A loan the Water District has received a loan in the amount of \$1,000,000 from the Kentucky Association of Counties Leasing Agent. Based upon the provided information KIA staff recommended approval of the loan.

Livingston County Judge Executive Chris Lasher provided additional historical information to the board concerning the Water District's acquisition of the Sanitation District, upon the request of Vice Chair Talley.

Mayor Bailey made a motion to adopt the resolution. Ms. Linda Bridwell seconded, and the motion carried.

Ms. Williams noted that it was in the statute to grant a 0% interest rate loan to the Ledbetter Water District.

Ms. LaJuana Wilcher questioned KIA's process of reviewing the estimated number of customers when reviewing potential loans. Ms. Wilcher suggested an independent assessment of the numbers be conducted with future loans in order to avoid future loan repayment problems.

4. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS FOR APPROVAL OF A FUND A LOAN INCREASE FOR THE CITY OF HOPKINSVILLE (A04-05) IN THE AMOUNT OF \$1,133,384 FOR A TOTAL LOAN AMOUNT OF \$2,469,924

Ms. Sandy Williams, KIA, and Mr. Shafiq Amawi, DOW, presented the resolution to the board. Hopkinsville Water Environment Authority is requesting an increase to an existing Fund A loan in the amount of \$1,133,384. The requested loan amount will have a 1% interest rate and a loan term of 20 years. The estimated annual payment will be \$141,505. The loan increase is necessary to serve an additional 138 customers. The system initiated an 8% sewer rate increase and an 18% water rate increase effective July 1, 2005. The Replacement Reserve has been funded at \$758,932 and the balance must be maintained for the life of all 5 KIA loans the system currently has. Based on the information provided both KIA and DOW recommended approval of the loan increase.

Ms. Linda Bridwell made a motion to adopt the resolution. Mr. Greg Heitzman seconded, and the motion carried.

5. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS AUTHORIZING ISSUANCE OF THE CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE FUND A LOAN (MOUNTAIN WATER DISTRICT, A95-16) TO THE CITY OF PIKEVILLE

RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS AUTHORIZING ISSUANCE OF THE CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE FUND A LOAN (MOUNTAIN WATER DISTRICT, A00-03) TO THE CITY OF PIKEVILLE

Ms. Sandy Williams, KIA, presented the resolutions to the board. The City of Pikeville has purchased the Mossy Bottom Sewer System and assumed the liabilities of that section of the utility system from the Mountain Water District. Customers of the Sewer System will be transferred to the City of Pikeville. The Mountain Water District has two KIA Fund A loans used to fund the construction of the Mossy Bottom sewer system. Fund A95-16 has a balance of \$314,404, at a rate of 1.3% interest, and an estimated annual debt service payment of \$26,993. Fund A00-03 has a balance of \$924,251, with an interest rate of 1.8%, and an estimated annual debt service payment of \$68,589. Both loans will continue on the remaining amortization schedule. Currently 29% of Mountain Water District customers are from the Mossy Bottom Sewer System area. Based on 29% of the revenue and expenses for the Mountain Water District, verified by looking at the actual cost for the Sewer System, customers in this area can support the debt. KIA staff recommended approval of the loan assumption contingent upon the Asset Purchase Agreement outlining the transfer of assets from the Mountain Water District to the City of Pikeville be approved by the Public Service Commission prior to the execution of the Loan Assumption Agreement.

Mr. Greg Heitzman made a motion to adopt both resolutions. Ms. Linda Bridwell seconded, and the motion carried.

6. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS AUTHORIZING ISSUANCE OF THE CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE FUND A LOAN (CITY OF CRESTWOOD, A98-04) TO THE OLDHAM COUNTY SEWER DISTRICT

RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS AUTHORIZING ISSUANCE OF THE CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE FUND C LOAN (CITY OF CRESTWOOD, C88-42) TO THE OLDHAM COUNTY SEWER DISTRICT

Ms. Sandy Williams, KIA, presented the resolution to the board. The Oldham County Sewer District has purchased the utility system of the City of Crestwood. The City of Crestwood has two KIA loans, a Fund A loan in the amount of \$5,430,248 for the Crestwood sewer system and a Fund C loan in the amount of \$18,667 that Crestwood assumed when the City incorporated the Park Lake sewer system. The Fund A loan will maintain the approved interest rate of 3.8%, with an estimated annual debt service payment of \$477,668. The Fund C loan will also maintain the approved variable interest rate of 3.16% - 4.04%, with an estimated annual debt service payment of \$7,600. The replacement reserve for the Fund A loan will remain in effect, the Fund C loan does not have a replacement reserve. The Oldham County Sewer District requests to assume both the A98-04 and C88-42 debt. KIA staff recommended approval of the loan assumption.

Mr. Linda Bridwell made a motion to adopt both resolutions. Ms. Colleen Chaney seconded, and the motion carried.

7. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS FOR APPROVAL OF A FUND B LOAN FOR THE CITY OF ELKTON IN THE AMOUNT OF \$808,000

Ms. Suzanne Anderson, KIA, presented the resolution to the board. The City of Elkton is requesting a Fund B loan in the amount of \$808,000 to refinance Sewer System Revenue Bonds of 1987. The Sewer System Revenue Bonds have an interest rate of 5% and have a final maturity January 1, 2028. The annual debt obligation is \$61,400. The City qualifies for the below median income rate so the requested Fund B loan will have an interest rate of .5% and a term of 30 years, with an estimated annual debt service payment of \$30,653. The requested loan will save the City approximately \$30,000 annually and will save the City approximately \$412,000 in interest.

The system reported a loss in 2005 and will also report a loss in 2006. A rate study showed that to meet the system's operational expenses including debt service, a 13% rate increase was necessary. To further complicate the circumstances, the system's largest user, Flynn Enterprises, a manufacturer of clothing, closed their plant in Elkton. The close of the plant has resulted in a 31% decrease in revenue for the system. In order to cover the system's expenditures, sewer rates will have to be increased 63%. If the loan for refinancing is approved the rate increase will be 49%. The median household income for Elkton is approximately \$25,000, with nearly 16% of families in this area living below the poverty level, keeping the rates as low as possible is important. Refinancing the debt is the best means of preventing additional hardship to the citizens of this area. KIA staff recommended approval of this loan contingent upon the City establishing and implementing a sewer rate sufficient to cover the debt service and operating expenses.

Mayor Lyn Bailey suggested the interest rate be lowered to 0% due to the low median household income and the loss of 565 jobs in a community of 2,000 due to a plant closing. The board members agreed, the rate was changed to 0% contingent upon the legal ability to do so.

Ms. Linda Bridwell made a motion to adopt the resolution as amended. Mr. George Burgess seconded, and the motion carried.

Mr. Greg Heitzman suggested that KIA set guidelines establishing when to allow loans to be approved with 0% interest rate.

7. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS AUTHORIZING AND APPROVING THE ISSUANCE OF OBLIGATIONS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY TO REIMBURSE CAPITAL EXPENDITURES MADE BY GOVERNMENTAL AGENCIES PURSUANT TO LOANS MADE BY THE KENTUCKY INFRASTRUCTURE AUTHORITY TO SUCH GOVERNMENTAL AGENCIES

Vice Chair Talley noted that this is a routine resolution allowing KIA to reimburse expenses that are paid out of the Authority's funds with bond proceeds. The projects listed below are covered under the resolution.

APPLICANT	FUND	AMOUNT
Ledbetter Water District	\$ 2,326,077.97	A
City of Hopkinsville	\$ 1,133,384	A
City of Elkton	\$ 808,000	B

Mr. John Farris made a motion to adopt the resolution. Ms. Linda Bridwell seconded, and the motion carried.

8. ORDER OF THE BOARD OF DIRECTORS AUTHORIZING AND APPROVING THE STATEMENT OF CONSIDERATION REGARDING THE PUBLIC COMMENTS RECEIVED FOR THE PROPOSED CHANGES TO 200 KAR 17:050 AND 200 KAR 17:070

Ms. Sandy Williams, KIA, noted that the regulations pertaining to the Clean Water and Drinking Water State Revolving Fund, 200 KAR 17:050 and 200 KAR 17:070, were filed with the Legislative Research Commission on December 15, 2005. A public hearing was held January 25, 2006, and the public comment period expired January 31, 2006. The Authority received four sets of written comments. Responses and amendments to the regulations resulting from the written public comments were presented in the board book for the boards review as requested in the previous board meeting.

Mr. Tim Thomas noted that the Environmental and Public Protection Cabinet had reviewed the amendments resulting from the public hearing and approved of the changes made.

Ms. LaJuana Wilcher requested changes be made to the submission requirements pertaining to the project priority list in the Clean Water State Revolving Fund Regulations. To better streamline the process, Ms. Wilcher suggested the request to include a project on the priority list be submitted to the Division of Water and the application for financial assistance be submitted to KIA.

The following amendments were made to Section 4 of the Clean Water State Revolving Fund Regulations, 200 KAR 17:050.

Section 4. Submission Requirements.

- (1) Projects proposed to be placed on the project priority list shall be submitted to the authority cabinet.
- (2) After inclusion on the project priority list, a complete application package, including all supporting documentation, shall be required submitted to the authority for consideration for financial assistance from the Clean Water State Revolving Fund.

Ms. Linda Bridwell made a motion to adopt the Statement of Consideration as amended. Ms. LaJuana Wilcher seconded, and the motion carried.

III. INFORMATION ITEMS

A. SECURITY ISSUES CONCERNING WRIS

To be presented at the next KIA board meeting, scheduled for April 13, 2006.

IV. ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Thursday, April 13, 2006, 1:30 p.m.
1024 Capital Center Drive, Suite 340, Frankfort

Kentucky Infrastructure Authority
Minutes of the Full Board – March 2, 2006

Ms. Linda Bridwell suggested that KIA staff or herself meet with or make an inquiry with the Engineering Board of Licensure concerning their accountability for problems such as what Ledbetter Water District faced. Ms. Bridwell agreed to make this inquiry.

There being no further business the Kentucky Infrastructure Authority Board meeting was adjourned at 4:10 p.m.

Submitted by:

M. Denise Pitts

M. Denise Pitts, CPA, Secretary
Kentucky Infrastructure Authority

3/13/06

Date

KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board

Meeting Date/Location: **May 4, 2006 – 1:30 p.m.**
 Kentucky Infrastructure Authority
 1024 Capital Center Drive, Suite 340, Frankfort

Members present:

Mr. John Farris, Finance and Administration Cabinet
 (proxy for Secretary R. B. Rudolph, Jr., FAC)
Ms. LaJuana Wilcher, Secretary, Environmental and Public Protection Cabinet
Mr. J. R. Wilhite, Economic Development Cabinet
 (proxy for Secretary Gene Strong, EDC)
Mr. Dan Waits, Executive Director, Office of Financial Management & Administration,
Governor's Office for Local Development
 (proxy for Commissioner Steve Robertson, GOLD)
Mr. Bob Amato, Deputy Executive Director, Public Service Commission
 (proxy for Ms. Beth O'Donnell, Executive Director, PSC)
Mr. Damon Talley, representing the Kentucky Rural Water Association
Mr. Gregory Heitzman, representing the American Water Works Association
Ms. Linda C. Bridwell, representing for-profit private water companies
Mr. Lyn Bailey, Mayor, City of Cadiz, representing the Kentucky League of Cities

Members absent:

Mr. Larry B. Whitaker, McLean County Judge/Executive, representing the Kentucky Association
of Counties

Guests:

Mr. Tony Harover, Strand Associates
Ms. Sheryl Chino, Green River Area Development District
Mr. Robert Ramsey, Office of Financial Management, FAC
Ms. Sandy Gruzosky, DOW, EPPC
Mr. Tim Thomas, EPPC
Ms. Kelli Rice, DOW, Resource Planning and Program Support
Mr. Gary Larimore, Kentucky Rural Water Association
Mr. Dan Shoemaker, Tetra Tech
Mr. David W. Morgan, DOW
Mr. Mike Bethurem
Ms. Holly Nicholas, O'Brien & Gere
Mr. Joe Burns, Kentucky Rural Water Association
Ms. Kristi Culpepper, Legislative Research Commission
Ms. Nancy Osborne, Legislative Research Commission
Mr. Luther Galloway, Engineer with the City of Mount Vernon

PROCEEDINGS

Vice Chair Damon Talley chaired the board meeting. Vice Chair Talley called a meeting of the Kentucky Infrastructure Authority (KIA) Board to order and asked all board attendees and guests to introduce themselves. Vice Chair Talley noted a quorum was present and that the press had been notified regarding the meeting.

