

Meade County Water District

1003 Armory Place
Brandenburg, KY 40108

Telephone: (270) 422-5006

Fax: (270) 422-5068

mcwatjb@bbtel.com

April 13, 2017

James W Gardner, Esq.
Acting Executive Director
Public Service Commission
PO Box 615
Frankfort, KY 40602

RECEIVED

APR 17 2017

Public Service
Commission

Re: Purchased Water Adjustment

Dear Mr. Gardner:

In accordance to the Notice of Wholesale Water Rate Increase letter dated March 24, 2017; Hardin County Water District No. 1 has proposed an increased its wholesale rate to Meade County Water District (MCWD) by \$0.36 per 1,000 gallons effective May 1, 2017. MCWD intends to pass this increase through to our customers in accordance with 807 KAR 5:068. This rate adjustment will be in effect for all water used on or after May 1, 2017.

The following documentation is enclosed in support of this application:

- Purchased Water Adjustment Form
- Exhibit A – Letter of Notice of Wholesale Water Rate Increase dated March 24, 2017.
- Exhibit B - Purchased Water Adjustment Worksheet
- Exhibit C - Schedule of Current and Proposed Rates
- Exhibit D - MCWD Authorization of Proposed Rates

The District will publish notice to its customers and provide verification that such notice has been given in accordance with regulations.

Please contact me if you need additional information.

Sincerely,



Joe Bartley
General Manager

PURCHASED WATER ADJUSTMENT FOR
WATER DISTRICTS AND WATER ASSOCIATIONS
(807 KAR 5:068)

RECEIVED

APR 17 2017

Public Service
Commission

| | | |
|------------------|-----------------------------|--|
| Name of Utility | Meade County Water District | |
| Date | April 13, 2017 | |
| Address | 1003 Armory Place | |
| City, State, Zip | Brandenburg, KY 40108 | |
| Telephone Number | 270-422-5003 | |
| Email Address | mcwatjb@bbtel.com | |

1.a. Name of all wholesale suppliers and the base (current) rate and changed rate of each. In the event the water purchased is billed by the supplier on a rate that is not a flat rate schedule, the entire rate schedule must be shown. Attach additional sheets if necessary.

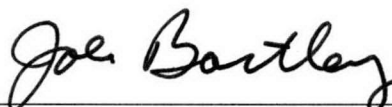
| Supplier(s) | Base Rate | Changed Rate |
|------------------------------------|---------------------------|---------------------------|
| Hardin County Water District No. 1 | \$2.00 / thousand gallons | \$2.36 / thousand gallons |
| City of Brandenburg | \$1.80 / thousand gallons | \$1.80 / thousand gallons |
| | | |

1.b. A copy of the supplier's notice of the changed rate showing the effective date of the increase is attached as Exhibit **A**

2. Twelve-month period upon which the purchased water adjustment is based. (This twelve-month period must end within 90 days of this filing).

| | | | |
|------|------------------|---------|------------------|
| From | April 2016 | through | March 2017 |
| | (month and year) | | (month and year) |

3. Statement of water purchases. Where water is purchased from more than one supplier, purchases from each supplier must be shown separately. If water is purchased through a declining block rate schedule, purchases for each month must be shown. Attach an additional sheet if necessary.

| Supplier(s) | Gallons Purchased during 12 month period |
|---|--|
| Hardin County Water District No. 1 | 190,883.000 |
| City of Brandenburg | 150,647,200 |
| | |
| TOTAL PURCHASES | 341,530,200 |
| | |
| 4. Total gallons sold for the 12 month period | 279,022,140 |
| | |
| 5. Increased water cost | \$68,717.88 |
| <p>The increased water cost is the cost difference between purchases at base (current rate) and purchases at new rate. The calculation and all supporting documents used to determine the change in purchased water costs sufficient to determine the accuracy of the calculation is attached as Exhibit B</p> | |
| | |
| 6. Purchased water adjustment factor | \$ 0.25 |
| <p>The purchased water adjustment factor is obtained by dividing the increased cost of water by the total gallons sold.</p> <p>Note: The purchased water adjustment factor is added to each thousand gallons sold. If the minimum usage is 2,000 gallons then the purchased water adjustment factor would be added to the minimum bill twice.</p> | |
| | |
| 7. A schedule listing the current and proposed rates is attached as Exhibit C | |
| | |
| 8. A copy of the resolution or other document of the utility's governing body authorizing the proposed rates is attached as Exhibit | |
| | |
| 9. Proposed effective date | May 1, 2017 |
| | |
|  | |
| Signature of Utility Officer | |
| Joe Bartley, General Manager | |
| Title | |

