

MAIN EXTENSION AND WATER SUPPLY AGREEMENT

This Agreement, made as of this 16th day of February,
1988, by and between

LOUISVILLE WATER COMPANY,
a Kentucky corporation governed
by the Board of Water Works
created under and governed by
Sections 96.230 through 96.310
of the Kentucky Revised Statutes
435 South Third Street
Louisville, Kentucky 40202 ("LWC")

and

WEST SHELBY WATER DISTRICT,
a district established and governed
by Sections 74.010 through 74.416 of
the Kentucky Revised Statutes
Simpsonville, Kentucky 40065 ("West Shelby")

RECITALS

A. West Shelby is organized and established for the purpose of constructing and operating a water supply distribution system serving users in an area generally described as the south western part of Shelby County, Kentucky. To accomplish this purpose, West Shelby requires a supply of treated water.

B. LWC owns and operates a water treatment and distribution system in Jefferson County with a capacity currently capable of serving West Shelby's present and anticipated needs within the limitations contained hereinbelow.

C. West Shelby is desirous of purchasing and LWC is willing to sell to West Shelby treated water and both parties are willing to participate in the construction of an LWC main extension to the delivery point at the Jefferson-Shelby County line, all as set forth below.

W I T N E S S E T H:

In consideration of the premises contained herein the parties agree as follows:

1. Extension of Main. LWC agrees, subject to certain cost reimbursement hereinafter described, to construct at its cost a twelve-inch main, extending its existing twelve-inch main located in Long Run Road, along the most feasible route utilizing available rights-of-way and easements to Shelbyville Road (U.S. Highway 60) and thence east along Shelbyville Road to the Jefferson-Shelby County line, the contemplated point of delivery of water to West Shelby (the "Point of Delivery"). Design and construction of the extension will commence upon approval of the Kentucky Public Service Commission of this Agreement. It shall be owned and maintained by LWC.

2. West Shelby Cost Reimbursement. West Shelby agrees to reimburse LWC for a portion of the cost of the main extension, described hereinabove, in an amount equal to the cost of such main extension, as finally determined, based, however, on installation of an eight-inch main (as opposed to LWC's planned twelve-inch main), the parties acknowledging that West

Shelby's presently anticipated needs require only construction of an eight-inch main. West Shelby's financial obligation in this regard is estimated in the neighborhood of \$220,000. However, the exact amount of the obligation shall not be determined until the main extension contract has been completed and closed out. West Shelby's cost reimbursement obligation will be determined (as is LWC's present policy where a larger sized main than presently needed is constructed) by deducting from the final contract cost the added cost of the material (twelve-inch pipe and ancillary facilities as opposed to eight-inch facilities), and the added cost of rock excavation because of the oversizing (reference paragraph 10, page 26 of LWC's "Standard Specifications for Installing Water Mains,..." etc., revised 1984).

3. Service Installation Charge. In accordance with LWC policy and tariff, West Shelby shall pay to LWC the sum of \$6,000 as its charge for the cost of connecting LWC's system to West Shelby's system (extending into Shelby County) at the Point of Delivery and the cost of installing a meter vault at that point.

4. Financing. At West Shelby's election, which election is to be made within thirty (30) days of commencement of construction of the twelve-inch main extension, described in numerical paragraph 1 above, LWC will provide financing for

West Shelby's obligations set forth under numerical paragraphs 2 and 3, above, on the following terms and conditions:

a. The principal amount (initially the \$6,000 service installation charge plus the eight-inch main extension reimbursement obligation) as finally determined, shall bear interest at the rate of 8.27% (LWC's present composite rate on long-term indebtedness) from the date of completion of construction of the main extension to the Point of Delivery. Interest only on the unpaid principal shall be paid, monthly, commencing on the first day of the month following such completion.

b. Principal plus accrued interest payments shall commence sixty months later, based upon a twenty-five year amortization, payable in 299 substantially equal monthly installments with the 300th and final monthly installment to be in the amount of the unpaid principal and accrued interest on the indebtedness. Provided, however, prior to commencement of principal payments the principal indebtedness shall be credited from time to time with tapping fee refund amounts due to West Shelby pursuant to LWC's tapping fee refunding policy with respect to new customers taking service from main extensions paid for by other third parties, such tapping fees, when received, to be immediately credited by LWC to the principal balance, if any, owed by West Shelby to it. Attached as Schedule A is LWC tapping fee refund schedule indicating the

amount, per connection size, that will be due West Shelby as a result of new LWC customers directly tapping onto the main extension set forth in paragraph 1, above. After amortized principal payments have commenced, LWC shall remit directly to West Shelby any tapping fee refunds due, it being understood that West Shelby's right to such refunds expires ten years after completion of the main extension.