I. BUSINESS (Board Action Required)

A. 1. APPROVAL OF MINUTES

For: KIA Full Board Meeting of March 2, 2006

Mr. Greg Heltzman moved to approve the minutes. Ms. Linda Bridwell seconded, and the motion carried.

B. NEW PROJECTS/ACTION ITEMS

1. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS ESTABLISHING FUND B INTERESTED RATES FOR THE PERIOD APRIL 1, 2006 THROUGH JUNE 30, 2006

Ms. Suzanne Anderson, KIA, noted that the Authority statutes require that interest rates for the Fund B Program be determined on a quarterly basis. It is recommended that the interest rates be established at 2.72% for the standard rate and .72% for the hardship rate.

Ms. Linda Bridwell moved to adopt the resolution. Mr. J. R. Wilhite seconded, and the motion carried.

2. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS FOR APPROVAL OF A FUND B LOAN FOR THE CITY OF MOUNT VERNON IN THE AMOUNT OF \$945,000

Ms. Suzanne Anderson, KIA, presented the project to the board. The City of Mount Vernon is requesting \$945,000 from Fund B to repay an interim loan from the Kentucky Rural Water Association, which helped to complete the City's raw water intake project. The raw water intake project also includes funding from a 2020 grant in the amount of \$110,000 and a TIEDF grant in the amount of \$1,000,000. In addition to serving 1,968 City customers, the City has wholesale agreements with Eastern Rockcastle Water Association, Western Rockcastle Water Association, and the Brodhead Water Works. The project will construct a new raw water intake siphon and lake raw water intake structures, as well as improved chemical feed locations and systems. The current intake structure and siphons only deliver about 1.94 million gallons a day, which is significantly below the desired flow level. In January 2005, the City was notified by the Division of Water that there were several capacity related concerns which resulted in an agreed order. The completion of this project will satisfy the Division of Water's

concerns. The construction of the project has begun and should be completed by September of 2006. The repayment to the Kentucky Rural Water Association is due January 2007.

The median household income for the City is \$16,747, which is well below the states median household income; therefore, the City is qualified for the .72% interest rate. Based on their revenues and costs and their wholesale purchase agreements with Eastern Rockcastle Water Association, Western Rockcastle Water Association, and the Brodhead Water Works, they are sufficient to cover the debt service of this loan. KIA staff recommended approval of the loan.

Mr. Greg Heitzman questioned what the guidelines were for granting 0% interest rate. In the past 0% interest rate was granted to the City of Elkton due to a catastrophic event. Mr. Luther Galloway stated that no significant negative economic event had occurred; therefore, the interest rate for the loan remained at .72%. The board requested a legal opinion and guidelines for establishing loans with 0% interest rates. Mr. Jody Hughes, KIA, stated that both the legal opinion and a suggestion for guidelines would be provided at the next board meeting.

Ms. Linda Bridwell questioned if there was a proposed rate increase. Ms. Anderson stated that the rate increase had already been put into place, that being an average of \$17.52 per 4,000 gallons.

Mr. Greg Heitzman made a motion to adopt the resolution. Ms. Linda Bridwell seconded, and the motion carried.

3. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS AUTHORIZING AND APPROVING THE ISSUANCE OF OBLIGATIONS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY TO REIMBURSE CAPITAL EXPENDITURES MADE BY GOVERNMENTAL AGENCIES PURSUANT TO LOANS MADE BY THE KENTUCKY INFRASTRUCTURE AUTHORITY TO SUCH GOVERNMENTAL AGENCIES

Mr. John Covington, KIA, noted that this is a routine resolution allowing KIA to reimburse expenses that are paid out of the Authority's funds with bond proceeds. The project listed below is covered under the resolution.

APPLICANT	FUND	AMOUNT
City of Mount Vernon	B	\$945,000

Mr. Linda Bridwell made a motion to adopt the resolution. Mr. Bob Amato seconded, and the motion carried.

II. INFORMATION ITEMS

A. SECURITY ISSUES CONCERNING WRIS

Mr. Rusty Anderson, KIA, presented to the board security procedures currently in place regarding the Water Resource Information System. Registration

information, a registration example, a listing of all registered users as of February 22, 2006, and the number of hits and unique visitors per month from September 2005 to March 2006 were presented to the board.

Mr. Greg Heitzman suggested that user information be validated and purged if necessary. Mr. Anderson stated that his suggestion would be possible if the Commonwealth Office of Technology (COT) began offering the service of Authentication for our site. Mr. Anderson agreed to look into this option; however, at this time COT does not offer this service. The Board requested that Mr. Anderson look into 1.) determining the feasibility of purging information and 2.) what are the possible solutions for securing the WRIS, and provide this information in the next 3 to 6 months. Mr. John Farris and Mr. Bob Amato suggested that Mr. Anderson consult the issue with Homeland Security.

Mr. Anderson also included Congressional Research Service Report for Congress titled, "Terrorism and Security Issues Facing the Water Infrastructure Sector: and a study titled, "Mapping the Risks."

B. STATUS OF KIA STATE REVOLVING FUND PROGRAMS

Ms. Sandy Williams, KIA, presented to the Board the target dates for the State Revolving Fund (SRF) programs upcoming application and reporting requirements. The target dates presented to the Board are as follows:

May 5	DWSRF 2006 Intended Use Plan
May 5	RFP for Technical Assistance for Small Systems
May 11	Administrative Regulation and Review Subcommittee
May 18	Draft Memorandum of Agreement (MOA) between KIA and DOW
May 19	2007 Intended Use Plan for the DWSRF
May 19	2007 Intended Use Plan for the CWSRF
May 22	Annual Reviews SFY 2005 with EPA Region 4
May 31	Signed MOA between KIA and DOW
June 5	Public Meeting Date DWSRF 2006 Intended Use Plan
June 16	Draft Operating Agreement (OA) between KIA and EPA
June 19	Public Meeting Date DWSRF 2006 Intended Use Plan
June 19	Public Meeting Date CWSRF 2006 Intended Use Plan
June 30	DWSRF 2005 Federal Capitalization Grant Application
June 30	DWSRF 2006 Federal Capitalization Grant Application
June 30	CWSRF 2005 Federal Capitalization Grant Application
June 30	CWSRF 2006 Federal Capitalization Grant Application
June 30	OA submitted to EPA
June 30	Quarterly DWSRF Program Updates
July 1	Effective Date MOA between KIA and DOW
July 1	Title VI Reports due to Finance
September 30	DWSRF Annual Report Due to EPA for SFY 2006
September 30	CWSRF Annual Report Due to EPA for SFY 2006
September 30	DWSRF National Information Management System (NIMS) Reports
September 30	CWSRF National Information Management System (NIMS) Reports
September 30	CWSRF Environmental Benefits Reports
September 30	Effective Date OA between KIA and EPA
September 30	Quarterly DWSRF Program Updates
October 1	Audited Financial Statements due to the Auditor of Public Accounts

Ms. Williams also provided a listing of outstanding comfort letters for potential CWSRF loans. These letters promise to hold funds for 1 year, allowing borrowers time to complete their project and file their application.

Mr. Greg Heitzman questioned the Authority's ability to issue leverage bonds. Ms. Williams responded that at this time KIA does not have the authority, in this biennium's budget, to issue leverage bonds.

Secretary LaJuana Wilcher distributed the revised criteria for the Intended Use Plan (IUP) to the Board and the existing Memorandum of Agreement (MOA) between the Authority and the Environmental and Public Protection Cabinet, which expired in 2004. Secretary Wilcher requested the Board's input concerning the IUP, specifically who should publish and take comments on the IUP. Secretary Wilcher stated that historically the EPPC ("the Cabinet") had been responsible for the publication of the IUP, and should continue to carry out this responsibility due to the Cabinet's authority over the criteria and other environmental factors. Ms. Williams stated that in an effort to streamline the current process, as suggested by the focus group, and also in complying with the regulations currently under review, the Authority felt that the publication of the IUP was the responsibility of the grantee, which is KIA. The discussion carried out for a very lengthy amount of time. Vice Chair Talley stated the Board was not prepared to make a decision due to the lack of facts. Mr. John Farris stated that if the matter could not be worked out by the following Thursday, (May 11, 2006), by close of business, the issue would be turned over to the Board Chair, Secretary Robbie Rudolph, to work with Secretary Wilcher to resolve the matter on behalf of KIA.

Mr. Farris made a motion to give KIA staff another week to resolve the problem and if by close of business the following Thursday an agreement had not been reached Secretary Rudolph would act on behalf of KIA.

Ms. Linda Bridwell seconded the motion contingent upon Mr. Jody Hughes and all other appropriate parties be involved in all discussions. Ms. Bridwell stated that in order to get the matter resolved KIA and EPPC needed to work together to come to an agreement. The motion carried unanimously.

Secretary Wilcher also presented a proposed change to the criteria. The change would give communities under a court order or Conditional Administrative Consent Decree additional points. This change will help those communities not in compliance with the Clean Water Act Program get funding for their projects. Secretary Wilcher also requested input from the Board on whether the criteria should give more weight to unserved populations; she asked that the comments or suggestions be provided to her in the two days following the meeting.

C. UPDATE ON 200 KAR 17:050 AND 200 KAR 17:070 REGULATIONS

Ms. Sandy Williams gave a brief update on the status of the 200 KAR 17:050 and 200 KAR 17:070 Regulations. On May 11, 2006, the regulations will be reviewed by the Administrative Regulations Subcommittee; at that point the regulations will then be referred to a second legislative subcommittee of the appropriate jurisdiction. It is expected that the regulations will be in effect by the middle of June.

Ms. Williams notified the Board that KIA's Management Consultants from First Southwest would be at the June 1st Board Meeting.

D. REQUEST FOR PROPOSAL FOR TECHNICAL ASSISTANCE FOR SMALL SYSTEMS

Ms. Sandy Williams informed the Board that the Authority was issuing a Request for Proposals for Technical Assistance for Small Systems. The deadline for submittals for this RFP was set for noon, May 30, 2006.

The Board suggested the Minority Business Entrepreneur/Women Business Entrepreneur (MBE/WBE) requirements be included in the RFP along with the Six Affirmative Steps. Ms. Williams agreed, and guaranteed these requirements would be included.

E. 2006 – 2008 KIA BUDGET INFORMATION

Mr. Jody Hughes updated the Board on the outcome of the recent budget that was passed. He informed the Board that KIA was given \$2,343,500 in 2006-07 and approximately \$2,000,000 in 2007-08 in General Funds, noting that this was the first time the Authority had obtained General Funds. Mr. Hughes added that KIA was made responsible for administering approximately \$222,000,000 for the majority being water and sewer projects, funded with bond funds.

F. UPDATE ON PROJECT IN THE ENACTED BUDGET

Mr. John Covington presented to the Board a breakdown of the grants currently being administered by KIA. In 2000, KIA administered \$68,778,114 in 2020/Fund B Grants, in 2003, KIA administered \$114,615,122, in Coal Development Fund/Tobacco Development Fund Grants, in 2005, KIA administered \$200,056,180, in Coal Infrastructure for Economic Development Fund/Tobacco Infrastructure for Economic Development Fund Grants, and in 2006-2008 Budget, KIA was given \$222,275,477 to administer Coal and Non-Coal Infrastructure for Economic Development Fund Grants. A listing of all grant projects was also distributed to the Board.