Hardin County Water District No. 1

Serving Radcliff and Hardin County for Over 60 Years

EXHIBIT 'A'

1400 Rogersville Road
Radcliff, KY. 40160

March 24, 2017

Mr. Joe Bartley, General Manager
Meade County Water District
1003 Armory Place
Brandenburg, KY. 40108

SUBJECT: Notice of Wholesale Water Rate Increase

Dear Joe;

Enclosed please find a copy of our required public notice of a planned water rate increase. As required by the Public Service Commission ("PSC") this was published in the local newspaper on March 12, 2017. As your District is a valued and very important customer, we also wanted to contact you directly about this increase. The need for a rate increase was also mentioned in my letter to you dated February 8, 2015. While we have had two very small increases in recent years due to "purchased water adjustments", this is our first general water rate increase since 2007, which was based on actual 2006 expenses.

The increase is an 18% across the board increase, which applies also to the monthly Customer Meter Charge. Based on MCWD's 2016 purchases, that same volume of water will cost an additional \$72,500 per year. Assuming you have about 5,000 water accounts, that would translate to an average increase per customer of about \$1.21 per month. I believe that might be equivalent to about a 3% increase to your average residential customer water bill. As you know, the PSC provides for a Purchased Water Adjustment which uses a fairly simple application process.

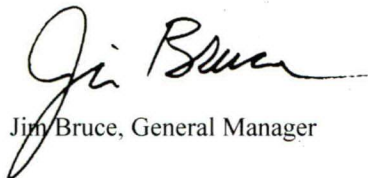
As you know, this rate increase has been required by the Department of Agriculture - Rural Development ("RD"), as part of a construction loan which we have applied for and has been approved. This project reduces our energy and pumping costs, but more importantly will allow us to sell your District up to 100% of your water needs in the future. Once both ours and your RD projects are completed, we will then be converting our system to chloramine disinfection.

The rate increase also is needed to adjust to all other cost increases over the last ten years, including our future increased costs to change to chloramine treatment, and to ensure that we can continue to meet our bondholder obligations, known as the coverage ratio. Our schedule is to increase the rates for all water used after **May 1, 2017**. Also, under Kentucky statutes, the PSC must approve a rate increase for a water district if that increase is part of an already approved RD loan and agreement.

We have applied to the PSC for the Certificate of Public Need & Necessity to construct our project. We have received bids and the low bid was about half of our engineer's estimate. The surplus funds will allow us to completely abandon the 34 year old 12 inch main that now runs through Vine Grove, from 144 & 1882 to 1500 & 313.

We understand that utility rate increases are not popular, but we do believe we have worked hard to hold down expenses over the last ten years. I would be glad to meet with you, or attend one of your Board meetings if you request, to discuss this more.

Sincerely,



Jim Bruce, General Manager

Encl; Copy of Public Notice

Cf; HCWD1 Board of Commissioners

**PUBLIC NOTICE
PROPOSED INCREASE IN WATER RATES
HARDIN COUNTY WATER DISTRICT No. 1
1400 Rogersville Rd
Radcliff, KY 40160**

Phone: 270-351-3222 - www.HCWD.com

Notice is hereby given pursuant to KRS 278.023 and 807 KAR 5:069, Section 3, that the Hardin County Water District No. 1 (District) plans to file an Application with the Kentucky Public Service Commission (PSC) seeking a Certificate of Public Convenience And Necessity authorizing construction of additions and improvements to its water system and authorizing the issuance of certain securities pursuant to the provisions of KRS 278.023 and 807 KAR 5:069; and approval of revised water service rates as follows:

