

**FIRST AMENDMENT TO WATER  
PURCHASE AGREEMENT**

This First Amendment (hereinafter, "Amendment") is made to a certain Water Purchase Agreement, dated February 19, 1992, and is made this 15th day of December, 2000, between

LOUISVILLE WATER COMPANY,  
A Municipally Owned Corporation  
Governed by the Board of Water Works  
Pursuant to KRS 96.230 through 96.310  
550 S. Third Street  
Louisville, KY 40202

( "LWC" )

and

NORTH SHELBY WATER COMPANY,  
a Kentucky corporation  
P.O. Box 97  
Bagdad, KY 40003

( "North Shelby" )

WHEREAS, North Shelby presently purchases water from LWC at a point of delivery located on Long Run Road, approximately 1,150 feet south of the Jefferson/Shelby County line in Eastern Jefferson County, Kentucky (hereafter the "Initial Point of Delivery", and as shown on Exhibit 2 attached hereto) pursuant to a Water Purchase Agreement dated February 19, 1992 (hereafter, "Agreement") which Agreement is at Exhibit 1 to this Amendment and incorporated herein by reference; and

WHEREAS, North Shelby desires a larger meter and increased flow at the Initial Point of Delivery, a 42 year rolling contract, and a second water delivery point located north of the intersection of Flat Rock Road and Aiken Road (the "Second Point of Delivery") to assist it with meeting present and future customer demands.

NOW THEREFORE, in consideration of the terms hereof, LWC and North Shelby (hereafter, collectively, the "parties") agree to amend their Agreement as follows:

1. Initial Point of Delivery; Maximum Flow Rate. The maximum flow rate is increased to 500 gallons per minute ("gpm") effective immediately. Once North Shelby has enlarged its existing water main, from the Initial Point of Delivery to Hwy. 362, to an 8-inch or larger size water main, and LWC has completed its proposed Long Run one million gallon storage tank, LWC will at its expense replace the existing tandem three inch meters with tandem four inch meters, and upon completion of same the maximum flow rate will be increased to 750 gpm.

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2. Second Point of Delivery; Maximum Flow Rate. North Shelby intends to construct a 12-inch water main from its new Warrior Way water tank in Shelbyville to the Second Point of Delivery. Simultaneously with the completion of North Shelby's new 12-inch water main from the Second Point of Delivery to the intersection of Ash Avenue and Aiken Road, LWC agrees to make water service available to North Shelby at the Second Point of Delivery where LWC will deliver service through tandem four inch meters with a flow rate not to exceed 350 gpm, increasing to 500 gpm effective upon completion of LWC's new Aiken Road booster pump station or March 1, 2001, whichever first occurs. Water pressure at the Second Point of Delivery will be at least 30 pounds per square inch ("psi"). If North Shelby ever requires pressure greater than 30 psi, North Shelby shall be responsible for the costs associated with that increased pressure. North Shelby will pay \$5,000.00 toward the cost of the meters, vault, and associated equipment. No later than 30 days after the completion of all of the following events, (a) North Shelby's construction of its Warrior Way water tank, (b) North Shelby's construction of a continuous 12-inch (or larger) water main from that tank to the Second Point of Delivery, and (c) LWC's completion of a new storage facility in the Long Run Park area, the parties agree to an increase in the maximum flow rate at this Second Point of Delivery to 750 gpm.

3. Minimum Water Consumption. In consideration of the addition of the Second Point of Delivery, increased flow availability to North Shelby, and the extension of the current contract to a 42 year "rolling" contract, North Shelby agrees to an immediate increase in minimum annual water purchase from the current 3 million gallons per year to 15 million gallons per year. In addition, North Shelby and LWC agree to negotiate in good faith establishing new monthly minimums that justify the infrastructure investments made by both parties.

4. Emergency Failures. Emergency failures of pressure or supply due to main supply line breaks, power failure, flood, fire, use of water to fight fire, labor unrest, earthquake, tornado, or other extraordinary circumstances beyond the reasonable control of LWC shall excuse LWC from the terms of this Amendment and from the terms of the Agreement for such reasonable period of time as may be necessary to resolve the situation.

5. Quality. The water furnished by LWC to North Shelby at both points of delivery (the Initial Point of Delivery and the Second Point of Delivery) shall be treated, potable water meeting applicable purity standards of the appropriate regulatory agency(ies) (presently the Kentucky Cabinet for Natural Resources and Environmental Protection) as such standards may change from time to time.

6. Metering Arrangements. Paragraph 3 of the Agreement

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regarding Metering Arrangements shall apply to the Second Point of Delivery described in this Amendment at Paragraph 2.

7. Future Rate Reduction. When North Shelby's consumption increases to 30 million gallons per month, for 12 consecutive months, whether by merger, shifting supply sources, or system growth, LWC agrees to negotiate in good faith a lower wholesale rate. The parties recognize that a lower wholesale rate would be dependent on a number of reasonable factors, including minimum daily rate of consumption, maximum daily rate of consumption, maximum hourly rate of consumption, the term of the contract, and approval by the Kentucky Public Service Commission. LWC agrees that the wholesale rate charged to North Shelby shall not exceed any water rate charged by LWC to any other similarly situated customer. "Similarly situated" customers shall be those customers with water consumption levels similar to those of North Shelby, provided that any customers located in the elevated service area shall pay the standard elevated service charge.