G. CORRESPONDENCE FROM U. S. EPA RELATING TO PROPOSED LEGISLATION IN THE 2006 LEGISLATIVE SESSION

Secretary LaJuana Wilcher presented to the Board a letter from the U.S. EPA concerning the proposed Senate Substitute Amendment for House Bill 623. The U.S. EPA is currently conducting an investigation to see if the revisions could possibly jeopardize federal revolving fund capitalization grants. Secretary Wilcher requested the Board determine a process for handling the views of the Board members and the KIA staff concerning legislation prior to the next Legislative Session.

Mr. Greg Heitzman suggested that the Board consider developing subcommittees, for example a Regulatory Subcommittee and a Legislative Subcommittee, to better address the issues presented to the Board. The small committees could become more educated on the policies and procedures, and

would be more prepared to make educated decisions at board meetings. Mr. Jody Hughes agreed to look into that possibility.

III. STATUS REPORTS FOR FUNDS

- A. 2003 Coal/Tobacco Development Fund Grants
- B. 2005 IEDF Fund Grants
- C. 2020 Account / Fund B Grants
- D. Funds A, A1, B, B1, C, E, F, F1

Mr. Jody Hughes noted that a copy of the above mentioned status reports were included in the board book for information purposes

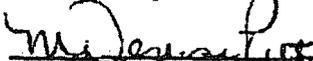
IV. ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Thursday, June 1, 2006, 1:30 p.m.
1024 Capital Center Drive, Suite 340, Frankfort

Ms. Linda Bridwell followed up with her suggestion from the March Board meeting, that KIA staff or herself meet with or make an inquiry with the Engineering Board of Licensure concerning their accountability for problems such as what Ledbetter Water District encountered. Ms. Bridwell has put in a request with the Licensure Board to discuss their requirements, and will report her findings at the June Board Meeting.

There being no further business, Mr. Dan Waits moved to adjourn. Mr. Greg Heitzman seconded and the motion carried. The Kentucky Infrastructure Authority Board meeting was adjourned at 4:30 p.m.

Submitted by:



M. Denise Pitts, CPA, Secretary
Kentucky Infrastructure Authority

6/8/06
Date

Re: Mossy Bottom
Case No. 2006-00123

Item 1(c)
Respondent: Roger Recktenwald
606-437-5114

Sheet 1 of 1

RD has not approved the proposed debt assignment and assumption.

During a recent telephone discussion with Mr. Ronnie Brooks, RD Morehead Area Office, regarding the proposed asset transfer, he indicated that RD approval is expected in the first week of July, 2006.

2. Listed below are the loans that Pikeville will assume upon completion of the transfer of the Mossy Bottom Sewage Collection System. Also listed are each loan's outstanding balance as reflected in Exhibit D of the Transfer Agreement, Exhibit 5 of the Application, and Mountain District's Annual Report to the Public Service Commission for Calendar Year 2004. Explain each discrepancy in the outstanding loan balances,

<u>Loan/Bond Title</u>	<u>Exhibit D Agreement</u>	<u>Exhibit 5 Application</u>	<u>2004 Annual Report</u>
a. RD Bond (92-19)	\$ 163,700	\$ 161,657	\$ 163,700
b. KIA Loan A95-16	\$ 325,470	\$ 314,403	\$ 314,687
c. KIA Loan 00-03	\$ 949,079	\$ 924,250	\$ 925,128

The dollar amount listed in Row a under the Column heading "Exhibit D Agreement" (\$163,700) is accurate and conforms to the published loan amortization schedule as of 6/30/05.

The dollar amount listed in Row a under the Column heading "Exhibit 5 Application" (\$161,657) is inaccurate. The accurate dollar amount is \$161,300 and conforms to the loan amortization schedule as of 6/22/06.

The dollar amount listed in Row a under the Column heading "2004 Annual Report" (\$163,700) is inaccurate. The accurate dollar amount is \$166,000 and conforms to the loan amortization schedule as of 12/31/04.

The dollar amounts listed in Row b and Row c under the Column heading "Exhibit D Agreement" (\$325,470 and \$949,079, respectively) are accurate and are the actual unpaid balances in the accounts as of 6/22/06.

The dollar amounts listed in the Row b and Row c under the Column heading "Exhibit 5 Application" (\$314,403 and \$924,250 respectively) are accurate and are the actual unpaid balances in the accounts as of 6/22/06.

The dollar amounts in Row b and Row c under the Column heading "2004 Annual Report" (\$314,687) and (\$925,128) respectively, are inaccurate. The accurate dollar amounts are \$336,465 (as of 12/31/04) and \$973,686 (as of 12/31/04) respectively and these amounts correspond with the loan amortization schedules.

Note: The data provided above was verified via phone conversations with Ms. Sandy Williams, KIA, and Mr. Ronnie Brooks, RD, on 6/22/06.

3. Refer to the Application, Exhibit 4 at 32 (Note W). State whether Pikeville has already acquired the Mossy Bottom Sewer System facility. If no, reconcile this response with the statement contained in Note W.

Re: Mossy Bottom
Case No. 2006-00123

Item 3
Respondent: Roger Recktenwald
606-437-5114

Sheet 1 of 2

Pikeville has not acquired nor is operating the Mossy Bottom Sewer System as of 6/22/06.

The City of Pikeville and Mountain Water District entered into an asset purchase agreement (Applicants' Joint Petition for Transfer of Assets and Debt, Exhibit 1,) on May 8, 2005. Item 12 on page 13 of that exhibit specifically cites that the agreement and actual transfer of facilities would be effective and occur, respectively, only after PSC approval.

Pikeville's Audit for the year ended June 30, 2005, contains an inaccurate statement in Note W on page 34. When contacted, the audit firm acknowledged the misstatement and has provided a statement to that effect, included as Sheet 2 of this Item.



106 Fourth Street and Hambley Boulevard • Post Office Box 1349 • Pikeville, Kentucky 41502

J. Don Wallen, CPA
Johnny C. Cornett, CPA

Johnny K. White, CPA
L. Kevin Puckett, CPA

606-432-8833
FAX 606-432-8466

June 22, 2006

Public Service Commission

Re: City of Pikeville
Case # 2006-00123 #3

To Whom It May Concern:

The City of Pikeville did not take over ownership or operation of the Mossy Bottom Sewer System as of June 30, 2005. The statement in Note W "The City acquired the assets that make up the Mossy Bottom Sewer System and began operating the Mossy Bottom Sewer System and is assuming debt in the amount of \$1,438,249" was intended to inform users of the financial statements that the City had recently adopted a resolution (entered into an agreement) to accept ownership and operation of the system just prior to the financial statement date of June 30, 2005, with the understanding that the actual transfer would happen prior to the next audit report.

WALLEN AND CORNETT, P. S. C.

Wallen and Cornett, PSC

Certified Public Accountants

cc: Sue Varney
City of Pikeville
118 College Street
Pikeville, Ky 41501

4. Identify the case in which the Commission approved Mountain District's KIA Loan AOO-03.

Response: The case approving this loan cannot be located.

5. At Paragraph 8(b) of their Application, the Applicants state that "[P]ikeville is negotiating the refinancing of the existing Mountain debt with Rural Development and the terms and conditions of that debt will be provided as available. The Kentucky Infrastructure Authority approved refinancing at its meeting of March 2, 2005. Written verification of that approval will be filed as available."

a. State whether the date of March 2, 2005 is correct.

Response: It is correct. See Response No. 1.

b. State the terms and conditions under which KIA will permit Pikeville's assumption of the Mountain District's debt.

Response: See Attached and Response to No. 1.

Re: Mossy Bottom
Case No. 2006-00123

Item 5
Respondent: Roger Recktenwald
606-437-5114

Sheet 1 of 1

Item 5(a)

March 2, 2006 is the correct date on which the KIA Board of Directors approved the Applicants' request regarding assignment and assumption of debt relating to the Mossy Bottom Sewer System.

Item 5(b)

The terms and conditions under which KIA approved Pikeville's assumption of Mountain Water District's debt is as follows:

“ The Asset Purchase Agreement outlining the transfer of assets from the Mountain Water District to the City of Pikeville must be approved by the Public Service Commission prior to the execution of the Loan Assumption Agreement.”

6. Provide the proposed journal entry that Mountain District will use to record the transfer.

Response: See attached

Response:

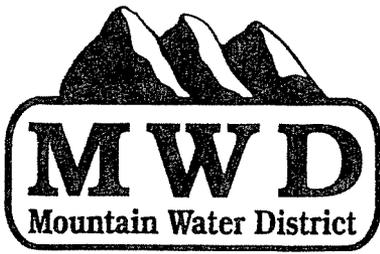
**Proposed Journal Entry
Mossy Bottom Transfer**

Account No.	Description	Debit Amount	Credit Amount
2220-17	KIA Loan A95-16	\$ 303,264.87	
2222-17	KIA Loan A00-03	\$ 899,198.79	
2209-17	RD Bond No. 92-19	\$ 161,300.00	
1005-17	Collection Sewers		\$ 1,363,763.66

*Represents principal balance as of 6-22-06

7. Describe the effect(s) of the proposed transfer of the Mossy Bottom Sewage Facilities on the Mountain District employees who are currently employed at those facilities. Identify any changes that will occur to these employees' positions as a result of the proposed transfer.

Response: See attached.



**P. O. BOX 3157
PIKEVILLE, KY 41502
PHONE: (606) 631-9162
FAX: (606) 631-3087
TDD: (606) 631-3711**

Re: Mossy Bottom
Case No. 2006-00123

Item 7
Respondent: Kimberly Hunt
(606)631-9162

Response:

The proposed transfer of the Mossy Bottom Sewage Facilities will have no effect(s) on the status of the Mountain Water District sewer department employees as the Mountain Water District sewer department growth is happening at such a fast pace as to allow those employees to remain in their same position(s).



Will Brown, Manager

8. Provide a copy of the current contract between Pikeville and Veolia Water North America.

Response: See attached

*Agreement For
Operations, Maintenance and Management Services*

Sheet 1 of 40

THIS AGREEMENT made and effective, the 1st. day of July, 1997, by and between

the City of Pikeville, a political subdivision of the State of Kentucky, with its principal address at City Hall, 260 Hambley Blvd., Pikeville, Kentucky 41501 (hereinafter "CITY")

and

Professional Services Group, Inc. , with its principal address at 14950 Heathrow Forest Parkway, Suite 200, Houston, Texas 77032-3842 (hereinafter "PSG").

WHEREAS, by *Agreement for Operation and Maintenance Services for Pikeville, Kentucky*, dated March 27, 1987, (as restated by document of the same name executed by the CITY on June 19, 1989, and by PSG on June 27, 1989) and amended by *Amendment to the Agreement for Operation and Maintenance Services for Pikeville, Kentucky* dated June 27, 1989, (hereinafter the "Existing Contract Documents") the CITY retained the services of PSG to provide management, operations, maintenance and repairs to CITY's wastewater treatment plant, water treatment plant, sewer collection system, lift stations and siphons, potable water storage and distribution system, natural gas distribution system, streets (including signs), sidewalks, storm drains, public works office, shop and baseyard, sanitation service, transfer station and water and gas meter reading, all as more particularly described in Appendix B (hereinafter collectively the "Project"); and,

WHEREAS, CITY and PSG desire to renew the contractual relationship between the parties, in accordance with terms and conditions set forth herein;

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

1 General

- 1.1 Definitions of words and phrases used in this Agreement and the attachments are contained in Appendix A.
- 1.2 All land, buildings, facilities, easements, licenses, rights-of-way, equipment and vehicles presently or hereinafter acquired or owned by CITY shall remain the

exclusive property of CITY unless specifically provided for otherwise in this Agreement.

