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THIS SUPPLEMENTAL AGREEMENT, made and entered into on this the 1st day of February, 1982, by and between the CITY OF HARRODSBURG, KENTUCKY, a Municipal Corporation of the fourth class, acting by and through the Mayor of said City, and the authority of the Board of City Commissioners of the City of Harrodsburg, hereinafter known and referred to as CITY, and NORTH MERCER WATER DISTRICT, acting by and through its Chairman of its Board of Commissioners, all pursuant to authority of the Board of Commissioners, hereinafter known and referred to as DISTRICT, with both parties being organized pursuant to the laws of the Commonwealth of Kentucky;

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WITNESSETH:

PURSUANT TO 807 KAR 5011,
SECTION 9(1)

WHEREAS, the parties hereto ~~did~~ *did not* on the 1st day of January, 1982, enter into a Water Purchase Agreement, subject to the terms and covenants as set out in said Agreement; and

BY *[Signature]*
FOR THE DISTRICT

WHEREAS, the parties hereto do hereby affirm and reaffirm the terms and covenants of said Agreement; and

WHEREAS, there exists between the parties, the desire and need to make additional agreements and covenants; and

NOW, THEREFORE, in consideration of the promises, commitments, and covenants of the Agreement dated the 1st day of January, 1982, and further in consideration of these promises, commitments, and covenants, made hereinafter, all of which are acknowledged and recognized as being valuable and valid consideration for this Supplemental Agreement, it is agreed, as follows:

3-24-82
3-25-82

[Handwritten signatures and initials]
MEC

(1) The City shall have the option to purchase the rights-of-way easements, lines, and other facilities of the District and take over all District's customers in areas which have been, or may hereafter be, annexed to the City upon the following terms and conditions, and subject to the following limitations:

- A. Such areas must have reached or be anticipated by the City to reach a population density of not less than one customer per acre. Such areas may also be eligible for purchase for anticipated or existing commercial and/or industrial development.
- B. The price to be paid for the lines and facilities purchased by the City under the terms hereof shall be negotiated within the computed range of the three following pricing methodologies:

- (1) Original cost, less depreciation for facilities actually installed by and/or paid for by the water district.
- (2) Replacement cost, less depreciation for facilities actually installed by and/or paid for by the water district.
- (3) The present worth value of revenue from lost customers, computed by the following procedure:

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PURSUANT TO 807 KAR 5.011,
SECTION 9 (1)
BY: *Jordan [Signature]*
FOR THE PUBLIC SERVICE COMMISSION

- a. Total annual revenue from customers served by line(s) subject to City purchase, (from water district billing records) \$
- b. Less direct cost of water sold to customers in question, (billed volume in a., above, multiplied by unit cost paid to supplier) \$
- c. Less other O & M costs associated with customers lost, (to be taken at 15% or more of b., above) \$
- d. Sum available annually for debt service and depreciation reserves . . . \$
- e. Less allowance of 10% or more to represent depreciation reserve allocation. \$
- f. BALANCE: Sum available for debt service \$
- g. From f. balance, compute present worth value using actual bonded debt percentage rate and years remaining on indebtedness

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APM
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m & c

EXAMPLE: Assume "balance" in f., above, is \$7,000.00 per year. Assume further that debt of water district is at a rate of 5% with 39 years remaining for debt repayment. Present value of \$7.00 @ 5% for 39 years equals \$17.02. Therefore, present worth value of system being acquired equals 17.02 x 7,000 = \$119,140.00 under method 3.

It is further understood that a significant portion of the price paid by the City for such acquisition may need to be placed in an escrow account to assure continued compliance with District debt agreements. Further, the District may elect to use such sum to extend service to other areas, with lender approval. Lenders or lending agency shall make input and give instructions as to desired handling of price disbursement, which instruction shall be adhered to by both the City and the Water District.

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C. If the City and the District shall be unable to agree whether an area is subject to purchase by the City under the terms hereof within forty-five (45) days after written notice by the City to the District of the City's desire to take over such an area, or unable to arrive at the purchase price under the aforementioned pricing methodologies within ninety (90) days after such notice, the matter shall be submitted to arbitration upon the written request of either party. Each party agrees to appoint one arbitrator within twenty (20) days following such request for arbitration and the two arbitrators thus chosen shall select a third arbitrator. If they are unable to agree upon a third arbitrator within thirty (30) days following such request for arbitration, such third arbitrator shall be selected by the then judge of the Mercer Circuit Court upon the application of either party. The decision of the three arbitrators or a majority of them made within the scope of this agreement, shall be final and binding upon the City and the District.

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BY THE JUDGE OF THE MERCER CIRCUIT COURT

(2) In consideration of the purchase option contained in paragraph 1, above, the District agrees that all plans and specifications for installations within a 1-1/2 miles radius of City shall be submitted to the City for review and approval prior to their submission to the

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Kentucky Department of Health for approval and that all construction under such plans and specifications be subject to inspection and approval by the City. Such approval shall not be unreasonably withheld.

This Supplemental Agreement is signed, this the day and year first above written, by the Mayor and Clerk of the City of Harrodsburg, and by the Chairman and Secretary of the North Mercer Water District, in multiple copies, each of which shall have the same force and effect as the original, all pursuant to appropriate Resolution of the Board of Commissioners of the City of Harrodsburg and the Board of Commissioners of the North Mercer Water District.

CITY OF HARRODSBURG, KENTUCKY

By:

Charles W. Carr
Charles W. Carr, Mayor

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ATTEST:

Margueta E. Carey
City Clerk

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PURSUANT TO 807 KAR 5.011,
SECTION 9 (1)

BY: Jordan C. Mack
FOR THE PUBLIC SERVICE COMMISSION

NORTH MERCER WATER DISTRICT

By:

Aubrey Morris
Aubrey Morris, Chairman
Board of Commissioners

ATTEST:

John P. Tuggle 3.24.82
John Tuggle, Secretary