

MEMORANDUM OF AGREEMENT**August 21, 1998**

1. BGMU will design, finance, construct, own and maintain a 30-inch Transmission Main from the Water Treatment Plant to the intersection of Lovers Lane and Cemetery Road (Cemetery Road Transmission Line). This line shall be jointly used by BGMU and WCWD with debt service paid 10.9% by BGMU and 89.1% by WCWD.

BGMU may connect at any point or points it deems necessary or desirable along the route of the line. BGMU shall pay 100% of the cost for any connections. Total BGMU usage from this line shall not exceed 1,200 GPM.

2. A pumping station located at the BGMU Water Treatment Plant (the Cemetery Road pumping station) to convey water through the Cemetery Road Transmission Line will be financed and owned by BGMU. Engineering and construction shall be the responsibility of WCWD and said plans will complement existing structures at the Water Treatment Plant (WTP) both operationally and aesthetically. Plans and specifications prepared by WCWD shall be reviewed and approved by BGMU. Construction shall be closely coordinated with BGMU. Through a lease agreement with BGMU, WCWD shall operate and maintain the pumping station and pay 100% of BGMU debt service on the pumping station. WCWD shall be responsible for all operating expenses.

The Cemetery Road pumping station piping shall be connected so that the station will be supplied with water from either the existing and/or proposed WTP clearwells or, as a back-up supply, from the BGMU North Pressure Zone (NPZ). Also piping shall be arranged to allow supply from the pumping station to BGMU's NPZ for use in an emergency. A low clearwell cutoff shall be installed in the pumping station. In addition, an emergency pump control switch shall be installed at the WTP. BGMU will only use this switch if there is a water quality problem, a piping failure on the Cemetery Road Transmission Line, or other emergency situations at the WTP. In all cases of water supply emergency, treated water shall be shared between the customers of BGMU and WCWD in proportion to normal usage. BGMU shall contact WCWD immediately should it be necessary to activate any emergency controls or valving at the pumping station. Pumping rates at this pumping station shall be coordinated with Water Treatment Plant capacity.



3. Master meters shall be installed at this pumping station and at the terminus of the Cemetery Road Transmission Line. The metering equipment at the terminus shall provide for accurate flow measurement both out of and into BGMU's Cemetery Road Transmission Line. Master meters will be owned by BGMU and constructed with each respective facility. The cost of meter maintenance shall be paid directly as follows: (1) the Cemetery Road pumping station meter shall be split 50 / 50 by both utilities, (2) the meter at the terminus of the Cemetery Road line shall be paid by WCWD, and (3) the meter at the inflow back from the Westside Transmission Line (see paragraph 4) shall be paid by BGMU. BGMU shall not use more than 1,200 GPM when combining the flows from each end of the Cemetery Road Transmission Line. SCADA equipment owned and maintained by both utilities may be connected to the master meters.
4. From master meters at the terminus of the Cemetery Road Transmission Line, WCWD shall design, finance, construct, own and maintain a 30-inch transmission main (Westside Transmission Line). Water purchased by WCWD from BGMU at this point of connection will be conveyed to an elevated storage tank also constructed and owned by WCWD. BGMU may utilize the WCWD Westside Transmission Line and storage facility to supply water to its customers along the Cemetery Road Transmission Line through the master meter and with the flow limit described in Paragraphs 1 and 3. BGMU shall pay WCWD use of the Cemetery Road pumping station and Westside transmission and storage facilities. The rate to BGMU shall be determined based on the usage of each facility as related to the total joint use of the facilities with costs allocated in a similar manner as the existing base rates established for WCWD.
5. Charges from BGMU to WCWD for the water WCWD purchases at the terminus of the Cemetery Road Transmission Line shall be calculated to include the following capital and operating expenses:
 - a) Water treatment plant (including upgrade when debt service begins)
 - b) Cemetery Road Transmission Line
 - c) Pumping station lease payments (capital only)

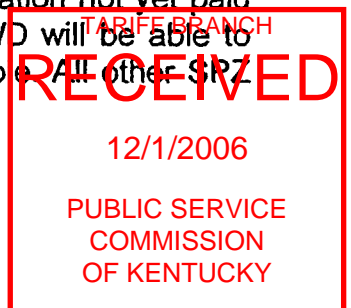
Allocations of these costs shall be as computed as in existing base rates except the new capital costs discussed herein. Water loss from the Cemetery Road Transmission Line shall be estimated based on the overall SPZ unaccounted for water per inch-mile multiplied by the total inch-miles in the subject main.