| CHARGE/RATE TYPE | CURRENT RATE | PROPOSED RATE | DOLLAR CHANGE IMPACT | PERCENT CHANGE IMPACT |
|--|-------------------|-------------------|----------------------|-----------------------|
| Customer Meter Charges: | | | | |
| 5/8 Inch > | \$5.02 | \$5.92 | \$0.90 | + 18% |
| 3/4 inch > | \$7.53 | \$8.89 | \$1.36 | |
| 1 Inch > | \$12.55 | \$14.81 | \$2.26 | |
| 1.5 Inch > | \$25.10 | \$29.62 | \$4.52 | |
| 2 Inch > | \$40.16 | \$47.39 | \$7.23 | |
| 3 Inch > | \$75.30 | \$88.85 | \$13.55 | |
| 4 Inch > | \$125.50 | \$148.09 | \$22.59 | |
| 6 Inch > | \$251.00 | \$296.18 | \$45.18 | |
| (Any active account is charged a monthly Customer Meter Charge in addition to a volume charge. If there was zero usage for the month, the Customer Meter Charge is still charged) | | | | |
| Residential / Commercial Volume Charge: | | | | |
| Zero to 15,000 Gallons > | \$4.50 / thousand | \$5.31 / thousand | \$0.81 | |
| Above 15,000 Gallons > | \$3.24 / thousand | \$3.82 / thousand | \$0.58 | |
| Wholesale Rate Volume Charge: | | | | |
| All volume billed for period > (A Wholesale customer also pays the Customer Meter Charge for each of the meters installed to provide service. The District has two active Wholesale Customers) | \$2.00 / thousand | \$2.36 / thousand | \$0.36 | |
| Private Fire Line or Hydrant Charges: | | | | |
| 1.5 Inch > | \$0.64 | \$0.76 | \$0.12 | |
| 2 Inch > | \$1.37 | \$1.62 | \$0.25 | |
| 3 Inch > | \$4.00 | \$4.72 | \$0.72 | |
| 4 Inch > | \$8.51 | \$10.04 | \$1.53 | |
| 6 Inch > | \$24.70 | \$29.15 | \$4.45 | |
| 8 Inch > | \$52.67 | \$62.15 | \$9.48 | |
| (These fees are charged monthly to any customer who has a dedicated fire sprinkler line or fire hydrant located on their private property or building which is not metered. It is charged based on diameter of line or hydrant. There are currently 60 customers that pay this charge monthly) | | | | |
| Typical Monthly Residential Water Bill: | | | | |
| Average Monthly Bill, 5/8 Inch meter > (Includes Customer Meter Charge. Average customer using 4,400 gallons. Approximately 78% of District customers use this amount or less monthly) | \$24.82 | \$29.28 | \$4.46 | |
| Typical Monthly Commercial Water Bill: | | | | |
| Average Monthly Bill, 1 Inch meter > (Includes Customer Meter Charge. Average customer using 6,900 gallons. Approximately 8% of District customers are a commercial customer and use this amount or less monthly) | \$43.60 | \$51.45 | \$7.85 | |

The District proposes to place the rates into effect for all water used after May 1, 2017. The District's last general water rate increase was in September, 2007. The proposed rates are required under terms of an agreement (Letter of Conditions dated August 12, 2016) between the District and the U.S. Department of Agriculture, Rural Development ("RD") under which RD will lend the District up to \$1,318,000. This RD loan will be used to construct an 8,400 linear foot 16 inch ductile iron transmission main and approximately 6,000 lineal feet of 6 inch water lines along KY 1500, KY 144 and Drake road to allow for the existing 12 inch PVC main to be retired and maintain service to existing customers. This will be the fourth and last in a series of projects since 1992 to provide a continuous 16 inch diameter transmission main from the Pirtle Spring Water Treatment Plant to the District's main Lincoln Trail elevated water storage tank in Radcliff. KRS 278.023 does not grant the PSC any discretionary authority to modify or reject any portion of the agreement between RD and the District or to defer the issuance of all necessary orders to implement the terms of the agreement. Interested persons may examine the application and other related documents at; 1) the District office at 1400 Rogersville Road, Radcliff, Kentucky 40160 (Monday through Friday, 8 AM to 4:30 PM); 2) on the District website at; www.HCWD.com; 3) the Public Service Commission at 211 Sower Boulevard (Monday through Friday, 8AM to 4:30PM), Frankfort, Kentucky 40601, or 4) the PSC website at; psc.ky.gov. Comments regarding the application may be submitted to the Public Service Commission through its website at; psc.ky.gov/Home/Contact or by mail to Public Service Commissioner, PO Box 615, Frankfort, Kentucky 40602. You may contact the Public Service Commission at 502-564-3940. For any questions or additional information contact Mr. Jim Bruce, General Manager. By order of the Board of Commissioners, William Gossett, Chairman.