- 1.3 This Agreement shall be governed by and interpreted in accordance with the laws of the State of Kentucky.
- 1.4 This Agreement shall be binding upon the successors and assigns of each of the parties, but neither party shall assign this Agreement without the prior written consent of the other party.
- 1.5 All notices shall be in writing and transmitted to the party's address stated above. All notices shall be deemed effectively given
 - * when delivered, if delivered personally or by courier mail service, i.e., Federal Express or DHL;
 - * when delivered when such notice has been deposited in the United States mail postage prepaid, if mailed certified or registered U.S. mail, return receipt requested; or
 - * when received by the party for which notice is intended if given in any other manner.
- 1.6 This Agreement, including Appendices, is the entire Agreement between the parties. This Agreement may be modified only by written agreement signed by both parties. Wherever used, the terms "PSG" and "CITY" shall include the respective officers, agents, directors, elected or appointed officials and employees and, where appropriate, subcontractors.
- 1.7 If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.
- 1.8 It is understood that the relationship of PSG to CITY is that of independent contractor. The services provided under this Agreement are of a professional nature and shall be performed in accordance with good and accepted industry practices for contract operators similarly situated. However, such services should not be confused with engineering services and nothing herein is intended to imply that PSG is to supply professional engineering services to CITY unless specifically stated in this Agreement to the contrary.
- 1.9 Nothing herein is intended by the parties to amend, modify or otherwise change any legal obligation owed by one party to the other which has heretofore matured or

vested under the Existing Contract Documents, including, but not limited to, fees owed for services rendered, rebates owed by PSG to CITY, indemnification obligations, and/or insurance coverage requirements.

1.10 Nothing in this Agreement shall be construed to create in any third party or in favor of any third party any right(s), license(s), power(s) or privilege(s).

1.11 Each party shall designate in writing an employee or other representative of the designating party who shall have full authority to approve changes in the Scope of Work and compensation therefore, execute written Change Orders reflecting such changes, render decisions promptly, and furnish information expeditiously to the other party when necessary.

2 PSG's Services - General

2.1 PSG will staff the Project with employees who have met appropriate licensing and certification requirements of the State of Kentucky.

2.2 PSG shall comply with all Federal and State employment laws.

2.3 PSG shall maintain all records and documents concerning the operation of the Project such that they may be inspected by CITY upon reasonable notice.

2.4 Visits may be made at any time by CITY's employees so designated by CITY's representative. Keys for the Project shall be provided to CITY by PSG for such visits. All visitors to the Project shall comply with PSG's operating and safety procedures.

2.5 PSG will implement and maintain an employee safety program in compliance with applicable laws, rules and regulations and make recommendations to CITY regarding the need, if any, for CITY to rehabilitate, expand or modify the Project to comply with governmental safety regulations applicable to PSG's operations hereunder and Federal regulations promulgated pursuant to the Americans With Disability Act. Nothing herein shall be construed to place upon PSG a duty to find violations of either the safety laws or the ADA at the Facility.

2.6 Subject to the availability of funds in the Maintenance and Repair Limit, PSG shall maintain and repair only the motor vehicles and equipment solely used in support of the Project (whether owned by CITY or PSG).

2.7 In any emergency affecting the safety of persons or property, PSG may act outside the scope of this Agreement without written amendment or change order to prevent threatened damage, injury or loss. PSG shall be compensated by CITY for any such

emergency work notwithstanding the lack of a written amendment. Such compensation shall include PSG's direct costs for the emergency work plus a mark-up for overhead. Nothing contained in this section shall impose upon PSG a duty to perform any emergency work absent a change order and failure to perform any such emergency work shall not impose upon PSG any liability for errors and omissions.

- 2.8 Services which are the subject of this Agreement are budgeted as 4,320 actual straight time man-hours per payroll period (consisting of a two (2) successive week period) and 216 overtime man-hours per payroll period. Overtime hours in excess of those budgeted cause by abnormal excessive natural events, including but not limited to an act of God, excessive snowfall, tornado or flood, shall be billed to the CITY on a monthly basis with mark-up including additional taxes, fees or insurance resulting from the extra money paid, i.e., FICA, unemployment insurance, workers compensation. An "actual straight time man-hour" shall mean an actual hour of labor by one person unburdened by vacation, holiday or other leave allowances.
- 2.9 As required by law, permit or court order, PSG will prepare Federal and State permit plant performance reports and submit them to CITY for signature and transmittal to appropriate authorities.
- 2.10 PSG shall perform all laboratory testing and sampling presently required by plant performance portions of the NPDES permit, the Clean Water Act, the Safe Drinking Water Act, and/or any Federal, State or local rules and regulations, statutes or ordinances, permit or license requirements or judicial and regulatory orders and decrees, including, but not limited to required testing and sampling for the gas system, sanitation collection and storm water management.
- 2.11 PSG will provide for the collection and hauling of screenings, grit, sludge and scum to the Pike County landfill and/or the Chaparral Coal landfill . It shall be the sole right and responsibility of CITY to designate, approve or select landfill facilities to be used by PSG for CITY's waste materials. All waste and/or byproduct collected, treated and/or generated during PSG's performance of services is and shall remain the sole and exclusive property of CITY. All manifests or other documentation required for disposal of sludge shall be signed by or in the name of the CITY.

3 PSG's Scope of Services - Wastewater

- 3.1 This Article shall apply to PSG's Operations, Maintenance, & Management services for the CITY's wastewater treatment system.
- 3.2 Within the design capacity and capabilities of the Waste Treatment Plant described in Appendix B, PSG will manage, operate and maintain the Plant so that effluent

discharged from the Plant meets the requirements specified in Appendix C-1.

- 3.3 PSG shall manage, operate and maintain the wastewater treatment plants, lift stations and sludge removal program.
- 3.4 PSG shall operate the wastewater treatment plant and collection system such as to minimize the hydrogen sulfide odor in the atmosphere. Hydrogen sulfide leaving the wastewater plant shall not be increased above the level entering the wastewater plant from the collection system.
- 3.5 Subject to the availability of funds within the Maintenance and Repair Limit, PSG will perform all Maintenance and Repairs for the Wastewater Treatment Plant and lift stations, and submit a monthly accounting to CITY.
- 3.6 Subject to Section 8.9, PSG will pay all Costs incurred in normal operations and maintenance of the Wastewater Treatment Plant (including sludge disposal) and lift stations.

4 PSG' Scope of Services - Water

- 4.1 This Article shall apply to PSG's Operations, Maintenance, & Management services for the CITY's drinking water treatment system.
- 4.2 Within the design capacity and capabilities of the Water Treatment Plant described in Appendix B, PSG will manage, operate and maintain the Plant so that water produced from the Plant meets the requirements specified in Appendix C-2.
- 4.3 Subject to Section 7.9, PSG will pay all Costs incurred in normal operations and maintenance of the potable Water Treatment Plant, water tanks and pumps.
- 4.4 Subject to the availability of funds within the Maintenance and Repair Limit, PSG will perform all Maintenance and Repairs for the Water portion of the Project, and submit a monthly accounting to CITY.

5 PSG's Scope of Services - Wastewater Collection System, Water Distribution System, Natural Gas Distribution System, Storm water Drains and System, Roadways, Sidewalks, Signs, and Public Works Building & Baseyard.

- 5.1 This Article shall apply to PSG's maintenance and repair services for the CITY's wastewater collection system, drinking water distribution system, natural gas distribution system, storm water drains and system, roadways, sidewalks, signs, and Public Works office and baseyard .

- 5.2 The scope of PSG's services for the management, maintenance and repair of the collection system, the water distribution system and the natural gas distribution system are set forth in Appendices C-3, C-4 and C-5, respectively. Said Appendices additionally describe the battery limits of the respective systems.
- 5.3 The scope of PSG's services for the management, maintenance and repair of the storm water drains and system is attached as Appendix C-6.
- 5.4 The scope of PSG's services for the management, maintenance and repair of the roadways, sidewalks and signs is attached as C-7.
- 5.5 The scope of PSG's services for the management, maintenance and repair of the Public Works building (office) and baseyard is attached as Appendix C-8.
- 5.6 Special trash collection and cleanup will be provided by PSG for Hillbilly Days as directed by the CITY.
- 5.7 Costs (other than labor) associated with the services described in this Article shall be charged to the Maintenance and Repair Limit.

6 PSG Scope - Meter Reading (Water & Gas); Refuse Collection

- 6.1 This Article shall apply to PSG's meter reading operations services for the water and gas meters described in Appendix B and the garbage pick-up and collection service.
- 6.2 At least once each calendar month (12 times per calendar year), PSG shall collect from each residential and commercial consumer of water and/or gas the usage of water or gas (as reported by the meter) during the period since the last reading of the meter. This information shall be reported in a timely manner to the CITY for billing purposes in a form as shall from time to time be approved by the CITY.
- 6.3 PSG shall operate existing residential and commercial garbage collection according to the existing schedule and customer base. The parties acknowledge that current garbage collection consists of two pick-ups per week per household or commercial outlet. Any increase or decrease of 10% in customer base and/or frequency of pick-up shall result in a Change in Scope pursuant to Section 10.1.2. The parties further acknowledge that garbage and refuse currently collected is deposited in the Pike County landfill because of needed repairs to the transfer station. All costs, methods and expenses resulting from alternative disposal sites, other than the CITY transfer station, the County landfill and the Chaparral Coal pit, shall be the responsibility of CITY.

6.3.1 Annual fee is based on residential accounts of 1,800 and commercial accounts of 250.

6.4 In the event that the CITY transfer station is repaired and made operational, PSG shall utilize the transfer station without a Change in Scope.

7 City's Duties

7.1 The CITY shall fund all necessary Capital Expenditures. Priority shall be given to safety and the ADA related expenses described in Section 2.5. Any loss, damage, or injury resulting from CITY's failure to provide capital improvements and/or funds in excess of the Maintenance and Repair Limit when reasonably requested by PSG shall be the sole responsibility of CITY.

7.2 The CITY shall keep in force all Project warranties, guarantees, easements and licenses that have been granted to CITY and are not transferred to PSG under this Agreement.

7.3 The CITY shall pay all sales, excise, *ad valorem*, property, franchise, occupational and disposal taxes, or other taxes associated with the Project other than taxes imposed upon PSG's net income and/or payroll taxes for PSG employees, as set forth in Section 2.8, taxes imposed on PSG owned equipment and/or sales taxes on items purchased by PSG for the project.

7.4 The CITY shall provide PSG, within a reasonable time after request and on an "as available" basis, with the temporary use of any piece of CITY's heavy equipment that is available so that PSG may discharge its obligations under this Agreement in the most cost-effective manner.

7.5 CITY shall pay all tipping fees and similar charges for the use of both the County landfill and the Chaparral Coal pit for the deposit of garbage, refuse, sludge and other waste.

7.6 CITY shall provide all registrations and licenses for CITY's vehicles used in connection with the Project.

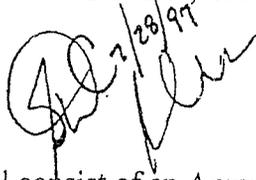
7.7 CITY shall provide for PSG's exclusive use of all vehicles and equipment presently in full time use at the Project and any replacements if necessary.

7.8 CITY shall provide the Project with appropriate security personnel and/or devices to protect against any losses resulting from the theft, damage, or unauthorized use of

property owned by CITY and shall accept liability for such losses.

- 7.9 The CITY shall pay all Costs for water, sewer user fees, road salt, natural gas deodorizers and natural gas for the Project.

8 Compensation



- 8.1 PSG's compensation under this Agreement shall consist of an Annual Fee. For the first year of this Agreement, PSG's Annual Fee is \$3,300,884. The Maintenance and Repair Limit included in the Annual Fee is \$389,358.
- 8.2 If actual Maintenance and Repair expenditures are less than the Maintenance and Repair Limit for any Agreement year, PSG will rebate the entire difference to CITY in accordance with Section 9.3. If actual Maintenance and Repair expenditures exceed the Maintenance and Repair Limit, CITY will pay the excess to PSG in accordance with Section 9.3. PSG will notify CITY when actual Maintenance and Repair expenditures equal eighty percent (80%) of Maintenance and Repair Limit.
- 8.3 The Annual Fee shall be negotiated each year at least four (4) months prior to the anniversary of this Agreement's effective date. Should CITY and PSG fail to agree, the Annual Fee will be determined by the application of the procedures in Appendix D. The Maintenance and Repair Limit shall increase or decrease by a percentage equal to the change in the Annual Fee.