6. Charges from WCWD to BGMU for facility usage shall be based on the water BGMU uses from the Cemetery Road Transmission Line and shall include WCWD's capital and operating costs for the Cemetery Road



pumping station, Westside transmission and storage facilities. Allocation of these costs shall be as computed in the same manner as existing base rates for water purchased from BGMU by WCWD.

7. With the development of BGMU's Cemetery Road Transmission Line and WCWD Westside Transmission Facilities, it is not anticipated that BGMU's future capacity improvements in the South Pressure Zone (SPZ) through the year 2030 will be included in the base rate for WCWD water purchased at the Morgantown Road, Barren River Road and Beech Bend Road connections. However, if WCWD has additional needs above WCWD's current 30-year projections, the necessary facilities will be agreed-upon in accordance with the Public Service Commission's Agreed Order dated February 27, 1996. All other existing Westside connections between the two utilities shall remain serviceable, but shall only be used in the case of an emergency by either utility with the consent of all parties.
8. BGMU will design, finance and construct a project to upgrade the water treatment plant to 30 MGD. This project is composed of work involving renovations and added capacity. Bids for this work will be structured so that the contractor's prices for each category are apparent. WCWD will pay its share of the debt service for renovation work in accordance with the Water Production Factor as computed for the fiscal year of each future rate study. WCWD will pay its share of the debt service for new capacity in accordance with the following factors: Westside – 5.48%; Northside – 20.66%; Cemetery Road – 54.59%.
9. Both utilities shall operate and maintain their respective jointly used facilities in a responsible manner while considering the needs and usage of the other party. Both utilities shall jointly plan and coordinate maintenance and operation of the jointly used facilities while considering the immediate needs of all.
10. Considering the facility investments made above to serve the water needs of both utilities and the debt service related to those investments, WCWD agrees to pay its allocated share of the debt service until the end of the amortized bond payments included in the water rates, unless otherwise agreed to by both parties.
11. By the end of 2002, after WCWD has completed its off-loading from BGMU's SPZ to the Cemetery Road connection, BGMU will evaluate the need for the Cave Mill Road water booster pump station. If BGMU's evaluation is that the station is not necessary for its future SPZ needs, WCWD agrees to pay for the remaining portion of the station not yet paid for through rates. After a final decision is made, WCWD will be able to remove any portion of the station it considers salvageable. All other SPZ stranded investment costs are moot.

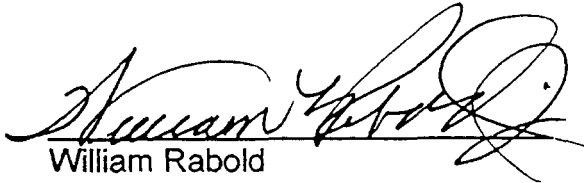


12. By the end of 2002, after WCWD has completed its off-loading from BGMU's SPZ to the Cemetery Road connection, WCWD will transfer ownership of the 5,700 foot, 20-inch Cave Mill Road water transmission line to BGMU.

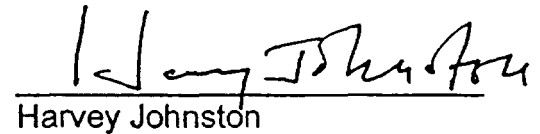
13. It is understood that BGMU intends to supply the water needs of WCWD in accordance with "Warren County Water District's Projected Daily Demands" dated August 21, 1998, attached hereto. Any capital improvements required by BGMU to meet WCWD's needs will be accomplished in accordance with the Public Service Commission's Agreed Order dated February 27, 1996.

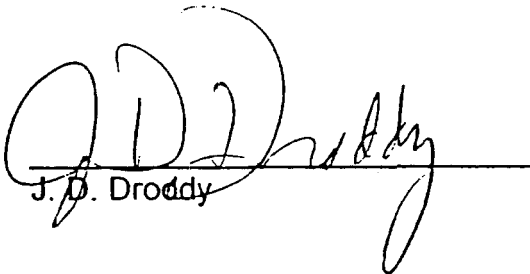
Agreed to by mutual agreement of the parties on August 24, 1998, subject to the approval of the respective Boards of Directors.

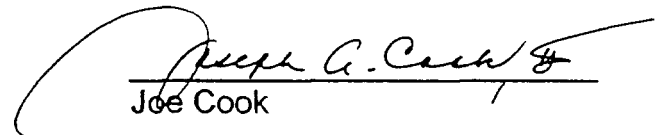
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