5. Quality and Quantity of Water Supplied. LWC agrees to furnish to West Shelby at the Point of Delivery during the term of this Agreement or any renewal or extension thereof, potable, treated water meeting applicable purity standards of the Kentucky Department of Natural Resources and Environmental Protection at a flow rate not to exceed 500 gallons per minute.

6. Pressure at Point of Delivery. The water pressure at the Point of Delivery will be furnished at a reasonably constant pressure, calculated at elevation p.p. 810.0 msl. If a greater pressure than that normally available at the Point of Delivery is required by West Shelby, the cost of providing such greater pressure shall be borne by it. Emergency failures of pressure or supply due to main breaks, power failure, flood, fire and use of water to fight fire, labor unrest, earthquake, tornado or other extraordinary circumstances shall excuse LWC from this provision for such reasonable period of time as may be necessary to resolve the situation.

7. Metering Arrangements. LWC agrees to furnish and install at the Point of Delivery a four-inch service meter, including meter house or vault, for properly measuring the quantity of water delivered to West Shelby and to calibrate such metering equipment whenever requested by West Shelby but not more frequently than once every twelve (12) months. A meter registering not more than two percent (2%) above or below the test result shall be deemed to be accurate. Previous readings of any meter disclosed by test to be inaccurate shall be corrected for the six (6) months previous to such test in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless LWC and West Shelby shall agree otherwise. An appropriate official of West Shelby shall have access to the meter for the purpose of verifying its readings at reasonable times.

8. Rates and Payment. West Shelby shall pay to LWC for water delivered under this Agreement in accordance with rates adopted by the Board of Water Works (established pursuant to Sections 96.230 through 96.310 of the Kentucky Revised Statutes) from time to time for customers similarly situated, purchasing water for the purpose of resale, it being understood that said rate presently includes an Elevated Service Area

surcharge. The applicable existing rates for West Shelby may be found in Sections 6.02, 6.05 and 6.06 of LWC's present rate schedule (which Sections indicate LWC's present rate applicable to West Shelby, consisting of a service charge dependent upon the meter size and a commodity charge of \$1.11 per thousand gallons, which figure includes the Elevated Service Area surcharge of \$.19 per thousand gallons). LWC shall bill West Shelby on a monthly basis with West Shelby's payment to be due to LWC within ten days of receipt of LWC's billing.

9. West Shelby Warranties. West Shelby warrants and covenants as follows:

(a) That it will not sell water provided under this Agreement to any water district, water utility or any other person or entity acquiring same for the purpose of resale without the written consent of LWC.

(b) That so long as this Agreement is in effect, it will not sell water to retail customers taking service within the geographical boundaries of Jefferson County.

(c) That its demand for water under this Agreement shall not exceed the rate of 500 gallons per minute at any point in time.

(d) That the supply of water being provided under this Agreement shall be separated by atmospheric gap or LWC-approved backflow prevention devices to prevent any other supply of water from interconnecting with LWC supplied water.

10. LWC Warranty. LWC warrants and covenants that so long as this Agreement is in effect, it will not sell water to retail customers taking service within the geographical boundaries of West Shelby as presently constituted.

11. Duration of Agreement. This Agreement commences, effective immediately, and shall expire forty (40) years from the date of the initial delivery of water to West Shelby as shown by the first billing submitted by LWC to West Shelby, such duration being subject to termination rights of the parties as hereinafter set forth. LWC's obligation to deliver water to West Shelby and West Shelby's obligation to accept same shall begin immediately upon installation of the LWC four-inch service meter at the Point of Delivery.