9 Payment of Compensation

- 9.1 One-twelfth (1/12) of the Annual Fee for the current year shall be due and payable on the first of the month for each month that services are provided.
- 9.2 All other compensation to PSG is due upon receipt of PSG's invoice and payable within thirty (30) days.
- 9.3 Any monies payable pursuant to Section 8.2 will be paid within sixty (60) calendar days after the end of each Agreement year.
- 9.4 Any additional overtime hours in excess of those budgeted which are payable pursuant to Section 3.8 will be paid to PSG within thirty (30) days.
- 9.5 CITY shall pay interest at an annual rate equal to the Pikeville National Bank's prime rate up to sixty (60) days from the due date and prime rate plus one and one half percent (1.5%), said rate of interest not to exceed any limitation provided by law, on payments due PSG thereafter, such interest being calculated from sixty (60) days from

the due date of the payment. In the event the charges hereunder might exceed any limitation provided by law, such charges shall be reduced to the highest rate or amount within such limitation.

10 Scope Changes

10.1 A Change in Scope of services shall occur when and as PSG's costs of providing services under this Agreement change as a result of

10.1.1 any change in Project operations, personnel qualifications or staffing or other cost which is mandated or otherwise required, by a change in law, rule or regulation or an action or forbearance of any governmental body having jurisdiction to order, dictate or require such change;

10.1.2 increases or decreases of ten percent (10%) in the user base;

10.1.3 increases or decreases of not less than ten percent (10%) in the influent flow or loadings as demonstrated by a twelve month floating average compared to the twelve month period ending on the effective date of this Agreement (baseline flow and loading information is located in Appendix C); and/or,

10.1.4 increases or decreases in rates or other related charges (including taxes) imposed upon PSG by a utility provider (see Section 10.4 below) or taxing authority - excluding taxes based on PSG's net income;

10.1.5 CITY's request of PSG and PSG's consent to provide additional services.

10.2 For Changes in Scope described in Sections 10.1.1 through, and including, 10.1.3, the Annual Fee shall be increased (or decreased) by an amount equal to PSG's additional (reduced) Cost associated with the Change in Scope plus ten percent (10%). Modifications of the Annual Fee as a result of conditions described in Section 10.1.3 shall be retroactive to the beginning of the twelve month comparison period.

10.3 For Changes in Scope described in Section 10.1.4, the Annual Fee shall be increased (or decreased) by an amount equal to PSG's additional (reduced) Cost associated with the Change in Scope.

10.4 CITY and PSG shall negotiate any increase or decrease in PSG's Annual Fee for Changes in Scope based on Section 10.1.5.

10.5 Utility Rates

- * CITY will pay as additional compensation to PSG any increases in Electrical Cost Plant that are a result of Average Electrical Rate Plant increases that occur during any Agreement year. The additional compensation will be calculated based upon 5,313,513 KWH of energy per year.
- * PSG will rebate one hundred percent (100%) of any decrease in Electrical Cost Plant caused by Average Electrical Rate Plant decreases, subject to the above KWH cap.

11 Indemnity, Liability and Insurance

- 11.1 PSG agrees to indemnify, defend and hold CITY harmless from any liability, claims, demands, losses, damages and expenses, including reasonable attorneys fees, court cost, and expert witness fees, for damages to property of the CITY, PSG or third parties, or bodily injury (including death) of any person, including third parties, which may arise from PSG's negligence or willful misconduct under this Agreement; provided, PSG shall be liable for that percentage of total damages that corresponds to its percentage of total negligence or fault.
- 11.2 CITY agrees to indemnify, defend and hold PSG harmless from any liability, claims, demands, losses, damages and expenses, including reasonable attorneys fees, court cost, and expert witness fees, for damages to property of the CITY, PSG, or third parties, or bodily injury (including death) of any person, including third parties, which may arise from CITY's negligence or willful misconduct under this Agreement; provided, CITY shall be liable for that percentage of total damages that corresponds to its percentage of total negligence or fault.
- 11.3 PSG shall be liable for those fines or civil penalties imposed by a regulatory or enforcement agency for violations of the effluent quality requirements provided for in Appendices C-1 and C-2 that are a result of PSG's negligence. CITY will assist PSG to contest any such fines in administrative proceedings and/or in court prior to any payment by PSG. PSG shall pay the cost of any such contest.
- 11.4 CITY shall be liable for those fines or civil penalties imposed by any regulatory or enforcement agencies on CITY and/or PSG that are not a result of PSG's negligence or are otherwise directly related to the ownership of the Project and shall indemnify and hold PSG harmless from the payment of any such fines and/or penalties.
- 11.5 Nothing in this Article or any other section, paragraph or article of this Agreement shall be construed to subject either party to liability for indirect, punitive or consequential damages and none shall be awarded by any tribunal against a party hereto in favor of a party hereto.

11.6 Indemnity agreements provided for in this Agreement shall survive the termination of the Agreement.

11.7 Each party shall obtain and maintain insurance coverage of a type and in the amounts described in Appendix E. Each party shall provide the other party with satisfactory proof of insurance.

12 Term, Termination and Default

12.1 The initial term of this Agreement shall commence on July 1, 1997 and shall continue thereafter for an initial term of sixty (60) months until June 30, 2002. Thereafter, this Agreement shall be automatically renewed for successive terms of two (2) years each unless canceled in writing by either party no less than one hundred and twenty (120) days prior to expiration.

12.2 A party may terminate this Agreement only for a material breach of the Agreement by the other party; only after giving written notice of breach; and, except in case of a breach by CITY for non-payment of PSG's invoices, in which case termination may be immediate by PSG, only after allowing the other party thirty (30) days to cure or commence taking reasonable steps to cure the breach.

12.3 Upon notice of termination by CITY, PSG shall assist CITY in assuming operation of the Project. If additional Cost is incurred by PSG at request of CITY, CITY shall pay PSG such Cost within thirty (30) days of invoice receipt.

12.4 Upon termination of this Agreement, PSG will provide CITY with the same quantity of chemicals (or equivalent) as indicated on the physical inventory of chemicals on hand when PSG began services under the Existing Contract Documents.

12.5 Upon termination of this Agreement and all renewals and extensions of it, PSG will return the Project to CITY in the same condition as it was upon the effective date of this Agreement, ordinary wear and tear excepted. Equipment and other personal property purchased by PSG for use in the operation or maintenance of the Project shall remain the property of PSG upon termination of this Agreement unless the property was directly paid for by CITY or CITY specifically reimbursed PSG for the cost incurred to purchase the property or this Agreement provides to the contrary.

13 Disputes and Force Majeure

13.1 In the event activities by employee groups or unions cause a disruption in PSG's ability to perform at the Project, CITY, with PSG's assistance or PSG at its own

option, may seek appropriate injunctive court orders. During any such disruption, PSG shall operate the facilities on a best-efforts basis until any such disruptions cease.

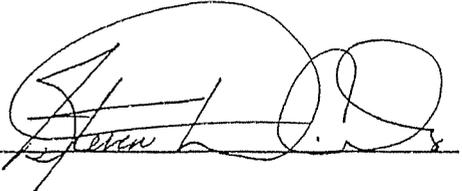
- 13.2 Neither party shall be liable for its failure to perform its obligations under this Agreement if such failure is due to any Unforeseen Circumstances beyond its reasonable control or force majeure. However, this Section may not be used by either party to avoid, delay or otherwise affect any payments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

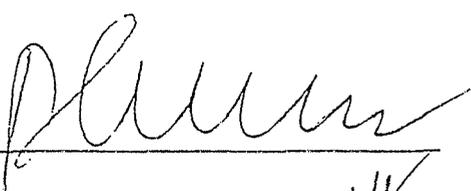
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Both parties indicate their approval of this Agreement by their signatures below, and each party warrants that all corporate or governmental action necessary to bind the parties to the terms of this Agreement has been and will be taken.

CITY OF PIKEVILLE

PROFESSIONAL SERVICES GROUP, INC.

By: 

By: 

Name: Stephen D. Combs

Name: Patrick L. McMahon, P.E. 

Title: Mayor

Title: President and CEO

Date: 6/3/97

Date: 6/9/97

APPENDIX A

DEFINITIONS

- A.1 "Adequate Nutrients" means plant influent nitrogen, phosphorus and iron contents proportional to BOD₅, in the ratio of five (5) parts nitrogen, one (1) part phosphorus, and one-half (0.5) part iron for each one hundred (100) parts BOD₅.
- A.2 "Annual Fee" means a predetermined, fixed sum for PSG's services. The Annual Fee includes Cost and profit.
- A.3 "Average Electrical Rate Plant" means the average cost per kilowatt hour as calculated by dividing the total kilowatt hours of energy consumed by the plant into the total dollars of plant electric cost for the twelve (12) month period ending three (3) months prior to the end of the current agreement year. The Average Electrical Rate Plant for the period March, 1996 to March, 1997 is 0.04 cents per KWH.
- A.4 "Biologically Toxic Substances" means any substance or combination of substances contained in the plant influent in sufficiently high concentration so as to interfere with the biological processes necessary for the removal of the organic and chemical constituents of the wastewater required to meet the discharge requirements of CITY's NPDES permit. Biologically toxic substances include, but are not limited to, heavy metals, phenols, cyanides, pesticides and herbicides.
- A.5 "Capital Expenditures" means any expenditures for (1) the purchase of new equipment or facility items that cost more than Two Thousand Dollars (\$2,000); or (2) major repairs which significantly extend equipment or facility service life and cost more than Two Thousand Dollars (\$2,000) or (3) expenditures that are planned, non-routine and budgeted by CITY.
- A.6 "Cost" means all Direct Cost and Indirect Cost determined on an accrual basis in accordance with generally accepted accounting principles.
- A.7 "Direct Cost" means the actual cost incurred for the direct benefit of the Project including, but not limited to, expenditures for project management and labor, employee benefits, chemicals, lab supplies, repairs, repair parts, maintenance parts, safety supplies, gasoline, oil, equipment rental, legal and professional services, quality assurance, travel, office supplies, other supplies, uniforms, telephone, postage, utilities, tools, memberships and training supplies.
- A.8 "Electrical Cost Plant" means the total electricity cost as calculated by multiplying the Average Electrical Rate Plant by 4,133,538 KWH.

- A.9 "Maintenance" means those routine and/or repetitive activities required or recommended by the equipment or facility manufacturer or by PSG to maximize the service life of the equipment, sewer, vehicles and facilities.
- A.10 "Maintenance and Repair Limit" means the total Maintenance and Repair expenditures that PSG has included in the Annual Fee. With the exception of Article 6, expenditures exclude any labor costs for PSG's staff assigned to the Project. PSG's specialized maintenance personnel, not assigned at the Project, who provide such specialized services such as, but not limited to, vibration, thermographic and electrical analyses, instrumentation maintenance and repair will be charged to the Maintenance and Repair Limit.
- A.11 The "Project" means all equipment, vehicles, grounds, rights of way, sewers and facilities described in Appendix B and, where appropriate, the management, operations and maintenance of such.
- A.12 "Repairs" means those non-routine/non-repetitive activities required for operational continuity, safety and performance generally due to failure or to avert a failure of the equipment, sewer, vehicles or facilities or some component thereof.
- A.13 "Unforeseen Circumstances" shall mean any event or condition which has an effect on the rights or obligations of the parties under this Agreement, or upon the Project, which is beyond the reasonable control of the party relying thereon and constitutes a justification for a delay in or non-performance of action required by this Agreement, including but not limited to (i) an act of God, landslide, lightning, earthquake, tornado, fire, explosion, flood, failure to possess sufficient property rights, acts of the public enemy, war, blockade, sabotage, insurrection, riot or civil disturbance, (ii) preliminary or final order of any local, state or federal court, administrative agency or governmental body of competent jurisdiction, (iii) any change in law, regulation, rule, requirement, interpretation or statute adopted, promulgated, issued or otherwise specifically modified or changed by any local, Federal and State governmental body, (iv) labor disputes, strikes, work slowdowns or work stoppages, but excluding labor disputes, strikes, work slowdowns or work stoppages by employees of PSG; and (v) loss of or inability to obtain service from a utility necessary to furnish power for the operation and maintenance of the Project.