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EXHIBIT 'B'

EXHIBIT "B"

Meade County Water District

Purchased Water Adjustment

Calculations

April 12, 2017

Hardin County Water District No. 1 (HCWD1)

HCWD1 gallons purchased at proposed rate of \$2.36 / 1000 gallons 190,883 X \$2.36 = \$450,483.88

HCWD1 gallons purchased at current rate of \$2.00 / 1000 gallons 190,833 X \$2.00 = \$381,766.00

Increased Water cost \$ 68,717.88

Purchased water adjustment factor – \$68,717.88 / 279,022,140 (total gal sold) = \$.24628 round to \$0.25

EXHIBIT C

CUSTOMER NOTICE

Due to a rate increase from the Hardin County Water District No. 1, notice is hereby given that the Meade County Water District has filed an application for a Purchased Water Adjustment with the Kentucky Public Service Commission for adjusting its water rates. Customer rates will increase by \$0.25 per 1,000 gallons used. The proposed change will be effective for service rendered on and after May 1, 2017.

Monthly Water Rates

| | Current Rates | Proposed Rates | \$ Increase | % Increase |
|---------------------|------------------------|------------------------|-------------|------------|
| First 2,000 gallons | \$15.99 Minimum Bill | \$16.49 Minimum Bill | \$0.50 | 3.12% |
| Next 5,000 gallons | 7.73 per 1,000 gallons | 7.98 per 1,000 gallons | \$0.25 | 3.23% |
| Next 10,000 gallons | 7.42 per 1,000 gallons | 7.67 per 1,000 gallons | \$0.25 | 3.37% |
| Next 20,000 gallons | 6.72 per 1,000 gallons | 6.97 per 1,000 gallons | \$0.25 | 3.72% |
| Over 37,000 gallons | 5.72 per 1,000 gallons | 5.97 per 1,000 gallons | \$0.25 | 4.37% |
| Doe Valley Water | 3.33 per 1,000 gallons | 3.58 per 1,000 gallons | \$0.25 | 7.51% |
| Otter Creek Water | 3.44 per 1,000 gallons | 3.69 per 1,000 gallons | \$0.25 | 7.27% |
| Bulk Sales | 5.32 per 1,000 gallons | 5.57 per 1,000 gallons | \$0.25 | 4.70% |

The monthly bill for a residential customer using an average of 4,000 gallons per month will increase from \$31.45 to \$32.45. This is an increase of \$1.00 or 3.18%.

The rates contained in this notice are the rates proposed by Meade County Water District. However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than the rates shown in this notice.

Meade County Water District has available for inspection at its office the application which it submitted to the Public Service Commission. Meade County Water District's office is located at 1003 Armory Place, Brandenburg, KY 40108. You may contact the office at 270-422-5006.

A person may also examine the application at the Public Service Commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky, 40601, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the Public Service Commission's website at <http://psc.ky.gov>. You may contact the Public Service Commission at 502-564-3940.

Meade County Water District

Board Meeting Minutes

March 28, 2017

EXHIBIT "D"

Meeting was called to order by Commissioner Cornett at 6:00 p.m.

Attending: Commissioners: Douglas Cornett, Wesley Prather, Allen Stivers, Keith Boothe and Mickey Chism. General Manager: Joe Bartley and Assistant General Manager: Tim Gossett.

Guests: Randall Hardesty, Esq.; Charles Handsborough

Secretary's Report: The secretary's report from the previous meetings was reviewed. Commissioner Chism made a motion to accept the minutes of the last meeting. Commissioner Boothe seconded. Motion passed.

Financial Report: The financial report for the previous month was reviewed, noting that the district has 4,785 customers. Commissioner Prather made a motion to accept the financial report. Commissioner Stivers seconded. Motion passed.

New Business: General Manager Joe Bartley presented the board with a schedule of current and proposed rates to be submitted to the Kentucky Public Service Commission as a proposed rate pass-through (enclosed). Motion by Commissioner Stivers to petition the PSC for a pass-through rate increase to offset the increase in our purchase rate from Hardin County Water District No.1 as submitted. Seconded by Commissioner Chism. Passed.