12. Termination Rights.

(a) This Agreement may be terminated by West Shelby prior to its expiration upon six months' advance written notice in the event of any of the following occurrences:

(i) Failure of LWC to meet its water delivery requirements as stated herein, subject to interruptions authorized herein.

(ii) Failure of LWC to meet water quality requirements of governmental authorities possessing legal jurisdiction with respect to same.

(iii) Bankruptcy or insolvency of LWC.

(b) This Agreement may be terminated by LWC prior to expiration upon six months' advance written notice in the event of any of the following occurrences:

(i) Failure of West Shelby to pay within thirty (30) days of the due date for monthly water service.

(ii) A second violation by West Shelby, following receipt of written notice from LWC of the 500 gallons per minutes demand limitation, contained in this Agreement.

(iii) Revocation of West Shelby's authority to operate a water distribution system by one or more governmental authorities having jurisdiction thereof.

(iv) Failure by West Shelby during the first twelve (12) months after commencement of delivery of water hereunder to average purchasing a minimum of one million (1,000,000) gallons per month and, thereafter, for the duration of this Agreement, to purchase an average of two million (2,000,000) gallons per month during any twelve (12) month period.

(v) Failure of West Shelby to make any monthly payments due to LWC under paragraph 4 of this Agreement within 15 days of the first day of each month such payment is due.

(vi) Breach of any other duty, warranty or covenant of West Shelby, contained in this Agreement, provided, however, LWC cannot exercise such termination right until it has given West Shelby thirty (30) days to correct such breach,

said 30 days to run from receipt of written notice that such breach exists.

(c) Termination of this Agreement by expiration or otherwise shall not operate to relieve West Shelby of any financial obligations to LWC, as set forth herein, or otherwise, nor shall it operate to relieve LWC of any tapping fee refunding obligations to West Shelby, as provided herein.

13. Miscellaneous. It is understood and agreed by and between the parties as follows:

(a) That in the event of an extended shortage of water, or the supply of water available to LWC is otherwise diminished over an extended period of time, the supply of water to West Shelby shall be reduced or diminished in the same ratio or proportion as the supply to LWC's other customers is reduced or diminished.

(b) Any modifications to this Agreement shall be effective only when reduced to writing, signed by both parties.

(c) That the West Shelby Water District is under the regulatory authority of the Kentucky Public Service Commission and the provisions hereof pertaining to the undertakings of West Shelby are conditioned upon the approval, in writing, of the Public Service Commission. If no such approval has been obtained by West Shelby by December 31, 1988, then this Agreement shall be null and void, each party being

relieved of any obligations with respect thereto at that point in time.

14. Notices. Unless otherwise advised in writing to the other party, all notices to LWC shall be sent to

Louisville Water Company
435 South Third Street
Louisville, Kentucky 40202

Attention: President

and all notices to West Shelby shall be sent to


West Shelby Water District
P.O. Box 26
Simpsonville, Kentucky 40067

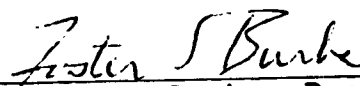
Attention: Chairman

IN TESTIMONY WHEREOF, witness the signatures of the parties by their duly authorized officers as evidenced by resolutions of their respective governing boards as of the day and year first above written, it being understood and agreed that this Agreement may be executed in two or more counterparts each of which shall constitute an original.

LOUISVILLE WATER COMPANY

ATTEST:


Secretary

By 
Foster S. Burba, President

WEST SHELBY WATER DISTRICT

ATTEST:

Thomas Barber
Secretary

By Wilson Herrick
Wilson Herrick, Chairman

SCHEDULE A

LOUISVILLE WATER COMPANY - WEST SHELBY WATER DISTRICT
MAIN EXTENSION AND WATER SUPPLY AGREEMENT

Tapping Fee Refund Schedule

<u>Size of Service Connection</u>	<u>Tapping Fee Refund</u>
5/8" or 3/4"	\$1,000
1"	1,350
1 1/2"	2,000
2"	2,500
3"	4,000
4"	5,500
6"	8,000
8"	10,000
4" Fire	1,000
6" Fire	1,000
8" Fire	2,000
10" Fire	3,000
12" Fire	4,000
6" Fire Hydrant	0