APPENDIX B

DESCRIPTION OF PROJECT

PSG agrees to provide the services necessary for the management, operation and maintenance of the following:

- a. All equipment, vehicles, grounds and facilities now existing within the present property boundaries of or being used to operate CITY's Utility and Public Works Departments located at:

Wastewater Plant at Thompson Road
 Water Plant at Marion Branch Road
 Public Works at 737 Island Creek

- b. All equipment, grounds and facilities now existing within the present property boundaries of the water tanks and water pumping stations are described as follows:

Pump Stations

Tanks

Toler
 Cedar Gap
 Bob Amos
 Northmonte
 Quail Ridge
 Ratliffs
 Town Mountain
 Peach Orchard
 Harolds Branch
 Chloe Gap
 Foxcroft
 Chloe Ridge

Toler
 Cedar Gap
 Bob Amos
 Northmonte
 Quail Ridge
 Ratliffs
 Road Fork 1
 Road Fork 2
 Smith Hill 1
 Smith Hill 2
 Peach Orchard
 Harolds Branch
 Foxcroft
 Lovers Leap

- c. Thirty-one (31) miles of gravity sewers and five (5) miles of force mains, along with all manholes in service on the effective date of this Agreement.
- d. Sixty-five (65) miles of water line valves, hydrants and 2,600 customer connections in service on the effective date of this Agreement.

- e. All equipment, grounds and facilities now existing with in the present property of the sewer lift stations.

Lift Stations

Huffman
Fletchen & Hall
Poor Farm
Keel Add.
Pauley Add
Lake Joann
Layne Hollow
South Mayo 1
South Mayo 2

- f. Thirty-eight (38) miles of steel and plastic gas line and 1,500 meters in service on the effective date of this Agreement.

Gas Wells & Purchase Points

Columbia Fuel
Clark Ferrel
Dye
Edmonds
Cox
Huffman & Blackburn
Sewer Plant
Dairy Hollow
Powder House
Layne Hollow
Bob Amos
Freewill Baptist
Bill Syck
City Park
Peach Orchard
R.T. Greer
Sunshine Hollow

APPENDIX C-1

NPDES PERMIT AND
PROJECT CHARACTERISTICS

- C.1 PSG will operate so that effluent will meet the requirement of NPDES permit No. KY0025291 (issued on July 1995) a full and complete copy of which is adopted by reference herein as of the date hereof. PSG shall be responsible for meeting the effluent quality requirements of CITY's NPDES permit unless one or more of the following occurs: (1) the Project influent does not contain Adequate Nutrients to support operation of Project biological processes and/or contains Biologically Toxic Substances which cannot be removed by the existing process and facilities; (2) dischargers into CITY's sewer system violate any or all regulations as stated in CITY's Industrial Water and Sewer Ordinance(s) or as required by law; (3) the flow or influent BOD₅ and/or suspended solids exceeds the Project design parameters which are two (2) million gallons of flow per day, 3,403 pounds of BOD₅ per day, 4003 pounds of suspended solids and a daily peaking factor of 2.5 times flow; (4) if the Project is inoperable or can operate only at a reduced capacity on account of construction activities, fire, flood, adverse weather conditions, labor disputes or other causes beyond PSG's control.
- C.2 In the event any one of the Project influent characteristics, suspended solids, BOD₅ or flow, exceeds the design parameters stated above, PSG shall return the plant effluent to the characteristics required by the NPDES permit in accordance with the following schedule after Project influent characteristics return to within design parameters.

<u>Characteristics Exceeding Design Parameters By</u>	<u>Recovery Period Maximum</u>
10% or Less	5 days
Above 10% Less than 20%	10 days
20% and Above	30 days

Notwithstanding the above schedule, if the failure to meet effluent quality limitations is caused by the presence of Biologically Toxic Substances or the lack of Adequate Nutrients in the influent, then PSG will have a thirty (30) day recovery period after the influent is free from said substances or contains Adequate Nutrients.

- C.3 PSG shall not be responsible for fines or legal action as a result of discharge violations within the period that influent exceeds design parameters, does not contain Adequate Nutrients, contains Biologically Toxic Substances or is inoperable, and the subsequent recovery period.
- C.4 The Annual Fee for services under this Agreement is based upon the following:

(a) Project influent characteristics:

Flow 0.5941 million gallons per day
BOD₅ 1,123 pounds per day
TSS 2,017 pounds per day

The above characteristics are the actual twelve (12) months' average for the period ended March, 1997. Any change of 10 percent (10%) or more in any of these characteristics, based upon a twelve (12) month moving average, will constitute a change in scope. [See Section 10.1]

(b) Solids disposal characteristics:

PSG's expenses for hauling by truck and disposing of water plant sludge is based on the Chapperal Coal facility which is approximately four (4) road miles from the Project. Any change in costs shall give rise to a change in scope and the additional costs shall be added to the Annual Fee.

PSG does not haul sludge from the wastewater plant. The CITY has arrangements with the County for trucking.

APPENDIX C-2

PROJECT CHARACTERISTICS

C.1 The Project has the following design characteristics:

A capacity of 6-MGD of finished water production with an ability for chemical additions, flocculation, sedimentation and filtration based on 2.9 gallons per minute per square foot of filter area. The Project has the capability for post treatment by chlorination and fluoridation.

C.2 PSG will operate the Project so that water treated will meet the current Federal and State Drinking Water Standards. PSG's Annual Fee includes all costs for treating an average daily flow of 3.4 MGD of raw water per day to the standards specified below.

Turbidity	<0.5 NTU
Iron	<0.3 mg/l
Manganese	<0.05 mg/l
Fluoride	0.8 average mg/l
pH	≥ 7.0
Color	<15 color units
Corrosivity	Non-corrosive
Odor	<3.0 TON
E. Coli	Negative
Chlorine	≥ 0.2 mg/l

C.3 If any of the following contaminants in the raw water causes the finished water to exceed the Maximum Contaminant Levels (MCL) established for finished water quality, PSG will treat the raw water to reduce said contaminant to an acceptable MCL. The cost of any specific treatment will be in addition to the Annual Fee for the treatment required by this Article C.3.

<u>Radionuclides</u>	<u>MCL</u>
Radium	5.0 PCi/L
Gross Alpha	15.0 PCi/L

Organic Chemicals

<u>Contaminant</u>	<u>MCL (mg/l)</u>
Alachlor	0.002
Aldicarb	0.003
Aldicarb Sulfone	0.002
Aldicarb Sulfoxide	0.004
Atrazine	0.003
Benzene	0.005
Carbofuran	0.04
Carbon Tetrachloride	0.005
Chlordane	0.002
2,4-D	0.07
Dibromochloropropane (DBCP)	0.0002
o-Dichlorobenzene	0.6
p-Dichlorobenzene	0.075
1,2-Dichloroethane	0.005
1,1-Dichloroethylene	0.007
cis-1,2-Dichloroethylene	0.07
trans-1,2-Dichloroethylene	0.1
1,2-Dichloropropane	0.005
Endrin	0.002
Ethylbenzene	0.7
Ethylene Dibromide (EDB)	0.00005
Heptachlor	0.0004
Heptachlor Epoxide	0.0002
Lindane	0.0002
Methoxychlor	0.04
Monochlorobenzene	0.1
Pentachlorophenol	0.001
Polychlorinated Biphenyls (PCB)	0.0005
Styrene	0.1
Tetrachloroethylene	0.005
Toluene	1
Toxaphene	0.003
2,4,5-TP (Silvex)	0.05
1,1,1-Trichloroethane	0.02
Trichloroethylene	0.005
Total Trihalomethanes	0.1
Vinyl Chloride	0.002
Xylenes (Total)	10

Inorganic Chemicals

<u>Contaminant</u>	<u>MCL (mg/l)</u>
Arsenic	0.05
Asbestos	7 (million fibers/liter)
Barium	2
Cadmium	0.005
Chromium	0.1
Fluoride	4
Mercury	0.002
Nitrate	10 (as nitrogen)
Nitrite	1 (as nitrogen)
Total Nitrate Nitrite	10
Selenium	0.05
Chloride	300
Copper	1.0
Fluoride	2.0
Silver	0.10
Sulfate	300
Total dissolved solids (TDS)	1,000
Zinc	5

C.4 PSG will provide laboratory services for monitoring only the following contaminants on an as-requested basis. These contaminants do not have an established MCL.

Aldrin	Hexachlorobenzene
Benzo(a)pyrene	Hexachlorocyclopentadiene
Butachlor	3-Hydroxycarbofuran
Carbayl	Methomyl
Dalapon	Metolachlor
Di(2-ethylhexy) adipate	Metribuzin
Di(2-ethylhexyl)phthalate	Oxyamyl (vydate)
Didamba	Pictoram
DichloromethaneDieldrin	Propachlor
Dinoseb	Simazine
Diquat	2,3,7,8-TCDD (Dioxin)
Entodhall	1,2,4-Trichlorobenzene
Glyphosate	
1,1,2-Trichloroethane	

APPENDIX C-3

WASTEWATER COLLECTION SYSTEM
Scope of Service

The system is composed of thirty-one (31) miles of gravity sewer lines, 911 manholes, five (5) miles of force mains (including Chloe and Harolds Branch CDBG project). Nine (9) lift stations and two (2) syphons are described in Appendix B and is governed by Article 3.

1. Within the capabilities of the existing system, manage, operate and maintain the CITY owned facilities so that wastewater collection services are provided throughout the CITY.
2. PSG will continue a service call-out program to repair immediate problems; and conduct inspection and effect planned preventive and corrective maintenance of the facilities.
3. PSG will provide as-built information as alterations and/or renovations are performed by PSG forces, for the CITY's use in updating the utilities master plan files.
4. PSG will effect the connections to the CITY's utility system, or closely surveil the connections made by qualified firms, to ensure long-lived quality workmanship is accepted into the CITY's system.

APPENDIX C-4

DRINKING WATER DISTRIBUTION SYSTEM
Scope of Services

The system is composed of approximately 65 miles of water mains, valves, hydrants and 2,735 meters, fourteen (14) water tanks and twelve (12) pumps are described in Appendix B and is governed by Article 4.

1. Within the capabilities of the existing system, operate and maintain the CITY owned facilities so that water is provided to the CITY, its residents, and the Water Districts who have contracted with the CITY for water.
2. Continue a serviceman call-out program to correct immediate problems; continue to inspect and effect planned preventive and corrective maintenance, in accordance with standard maintenance programs now in use.
3. PSG will continue the preventive and corrective maintenance program in effect on the system, its mains and the pump stations, to protect the CITY's capital resources.
4. PSG will provide "as built" information as modifications and/or renovations are performed by PSG forces, for the CITY's use in updating utility master plan files. PSG may rely on information contained in the CITY's utility master plan files.
5. PSG will effect taps on the CITY utility system, or closely surveil the connections made by qualified firms, to ensure the continued safe drinking water quality and long-lived facility improvements.
6. Obtain on a daily basis, and provide in summary format on a monthly basis, the levels of water in each of the CITY water tanks.
7. Continue to assist the Fire Department with the hydrant flushing and testing program on an annual basis.

APPENDIX C-5

NATURAL GAS DISTRIBUTION SYSTEM
Scope of Services

The system is composed of approximately 38 miles of steel and plastic line and 1,394 meters obtaining gas from sixteen (16) purchase points.

1. Within the capabilities of the existing system, operate and maintain the CITY owned facilities so that gas is provided to the CITY's residents, as well as CITY customers outside the CITY limits.
2. Continue to perform recurring daily operations & preventive and corrective maintenance on a programmed basis, utilizing the locally developed O&M plans developed during the initial phase of the contract and approved by the Public Service Commission.
3. Continue the serviceman call-out program to correct immediate problems.
4. Continue toward completion of the meter change out program for the gas division.
5. Continue to host the Commonwealth of Kentucky's Public Service Commission visits and inspections of the system from a safety compliance standpoint and effect any remedial actions needed to ensure a safe utility operation.
6. PSG will provide "as built" information as modifications and/or renovations are performed by PSG forces, for the CITY's use in updating utility master plan files.
7. PSG will effect taps on the CITY utility system, or closely surveil the connections made by qualified firms, to ensure the continued safety of the populace and long-lived facility improvements.
8. PSG will read the vendor meters at approximately the same time as the suppliers and the information will be provided to the CITY to ensure checks and balances in the invoicing.