8. Hermitage Ridge Subdivision Service. LWC will immediately terminate water purchases from North Shelby's master meter on Ash Avenue.

9. North Shelby/West Shelby Connections.

(a) Webb Road Master Meter. LWC acknowledges that North Shelby is selling water to West Shelby Water District through a meter connection located on Webb Road approximately one mile north of U.S. 60, and LWC further acknowledges that the arrangement is temporary and based upon West Shelby's inability to adequately serve that area of its system. North Shelby agrees this metering point will be eliminated or converted to an emergency-only connection as soon as West Shelby is able to feasibly serve that area by itself. LWC consents to this arrangement on the condition that LWC-supplied water is used to supply both sides of that meter.

(b) Todds Point Road Master Meter. LWC acknowledges West Shelby Water District is selling water to North Shelby through a meter connection located on Todd's Point Road approximately one mile north of U.S. 60, and LWC further acknowledges that the arrangement is temporary and based upon North Shelby's inability to adequately serve that area of its system. North Shelby agrees this metering point will be eliminated or converted to an emergency-only connection as soon as North Shelby is able to feasibly serve that area by itself. LWC consents to this arrangement on the condition that LWC-supplied water is used to supply both sides of that meter.

(c) Future Wholesale Agreement for North Shelby. North Shelby shall give LWC 90 days prior written notice of any proposed North Shelby sales of LWC-treated water to any other entity for the purpose of resale. Such sales shall be permitted on the condition

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that the back-flow prevention warranty set forth in paragraph 11(d) hereof is observed by North Shelby and LWC does not object to the proposed sale within such 90 day notice period. LWC will not unreasonably object.

10. Term. The Agreement shall have a term of 42 years from the date of execution of this Amendment, which term shall automatically extend for one additional year at each anniversary of the execution of this Amendment. Either party may give notice to the other party prior to the anniversary of the execution that the term shall not be automatically extended. The parties agree that the termination provisions contained in the Agreement remain in full force and effect throughout the term of the Agreement and this Amendment.

11. North Shelby Warranties. North Shelby warrants and covenants as follows:

(a) That it will not sell water provided under this Amendment or the Agreement to any water district, water utility, or any other entity acquiring same for the purpose of resale, except in accordance with the Agreement as amended;

(b) That it will not sell water to retail customers within the geographical boundaries of Jefferson County without first obtaining written consent of LWC;

(c) That its demand for water under the Agreement as amended shall not exceed the limits specified herein;

(d) That the water supplied pursuant to the terms of the Agreement and this Amendment shall be separated by atmospheric gap or LWC approved back-flow prevention devices to prevent mixing with water from any other source.

12. LWC Warranty. LWC warrants and covenants that it will not sell water to retail customers within the geographical boundaries of North Shelby's service area without first obtaining written consent of North Shelby.

13. Miscellaneous Matters.

(a) The provisions, terms and conditions of the Agreement are ratified and affirmed as written, and incorporated herein by reference, except to the extent that any such provision, term or condition is altered by this Amendment.

(b) The parties agree that construction and performance of this Amendment and the Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky. If any paragraph, clause, or provision of this Amendment

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or the Agreement is held to be invalid or unenforceable by a court of law, such holding shall not affect the validity of the remaining paragraphs, clauses and provisions hereof.

(c) The parties agree that this Amendment and the Agreement supersede all previous agreements, oral or written, between LWC and North Shelby, and, further, that if this Amendment should conflict in any material way with the Agreement, the terms of this Amendment shall prevail. This Amendment and the Agreement constitute the entire agreement between the parties.

(d) this Amendment and the Agreement may not be altered, modified, amended or rescinded without the written consent of the parties.

(e) the address for Notices to the parties are as follows:

(1) If to North Shelby:

North Shelby Water Company  
P.O. Box 97  
Bagdad, KY 40003  
Attn: President

(2) If to LWC:

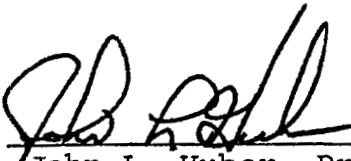
Louisville Water Company  
550 S. Third Street  
Louisville, KY 40202  
Attention: President

(f) The parties agree that they will work together in good faith to serve new customers and developments adjacent and along the Jefferson/Shelby County line.

IN TESTIMONY WHEREOF, witness the signatures of the parties by their duly authorized officers as of the day and year first above written.

LOUISVILLE WATER COMPANY

NORTH SHELBY WATER COMPANY

By:   
John L. Huber, President

By:   
Duncan LeCompte, President  
EXECUTIVE DIRECTOR

Date: 1/22/01

Date: 12/27/00 2004

This First Amendment to Water Purchase Agreement is approved on behalf of Rural Development this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_\_\_.

RURAL DEVELOPMENT

By: \_\_\_\_\_

Title: \_\_\_\_\_

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PURSUANT TO 807 KAR 5.011  
SECTION 9(1)

BY Charles H. Dorn  
EXECUTIVE DIRECTOR