In-House Projects reported are: Willard, Malinda and Sipes. Plans are to start Willard in early May.

Motion was made by Commissioner Boothe, seconded by Commissioner Chism to adjourn. Motion passed. Meeting adjourned at 7:25 p.m.

Wholesale User Agreement

(Form as approved by Public Service Commission, Filing No. T 63-0290, April 11, 2002.
PSC Case No. 2001-211)

1. **Applicability:** Any customer who qualifies as a Wholesale Customer based on the approved tariff and rules and regulations of the Hardin County Water District No. 1 ("District") shall qualify as a Wholesale Customer and will be eligible for a reduced water rate.
2. **Term:** Any qualifying Wholesale Customer may continue to purchase water from the District but may be limited in volume or flow rate as agreed to herein. If a Wholesale Customer reaches the agreed upon volume or flow rate, the District shall reserve the right to limit flows into the customers system in an amount that will reduce the volume to the agreed upon amount.
3. **Metering and Service Connections:** All new metering points, interconnects or pump stations shall comply in materials and construction standards to those adopted by the District and the Kentucky Division of Water and PSC. All metering equipment, vaults, valves, piping and backflow devices shall be specified by the District and shall become the property of the District who shall maintain and replace said equipment. The customer shall be responsible to pay for all costs to connect to the District's system including all infrastructure, equipment, engineering and permit costs. Prior to beginning construction, engineering plans prepared by a Professional Engineer shall be submitted to the District for review and approval. The customer will also be responsible for obtaining other permits as required from other local, state or federal agencies.
4. **Meter Testing and Accuracy:** The District shall be responsible to test and maintain any meters in accordance with PSC regulations and standards. If a meter is found to be inaccurate, the District shall bill or credit the customers account based on the difference between the inaccurate reading(s) and the averaged monthly amount for three accurate readings, or a prior year actual amount. The customer will have the right to be present during any meter test or field maintenance. In the event a large billing error has occurred due to an inaccurate meter, the customer shall have the option to re-pay the amount owed for a period of up to six (6) months after being notified of the additional amount owed.
5. **Billing Procedures:** All approved customer billing policies of the District and those listed in the District's approved tariff shall apply to the wholesale customer with the exception of a service discontinuance by the District for non-payment by the customer or violation of any other rules. If a qualifying event or action occurs which the District believes should result in service interruption, the District shall notify the customer in writing no less than 30 days before the cut-off date. The customer shall have 30 days to respond to the notice providing any reasons why the interruption should not occur. The response from the customer shall be presented to the District's Board of Commissioners who shall make a final decision on whether to proceed with the interruption, or take other action. Should the Board decide to proceed with service interruption, the cut-off date shall be no less than 15 days after the Board's decision and said date shall be given to the customer.

6. **Rates and Charges:** The District shall charge the customer all rates and charges as approved by the PSC and included in the District's tariff. All changes to rates shall be based on a cost of service analysis and shall be approved by the PSC prior to implementation. Prior notice of rate changes shall follow PSC regulations and wholesale customers will be provided full rights prescribed by the PSC to object or intervene in any rate filing.
7. **System Development Charges:** The wholesale customer is advised that the District's Board of Commissioners by resolution 2000-03 dated June 1, 2000, has formally supported the use of System Development Charges (SDC's) as a method to recover capital costs for system expansion from new customers or existing customers increasing their service demand or size. While the District has not formally submitted a request and method to the PSC to begin charging SDC's, all wholesale customers are advised that a future increase in demand or requested guaranteed volume may require payment of future SDC's before the District will agree to increase capacity or volume above the amount or rate specified herein.
8. **Water Quality:** Water provided by the District shall meet all state and federal standards for water quality. The customer may request Monthly Operating Reports or any other test results which the District will provide within 15 days after a request is presented. The wholesale customer is also entitled to advance water quality data required for Consumer Confidence Reports as required under the Kentucky Natural Resources and Environmental Protection Cabinet - Division of Water, 401 KAR 8:075. The wholesale customer agrees that any new connections will require a back-flow prevention device, as specified by the District, and will be paid for by the customer.
9. **Release of Liability:** As a wholesale customer, the wholesale customers agrees to release and discharge the District from all claims or liability related to water quality or interruption of service and the customer agrees that it shall maintain its own testing, sampling, system flushing and system maintenance as required by state laws and regulations applying to public water systems. This waiver shall not be construed to release either party from any claim brought against either by a third party or to waive other legal rights or remedies allowed by state or federal laws.
10. **Volume and Quantity:** The Wholesale Customer agrees to limit their demand from the District to the following amounts which are measured by flow rate (gallons per minute) and maximum day in a calendar year. Except for the City of Vine Grove and the Meade County Water District who had previous contracts specifying a set quantity, future wholesale customers, or existing customers requesting additional taps or connecting points, may be denied a tap or limited to a specified volume by the District. The only reason the District may deny a future connection is when the District has completed a hydraulic analysis of its system capacity by a Professional Engineer, and has found that:
 - a. The District's existing customers will be harmed by a decrease of service levels at or below those required by the PSC or Division of Water, or
 - b. The District's system capacity is not able to meet the additional demand placed on the system by the new connection without an additional and significant capital expense and investment which is deemed excessive or burdensome by the District's Board of Commissioners