APPENDIX C-6

STORMWATER SYSTEM
Scope of Services

1. Inspect all culverts, catch basins, and streams within CITY limits at least twice a year.
2. Inspect and test flood gates at Pikeville Pond twice a year.
3. Perform maintenance and repairs as indicated by inspections.
4. Assist Fire Department in operating manual north flood gate and south flood gate.
5. Operate electric gates at the Pikeville Pond.

APPENDIX C-7

ROADWAYS, SIDEWALKS AND SIGNS
Scope of Services

Nothing in this Agreement shall be construed to place upon PSG any responsibility or liability for traffic engineering or safety engineering related to roads, sidewalks or signs.

C.1 Roads:

- * Conduct monthly inspection of roads and streets for potholes, missing signs, and general condition.
- * Repair potholes upon complaint by police or citizens.
- * Minor painting, including, but not limited to curbs and handicapped parking in public owed parking facilities.
- * Sweeping (street sweeper): All streets accessible by sweeper (approximately 85% of roadways) 12 times per year each. Downtown streets and Hambley Blvd at least 50 times per year. Per current schedule dated January, 1997. (Exclude State roads and highways).
- * Annual leaf pick-up.
- * Via work order from CITY, remove non-hazardous waste (dead animals, etc.)
- * Salting and snow removal, at the request of police and/or CITY.
- * Mow, as needed, shoulder of CITY owned right of ways (maximum 15 feet from paved roadway) and medial strips.
- * Minor street repairs as directed by CITY.

C.2 Sidewalks:

- * Upon request of CITY, PSG will provide labor for replacement (material to be charged to the R&M Limit).
- * Sweep as needed where CITY is fronting land owner.

C.3 Signs:

- * Only upon request of Police or CITY, purchase, install or replace traffic control signs.
- * Purchase, install or replace directional and street (name) signs.
- * Electric traffic control signs are the responsibility of the State.

APPENDIX C-8

PUBLIC WORKS BUILDING (OFFICE) AND BASEYARD
Scope of Services

- C.1 Janitorial service
- C.2 Minor maintenance & repairs:
 - * Repair broken windows & screens
 - * Patch leaking roof
 - * Minor plumbing repairs
 - * Touch-up painting

APPENDIX C-9

CUSTOMER SERVICES AND ADMINISTRATION/MANAGEMENT SCOPE
Scope of Services

Customer Services

1. PSG will continue to provide the CITY with accurate meter reading functions, enabling the CITY to bill its customers on a monthly basis. At the time of contract renewal, the number of customer accounts is:

<u>Water</u>	<u>Gas</u>
2,735	1,394

2. PSG employees will continue to deliver the cut-off notices to the premises of delinquent accounts, to effect the cut-off/lock-out of water or gas service during the normal work day.
3. Meter read-in and turn-on of gas and/or water for new service/restored service will likewise be effected during normal working hours, no later than the next working day after authorization notice from the CITY.
4. PSG will provide a central point of contact for the CITY's residents to phone in for any types of trouble or service requests related to the Project's services. This central point will be open during the normal work day, and though after-hours requests are called into the Police Dispatcher, the documented results of requests will be retained by the Customer Services desk.
5. This division will be the focal point of utilities financial operations between the CITY and PSG and will maintain/update all utility and service account numbers with the CITY Finance Office on a continuous basis.
6. PSG will continue to provide the CITY with monthly Maintenance and Repair budget reports in the format currently provided to the CITY.

Administration/Management Services

1. PSG will continue to pay all costs incurred in normal project Operations, as they are defined in the contract glossary. Payment of electric bills will be for the Public Works

facilities and buildings, whose meter numbers and account numbers are attached as an annex to this appendix.

2. PSG will pay all costs incurred from vendors' invoices for parts/materials used during normal project maintenance and non-capital repairs.

These costs over ten percent (10%) of the monthly budget targets will be billed to the CITY for reimbursement on a monthly basis, with the information provided to account for the additional maintenance/repair cost.

APPENDIX C-10

SOLID WASTE COLLECTION SCOPE
Scope of Services

1. Within the vehicles capabilities provided by the CITY, PSG will operate, maintain and manage the equipment so that solid waste service is continued to all customers on a regular, periodic basis, and in conformance with the Commonwealth of Kentucky rules and regulations.
2. At the time of contract renewal, collection of 2,297 residential accounts will be twice a week and 200 commercial accounts, with dumpsters of various sizes up to six (6) yards, will be collected at various intervals.
3. PSG will continue to operate and manage the periodic residential bulk trash collection and removal functions to ensure the customers continue to have adequate collection on a regular basis. At the time of renewal, this bulk trash functions is collected on a weekly, call-in basis.
4. PSG will make available to CITY the copies of the receipts for disposal at the landfill, for use by the CITY in validating the tipping fee charges invoiced by the County on a monthly basis. The financial functions currently in force for the paid pickups of bulk trash will be continued in effect.
5. The CITY will be responsible for the payment of tipping fees at the landfill for all the solid waste materials collected in the CITY and delivered there by PSG.
6. Special events that are covered in the PSG quoted cost of operations include the Hillbilly Days festival.
7. At the time of contract renewal, the CITY Transfer Station is not open for normal use. It is only being used for the night time crew to empty, in readiness for the daytime crew to begin with an empty truck. The Station is not structurally safe for recurring daytime or commercial operations.
8. The fee quoted from PSG for the renewal, includes the manpower and fuel charges necessary for the collection vehicles to transport the refuse directly to the Landfill.

APPENDIX C-11

VEHICLE MAINTENANCE
Scope of Services

1. PSG will continue the operation of the existing vehicle maintenance facility behind the Public Works Administrative building. Included in this function will be the management of the vehicles and spare parts inventories and the maintenance of the equipment site assigned to Public Works, within the capacity of the facility and capability of its support equipment.
2. PSG will continue to be allowed to utilize the garage facility to maintain the PSG leased vehicle and equipment fleet, with maintenance chargeable to the repair and maintenance account.
3. PSG will report significant maintenance management indicators as to manhours and cost of materials in the Monthly Operations Report.
4. PSG will continue operation of the CITY owned underground fuel tanks and refueling facility, adjacent to the Administration building. PSG will ensure the tanks are tested in accordance with the Commonwealth of Kentucky regulations.

APPENDIX D
ANNUAL FEE ADJUSTMENT FORMULA

AAP = Apo (C/Co)

Where:

AAP = Adjusted Annual Fee

Apo = \$ _____

C_o = Consumer Price Index for All Urban Consumers (U.S. City Average) as published by the U.S. Department of Labor, Bureau of Labor Statistics in the CPI Detailed Report for the month three (3) months prior to PSG beginning service under this Restated Agreement.

C = Consumer Price Index for All Urban Consumers (U.S. City Average) as published by the U.S. Department of Labor, Bureau of Labor Statistics in the CPI Detailed Report for the month three (3) months prior to the beginning of the period for which an adjusted base fee is being calculated.

APPENDIX E

INSURANCE COVERAGE

PSG SHALL MAINTAIN:

1. Statutory workers compensation for all of PSG's employees at the Project as required by the State of Kentucky.
2. Comprehensive general liability insurance, insuring PSG's negligence, in an amount not less than \$3,000,000 combined single limits for bodily injury and/or property damage.

CITY SHALL MAINTAIN:

1. Statutory workers compensation for all of CITY's employees associated with the Project as required by the State of Kentucky.
2. Property damage insurance for all property including vehicles owned by CITY and operated by PSG under this Agreement. Any property, including vehicles, not properly or fully insured shall be the financial responsibility of the CITY.

PSG will provide at least thirty (30) days notice of the cancellation of any policy it is required to maintain under this Agreement. PSG may self-insure reasonable deductible amounts under the policies it is required to maintain to the extent permitted by law but only if such action does not invalidate the property insurance of CITY. PSG and the CITY, on behalf of themselves and their insurers, waive their rights of subrogation with respect to losses occurring to property of the parties. The CITY shall be included as an Additional Insured, but solely with respect to claims arising out of the negligence of PSG.

Amendment One
to the
Agreement
for
Operations, Maintenance and management Services

THIS AMENDMENT to the Agreement is entered into on the 11th day of May, 1999 by and between:

The City of Pikeville, a political subdivision of the State of Kentucky, with its principal address at City Hall, 260 Hambley Boulevard, Pikeville, Kentucky 41051 (hereinafter "CITY");

and

Professional Services Group, Inc., with its principal address at 14950 Heathrow Forest Parkway, Suite 200, Houston, Texas 77032 (hereinafter "PSG").

WHEREAS, CITY and PSG entered into that certain Agreement for Operations, Maintenance and Management Services dated July 1, 1997 ("Agreement"); and,

WHEREAS, the parties now desire to modify and amend selective portions of the Agreement, all as set forth herein;

NOW, THEREFORE, in mutual consideration herein described and other good and valuable consideration, receipt of which is hereby acknowledged, the parties agree to amend the Agreement as follows:

- 1. Article 2, a new Section 2.12 shall be added to read as follows:

PSG shall make available to the CITY a fund of \$500,000 (the "PSG Capital Improvement Fund") to be used by the CITY specifically and solely for the construction, installation or procurement of equipment in conjunction with capital improvements to the Project. PSG will fund the Capital Improvement Fund by a single payment to be made at the CITY's request, upon thirty (30) days' notice, during the Third Agreement Year.

- 2. Article 8; Compensation, Section 8.1, shall be amended in its entirety to read as follows:

PSG's compensation under this Agreement shall consist of an Annual Fee. For the third Agreement Year, (July 1, 1999 to June 30, 2000) PSG's Annual Fee is \$3,469,497. The Maintenance and Repair Limit for the Third Agreement Year included in the Annual fee is \$401,037; which is only for parts and specialized maintenance services.

- 3. Article 12; Term, Termination and Default, Section 12.1 shall be amended in its entirety to read as follows, to wit:

The initial term of this Agreement will commence on July 1, 1997 and shall continue thereafter for a term of one hundred and twenty months until June 30, 2007. Thereafter, this Agreement shall be automatically renewed for successive terms of two (2) years each unless canceled in writing by either party no less than one hundred and twenty (120) days prior to expiration.

- 4. Article 12, Term, Termination and Default, Section 12.6 shall be added in its entirety to read as follows, to-wit:

In the event that this Agreement is terminated by the CITY for a material breach of the Agreement by PSG prior to the June 30, 2007 termination date identified in Section 12.1, CITY shall pay PSG a termination fee equal to the unpaid balance of the PSG Capital Improvement Fund indicated in the balance column for the month following termination, as set forth in Appendix G. In the event that this Agreement is terminated by PSG, for a material breach of the Agreement by CITY prior to the June 30, 2007 termination date identified in Section 12.1, CITY shall pay PSG a termination fee equal to the unpaid balance of the PSG Capital Improvement Fund indicated in the balance column for the month following termination, as set forth in Appendix F.

- 5. Appendix F and Appendix G are added in their entirety, as attached.
- 6. This Amendment shall take affect upon the date entered unless otherwise provided for herein.
- 7. All terms of the Agreement not specifically amended or modified by this instrument shall remain unmodified and in full force and effect.

WHEREFORE, both parties indicate their approval of this Amendment by their signature below and each party warrants that all action necessary to bind the parties to the terms of this Agreement has been taken.

City of Pikeville

By: Frank Morris

Print Name: FRANK MORRIS

Title: MAYOR

Date: 5/11/99

Professional Services Group, Inc.