The amounts agreed to be provided by the District under the terms of this agreement are;

- c. 542 Gallons per minute which amount will be determined by the District when observing the total flow rate at one or multiple connection points at any given time. The actual flow rate must continue for at least fifteen (15) minutes before that rate will qualify to be limited to this amount or rate.

- d. 780,000 Maximum day gallons in a calendar year. This amount will be determined from the customers daily records which they agree to provide to the District if requested. The calculation of a maximum day amount will be determined by taking the sum of 70 percent of the highest day, plus 15 percent of the amounts delivered on the day prior to and after the maximum day of the year. If daily records are not available, the District and the customer agree to use coincidental demand factors or the District's own system demand characteristics and apply those to the customers monthly water use to estimate the maximum day demand.

- e. Certain temporary maintenance or hydraulic conditions may cause the District to decrease or increase the above committed volumes. These may include required and scheduled maintenance of District facilities, unscheduled equipment breakdowns or flows available on off-peaks periods or times of the year which may provide additional flows to the customer. The District will make every effort to give all wholesale customers as much advance notice as possible of when flows may be reduced or interrupted so they may be prepared. The District will also attempt to plan scheduled maintenance during off season and off peak periods to minimize down time impacts to wholesale customers. Special conditions which apply to this specific agreement are provided for below;
 - i. *Water will be delivered at both the customer's "Highway 1882" and Highway 144" locations. The Highway 1882 location will be limited to 25% of the total delivery commitment, unless the District agrees to increase this amount. Additional, future delivery points will require prior approval of the District according to the terms herein for adding delivery points or increasing the committed volume.*

- f. If the customer demand in a year reaches or exceeds the agreed maximum day demand, the District and the customer agree to meet to determine if the customer will be able to limit future demand, locate a different or additional supplier or to cooperate with the District in financing or expanding its capacity.

- g. The District reserves the right to divide the total quantity disproportionately between two connection points or taps based on the available flow at any given point. The pressure delivered to a connection point shall meet levels regulated by the PSC and Division of Water and shall be measured as static against a closed valve.

h. During a water shortage or drought, the District may reduce deliveries or flow rate to the Wholesale Customer in an amount as directed by regulatory agencies having authority to require said reduction, or the amount may be reduced by an amount or method as prescribed in the District's Water Shortage Response Plan which has been approved by the PSC or Division of Water. The District agrees to provide a reasonable notice of any reduction required to the Wholesale Customer.

11. **Execution and Signatures:** The following representative(s) of the Wholesale Customer have been authorized to sign and execute this agreement and have read and agreed to its terms and conditions. A formal approval by the customer's governing body is required and the date of said approval shall be written below. This agreement is not valid until it has been reviewed and agreed to by the District's Board of Commissioners who will direct its representatives to sign and execute the agreement only after approval first by the customer and then by the District;

Meade County Water District (PWSID No. 0820369)

Joseph R. Bentley
Signature of Authorized Representative

21 May 2002
Date

Janni Thomas
Attest Signature of Authorized Representative

May 21 2002
Date

May 21, 2002
Date of Approval action by Board of Commissioners, Meade County Water District