By: Michael A. Szornassy

Print Name: MICHAEL A. SZORNASSY

Title: Chief Oper. Officer

Date: 5/19/99

AMORTIZATION SCHEDULE IN THE EVENT
AGREEMENT IS TERMINATED BY THE CITY

	Month	Balance Beg of Month
1	Jul-99	500,000.00
2	Aug-99	496,502.89
3	Sep-99	492,978.09
4	Oct-99	489,425.39
5	Nov-99	485,844.57
6	Dec-99	482,235.39
7	Jan-00	478,597.65
8	Feb-00	474,931.10
9	Mar-00	471,235.53
10	Apr-00	467,510.70
11	May-00	463,756.38
12	Jun-00	459,972.34
13	Jul-00	456,158.35
14	Aug-00	452,314.18
15	Sep-00	448,439.53
16	Oct-00	444,534.24
17	Nov-00	440,598.02
18	Dec-00	436,630.65
19	Jan-01	432,631.88
20	Feb-01	428,601.42
21	Mar-01	424,539.07
22	Apr-01	420,444.56
23	May-01	416,317.84
24	Jun-01	412,158.04
25	Jul-01	407,965.52
26	Aug-01	403,739.80
27	Sep-01	399,480.63
28	Oct-01	395,187.74
29	Nov-01	390,860.87
30	Dec-01	386,499.74
31	Jan-02	382,104.08
32	Feb-02	377,673.83
33	Mar-02	373,208.10
34	Apr-02	368,707.22
35	May-02	364,170.71
36	Jun-02	359,598.29
37	Jul-02	354,989.66
38	Aug-02	350,344.55
39	Sep-02	345,662.67
40	Oct-02	340,943.72
41	Nov-02	336,187.42
42	Dec-02	331,393.46
43	Jan-03	326,561.55
44	Feb-03	321,691.38
45	Mar-03	316,782.66
46	Apr-03	311,835.08
47	May-03	306,848.33
48	Jun-03	301,822.10
49	Jul-03	296,756.08
50	Aug-03	291,649.96
51	Sep-03	286,503.41
52	Oct-03	281,318.12
53	Nov-03	276,087.76

54	Dec-03	248,725.21
55	Jan-04	243,431.60
56	Feb-04	238,115.94
57	Mar-04	232,778.13
58	Apr-04	227,418.08
59	May-04	222,035.70
60	Jun-04	216,630.89
61	Jul-04	211,203.55
62	Aug-04	205,753.61
63	Sep-04	200,280.96
64	Oct-04	194,785.50
65	Nov-04	189,267.15
66	Dec-04	183,725.80
67	Jan-05	178,161.36
68	Feb-05	172,573.74
69	Mar-05	166,962.84
70	Apr-05	161,328.56
71	May-05	155,670.80
72	Jun-05	149,989.47
73	Jul-05	144,284.47
74	Aug-05	138,555.69
75	Sep-05	132,803.05
76	Oct-05	127,026.43
77	Nov-05	121,225.75
78	Dec-05	115,400.90
79	Jan-06	109,551.77
80	Feb-06	103,678.28
81	Mar-06	97,780.31
82	Apr-06	91,857.77
83	May-06	85,910.55
84	Jun-06	79,938.55
85	Jul-06	73,941.67
86	Aug-06	67,919.80
87	Sep-06	61,872.84
88	Oct-06	55,800.68
89	Nov-06	49,703.22
90	Dec-06	43,580.36
91	Jan-07	37,431.99
92	Feb-07	31,257.99
93	Mar-07	25,058.27
94	Apr-07	18,832.72
95	May-07	12,581.23
96	Jun-07	6,303.69

AMORTIZATION SCHEDULE IN THE EVENT
AGREEMENT IS TERMINATED BY PSG

	Month	Balance Beg. of Month
1	Jul-99	500,000.00
2	Aug-99	495,753.37
3	Sep-99	491,489.05
4	Oct-99	487,206.96
5	Nov-99	482,907.03
6	Dec-99	478,589.19
7	Jan-00	474,253.35
8	Feb-00	469,899.44
9	Mar-00	465,527.40
10	Apr-00	461,137.13
11	May-00	456,728.58
12	Jun-00	452,301.65
13	Jul-00	447,856.28
14	Aug-00	443,392.39
15	Sep-00	438,909.90
16	Oct-00	434,408.73
17	Nov-00	429,888.81
18	Dec-00	425,350.05
19	Jan-01	420,792.38
20	Feb-01	416,215.73
21	Mar-01	411,620.00
22	Apr-01	407,005.12
23	May-01	402,371.02
24	Jun-01	397,717.60
25	Jul-01	393,044.80
26	Aug-01	388,352.52
27	Sep-01	383,640.70
28	Oct-01	378,909.24
29	Nov-01	374,158.07
30	Dec-01	369,387.10
31	Jan-02	364,596.26
32	Feb-02	359,785.45
33	Mar-02	354,954.59
34	Apr-02	350,103.81
35	May-02	345,232.42
36	Jun-02	340,340.82
37	Jul-02	335,429.05
38	Aug-02	330,498.71
39	Sep-02	325,543.82
40	Oct-02	320,570.29
41	Nov-02	315,578.04
42	Dec-02	310,560.98
43	Jan-03	305,525.03
44	Feb-03	300,468.09
45	Mar-03	295,390.08
46	Apr-03	290,290.91
47	May-03	285,170.50
48	Jun-03	280,028.75
49	Jul-03	274,885.57
50	Aug-03	269,680.99
51	Sep-03	264,474.80
52	Oct-03	259,246.52
53	Nov-03	253,996.85

54	Dec-03	270,818.01
55	Jan-04	265,506.55
56	Feb-04	260,153.03
57	Mar-04	254,757.13
58	Apr-04	249,318.51
59	May-04	243,836.84
60	Jun-04	238,311.77
61	Jul-04	232,742.96
62	Aug-04	227,130.07
63	Sep-04	221,472.74
64	Oct-04	215,770.62
65	Nov-04	210,023.36
66	Dec-04	204,230.60
67	Jan-05	198,391.98
68	Feb-05	192,507.14
69	Mar-05	186,575.71
70	Apr-05	180,597.33
71	May-05	174,571.61
72	Jun-05	168,498.20
73	Jul-05	162,376.70
74	Aug-05	156,208.73
75	Sep-05	149,987.93
76	Oct-05	143,719.89
77	Nov-05	137,402.23
78	Dec-05	131,034.55
79	Jan-06	124,618.48
80	Feb-06	118,147.57
81	Mar-06	111,627.46
82	Apr-06	105,055.73
83	May-06	98,431.98
84	Jun-06	91,755.79
85	Jul-06	85,026.75
86	Aug-06	78,244.43
87	Sep-06	71,408.42
88	Oct-06	64,518.29
89	Nov-06	57,573.62
90	Dec-06	50,573.97
91	Jan-07	43,518.90
92	Feb-07	36,407.98
93	Mar-07	29,240.77
94	Apr-07	22,016.82
95	May-07	14,735.87
96	Jun-07	7,396.88

Sheet 40 of 40

9. Identify and state the qualifications of the Veolia Water North America employees who currently operate Pikeville's wastewater facilities.

Response: See attached

Staff Associated with Pikeville Wastewater System

Name/ Project Role	Years of Experience	Registrations/Certifications and Experience Highlights
Roger Recktenwald <i>Project Manager</i>	20	<ul style="list-style-type: none"> • Joined the Pikeville project as Project Manager in 2005 • BS and MS degrees and professional training • 20 years of work in Pikeville and Pike County through experience as Area Development District Director and Director of the Kentucky Infrastructure Authority. • Board Member of East Kentucky Exposition Center
Darin Baisden <i>I.T. Specialist</i>	8	<ul style="list-style-type: none"> • Joined the Pikeville project in 2005 • 8+ years Technology experience • Microsoft Certification # <u>2704850</u> • GPS/GIS certified
Lester Stapleton <i>Field Service Tech.</i>	2	<ul style="list-style-type: none"> • Joined the Pikeville O&M team in 1999 • 2+ years sewer collection experience • CDL Class DB # <u>S98064892</u>
Alfred T. Hall <i>Asst. Project Manager/ Supervisor - Facilities</i>	38	<ul style="list-style-type: none"> • Joined the Pikeville project O&M team in 2000 • BS degree in Education and professional training • Kentucky Gas Association Certification • 25+ years utility/public works management experience
Ralph Varney <i>Operations Manager III/ Supervisor - Water and Wastewater Plants</i>	20	<ul style="list-style-type: none"> • Joined the Pikeville project in 1987 • BBA degree in Business Administration • Class IVA (full certification) WTP Operator (Certification No. 645) • Water Distribution Class III (Certification No. 2491) • Class III Wastewater Operator (Certification No. 6375) • CDL KY Class B (License No.: <u>V95407589</u>) • Landfarm Operator (Certification No. 14895) • Transitioned to Veolia Water from the City's O&M team at the Pikeville WTP
Donald Slone <i>Field Services Manager/ Supervisor - Utility Networks</i>	27	<ul style="list-style-type: none"> • Joined the Pikeville project O&M team in 1990 • Water Distribution Class II (Certification No.: 2236) • KY Electrical Contractor License (License No. <u>CE12271</u>) • KY Master Electrical License No: <u>ME12270</u> • KY Gas Association Certification • KY CDL (License No.: <u>S95041070</u>)

Staff Associated with Pikeville Wastewater System, continued

Name/ Project Role	Years at Project	Registrations/Certifications and Experience Highlights
Larry Coleman <i>Master Electrician</i>	7	<ul style="list-style-type: none">• Joined the Pikeville project O&M team in 1999• KY Master HVAC License No. <u>M03205</u>• Journeyman HVAC License (License No. <u>J09731</u>)• KY Master Electrical License No. <u>ME13358</u>• KY Electrical Contractor License (License No. <u>CE13359</u>)• Class DA – CDL (License No. <u>C93-230-376</u>)
Scott Hall <i>Plant Operator II</i>	18	<ul style="list-style-type: none">• Joined the Pikeville project O&M team in 1989• Class I WWTP Operator (Certification No.: 5379)• KY CDL – Class A (License No.; <u>H94230650</u>)• KY Landfarm Operator (Certification No.: 14894)• GPS and GEO Sync GIS trained and certified
Ricky Hamilton <i>Field Services Technician III</i>	7	<ul style="list-style-type: none">• Joined the Pikeville project O&M team in 1999• KY Gas Association Certification• KY CDL (License No.: <u>H94050377</u>)

10. Provide all correspondence that Pikeville and/or Mountain District have received from the Division of Water, Kentucky Environmental and Public Protection Cabinet, regarding the proposed transfer of wastewater facilities.

Response: See attached

Re: Mossy Bottom
Case No. 2006-00123

Item 10
Respondent: Roger Recktenwald
606-437-5114

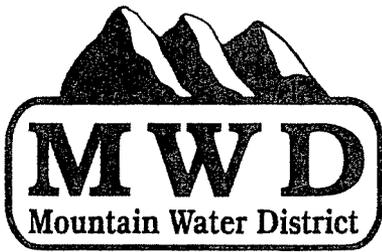
Sheet 1 of 1

Pikeville nor Mountain Water District have received correspondence from the Division of Water, Kentucky Environmental and Public Protection Cabinet, regarding the proposed transfer of the Mossy Bottom Sewer System facilities.

Note: A final meeting with Mr. Shafiq Amawi, Manager, Facilities Construction Branch, scheduled for 10:00 a.m. 6/23/06 is expected to resolve any outstanding issues prior to approval of Regional Facilities Plans amendments, submitted jointly by and changing the respective wastewater planning boundaries of Mountain Water District, Southern Water and Sewer District, City of Prestonsburg and City of Pikeville.

11. State the effect, if any, that the proposed transfer will have on the operation and financial position of Mountain District's other wastewater facilities.

Response: See Attached.



**P. O. BOX 3157
PIKEVILLE, KY 41502
PHONE: (606) 631-9162
FAX: (606) 631-3087
TDD: (606) 631-3711**

Re: Mossy Bottom
Case No. 2006-00123

Item 11
Respondent: Kimberly Hunt
(606)631-9162

Response:

The proposed transfer of the Mossy Bottom Sewage Facilities will have little to no effect on the operation and financial position of the Mountain Water District's other wastewater facilities as the Mountain Water District sewage department growth is occurring at a swift rate allowing the District to operate the sewage facilities efficiently with the current staff and the transfer of the debt service along with the addition of new customers on current sewer projects will offset the decrease in revenue.


Will Brown, Manager