Hardin County Water District No. 1;

Don Wagner
Signature of Authorized Representative

10-30-02
Date

William Gassett
Attest Signature of Authorized Representative

10-30-02
Date

10/30/02
Date of Approval action by District's Board of Commissioners

AMENDMENT

This amendment modifies the Wholesale User Agreement ("Agreement") for water sales between the Hardin County Water District No. 1 ("District") and the Meade County Water District ("Customer") which agreement was executed by the District on March 29, 2005 and submitted to the Public Service Commission in March, 2005. This amendment changes and replaces certain sections of the Agreement, however all other sections and terms of the agreement not modified herein, shall remain in place and unchanged. This amendment also supercedes and replaces all previous amendments.

Both parties to this amendment do hereby agree that the following sections and language replace the same numbered sections of the Agreement and shall remain in affect until modified again by both parties;

Section 10 Volume and Quantity, subsection B, subsection I (pertaining to Special Conditions of the Agreement and flows available at different interconnect points) shall be replaced with the following;

- I.1 *During the District's normal operations when the Pirtle Water Treatment Plant (WTP) is producing water and the high service pumps are running, water may be delivered at the customer's Highway 1882, Highway 144, New Salem Church Road and Highway 1600 interconnect locations. The following table shows the maximum available at each interconnect site, however, the total being provided at more than one location at any given time cannot exceed the combined total being provided at all locations taking water. The maximum available at each individual interconnect when water is only being provided at that location are as follows;*

| <u>Location</u> | <u>Maximum Flowrate</u> | <u>Maximum Volume</u> |
|--|-------------------------|-----------------------|
| Highway 1600 | 542 gpm | 780,000 gpd |
| Highway 144 | 400 gpm | 576,000 gpd |
| Highway 1882 | 135 gpm | 194,400 gpd |
| New Salem Church Road | 320 gpm | 460,800 gpd |
| <i>Total combined at one or more locations at any one time</i> | 542 gpm | 780,000 gpd |

- I.2 *The committed flowrate and volume delivered by the District when the WTP and high service pumps are taken offline for scheduled maintenance, improvements, emergency repairs or any other reason shall be limited to the following amounts:*

| <u>Location</u> | <u>Maximum Flowrate</u> | <u>Maximum Volume</u> |
|-----------------------|-------------------------|-----------------------|
| Highway 1600 | 0 gpm | 0 gpd |
| Highway 144 | 407 gpm | 586,080 gpd |
| Highway 1882 | 135 gpm | 194,400 gpd |
| New Salem Church Road | 320 gpm | 460,800 gpd |

Total combined
at one or more
locations at any
one time

542 gpm

780,000 gpd

The Customer agrees that the New Salem Church Road location will feed a dead end main on the Customer's distribution system. Should this main ever be looped or connected in a manner to feed a Customer's water storage tank, or a majority of its distribution system, the maximum allowed flow rate at this location may be changed or decreased by the District, and the Customer agrees in advance to this possible change. The determination as to whether this change has occurred shall be at sole decision and discretion of the District.

The customer also agrees to reimburse the District for the actual costs to install the meter(s), backflow prevention and all other materials and labor to install the New Salem Church Road Interconnect. The customer agrees to provide a deposit for the estimated cost which is \$13,250.00, prior to the installation of the interconnect. The Customer further agrees to provide additional payment, if any, after actual costs are determined.

The following representative(s) have been authorized to sign and execute this amendment and have read and agreed to its terms and conditions. A formal approval by the customer's governing body is required and the date of said approval shall be written below. This agreement is not valid until it has been reviewed and agreed to by the District's Board of Commissioners who will direct its representatives to sign and execute the agreement only after approval first by the customer and then by the District;

MEADE COUNTY WATER DISTRICT:

Joe Bartley
Signature of Authorized Representative

09/22/06
Date

Dennis Schenck
Attest Signature of Authorized Representative

9-22-06
Date

August 15, 2006
Date of Approval action by Board of Commissioners, Meade County Water District

HARDIN COUNTY WATER DISTRICT NO. 1:

[Signature]
Signature of Authorized Representative

9/19/06
Date

[Signature]
Attest Signature of Authorized Representative

September 19, 2006
Date

SEPTEMBER 19, 2006
Date of Approval action by District's Board of Commissioners