

WATER PURCHASE AGREEMENT

This Water Purchase Agreement, (herein referred to as the "Agreement") is entered into this ____ day of September 2009, by and between:

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

("LWC")

And

North Nelson Water District
A Water District Established and Governed by
KRS 74.010 through 74.415
P.O. Box 25
Cox's Creek, KY 40013

("North Nelson")

WITNESSETH:

WHEREAS, Kentucky Turnpike Water District (hereafter referred to as KTWD) and North Nelson Water District (hereafter referred to as North Nelson) executed a water purchase agreement on or about January 15, 1996, whereby KTWD sold water to North Nelson; and

WHEREAS, LWC acquired the assets of, and merged with, KTWD in or about September 2000; and


WHEREAS, LWC, as successor in interest to KTWD, assumed KTWD's responsibilities for the January 15, 1996 water purchase agreement between KTWD and North Nelson; and

WHEREAS, LWC and North Nelson executed a water purchase agreement on or about February 25, 2004; and

WHEREAS North Nelson desires a second point of delivery; therefore, LWC and North Nelson have expressed interest in executing a new water purchase agreement to include all Points of Delivery; and

WHEREAS, once this Agreement becomes effective, LWC and North Nelson desire for this Agreement to supersede the February 25, 2004 water purchase agreement and any and all other wholesale water purchase agreements between them;

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Executive Director

NOW, THEREFORE, in consideration of the terms set forth herein, LWC and North Nelson (hereafter, collectively referred to as the "Parties") agree as follows:

1. Improvements Required

- a) Existing Delivery Point at Cedar Grove Road near the intersection with Browington Road:


[No improvements needed].

- b) New Delivery Point at the intersection of Kentucky Highway 245 and Kentucky Highway 1604:

LWC agrees to fund construction of a booster pump station and a 12 inch main extension of its water distribution system approximately 19,700 feet along Kentucky Highway 245 from the end of Happy Hollow Road to Kentucky Highway 1604. North Nelson agrees to pay the upsizing costs of the water main from a 12 inch to a 16 inch main for this same water supply facility. Construction of these facilities is scheduled for completion by December, 2010.

LWC further agrees to install, at North Nelson's expense, a master meter assembly at the intersection of Kentucky Highway 245 and Kentucky Highway 1604. Initially, the master meter assembly will consist of two, 4 inch meters and a bypass line. If future consumption warrants, the current master meter will be upsized, accordingly.

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LWC will own, operate and maintain the booster pump station, 16 inch water line and master meter facilities.

2. Quantity and Quality of Water to Be Supplied

- a) Existing Delivery Point at Cedar Grove Road near the intersection with Browington Road:

LWC agrees to furnish water to North Nelson at a maximum rate of 300 gallons per minute (gpm) through the existing 4 inch master meter.

- b) New Delivery Point at intersection of Kentucky Highway 245 and Kentucky Highway 1604:

LWC agrees to furnish water to North Nelson at a maximum rate of 2,100 gpm through a newly installed master meter located at the intersection of Kentucky Highway 245 and Kentucky Highway 1604 (Cumulatively, the existing and the new delivery point will be referred to as the "Points of Delivery").

- c) Minimum Water Purchase Amounts:

Commencing on January 1, 2011, North Nelson agrees to purchase a minimum quantity of water from LWC, combined from the two Points of

Delivery, per the following schedule:-

2011:	minimum purchase = 500,000 gal. per day (gpd)
2012:	minimum purchase = 550,000 gpd
2013:	minimum purchase = 600,000 gpd
2014:	minimum purchase = 650,000 gpd
2015:	minimum purchase = 700,000 gpd
2016 and beyond:	minimum purchase = 750,000 gpd

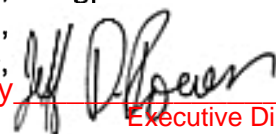
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d) Calculation:

The minimum amounts set forth in paragraph 2(c) represent average daily amounts computed on an annual basis.

e) Future Growth:

North Nelson agrees to utilize water purchased from LWC as the source of supply for any future growth or increase in water sales by North Nelson, which shall include both new customers and increased sales to existing customers.

f) Quality:

Water furnished at the Points of Delivery shall be treated, potable water that complies with all applicable Kentucky Division of Water and U.S. Environmental Protection Agency standards for water quality.

3. Pressure at the Points of Delivery

LWC's water pressure at the initial points of delivery will be sufficiently high to provide water service to North Nelson's existing and proposed storage facilities with an overflow elevation of 887 feet msl. Emergency failures of pressure or failures of supply due to main breaks, power failure, flood, fires and/or use of water to fight fires, labor unrest, earthquake, tornado and/or other extraordinary circumstances shall excuse LWC from any failure to comply with this paragraph for such reasonable period of time as may be necessary to resolve the situation.


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4. Meter Testing and Adjustment

LWC will test the master meter(s) located at both Points of Delivery once every year. Additional testing may be performed by LWC at its sole discretion, at any time. LWC will provide a 24-hour notice to North Nelson prior to conducting any meter tests, allow access to the metering site during testing, and submit test results to the appropriate official or agent designated by North Nelson. A meter registering within the acceptable limits as identified by AWWA standards shall be deemed to be accurate. A reading of the meter determined by test results to be inaccurate (registering outside of acceptable limits of AWWA standards based upon type of meter) shall cause billings for at least one month, and up to three months, previous to such test to be adjusted by the percentage of inaccuracy found by such test. If any meter shall fail to register usage for any regular billing period, the amount of water furnished during such billing period shall be considered to be the same as the amount of water furnished during the corresponding billing period immediately prior to the failure, unless the parties agree in writing to determine the amount of water furnished by some other method. LWC may make adjustments in the next billing period should the next reading be substantially higher than the previous billing period prior to the one in which usage did not register. An appropriate official or agent designated by North Nelson shall have access to the master meters for the purpose of collecting daily usage data and verifying the meter's readings.

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5. Rates and Payments

LWC agrees to charge and North Nelson agrees to pay LWC's current standard wholesale water rate for elevated service of \$1.71 per thousand gallons, plus the applicable monthly service charge for each master meter, as identified in the Board of Water Works 2009 Rate Schedule. The Parties further agree and acknowledge that LWC's wholesale water rate and service charge will be reviewed and may be adjusted annually by the Board of Water Works.

North Nelson agrees to pay the approved rate upon 30 day written notice by LWC. North Nelson and LWC acknowledge the LWC wholesale water rate is determined by LWC's rate-making methodology, and agree that LWC's rate-making methodology is a reasonable basis for the rate adjustments under the Water Purchase Agreement. That methodology requires that the wholesale rate be determined by considering the following components:

- a) Operating expenses;
- b) Depreciation expenses;
- c) Return on plant investment;

Less expenses that are common to only retail customers.

6. LWC Service Rules and Regulations

The Parties further acknowledge and agree that the Board of Water Works Service Rules and Regulations, including any amendments thereto,

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applicable to wholesale customers applies to this Agreement and are incorporated into this Agreement by reference.

7. Warranties Provided By North Nelson Water District


North Nelson covenants and warrants as follows:

- a) With the exception of public water suppliers and commercial water haulers, North Nelson will not sell water provided under this Agreement to any person or entity acquiring said water for the purpose of resale without prior written consent from LWC, with such prior written consent not to be unreasonably withheld by LWC.
- b) North Nelson will not permit "cross connection" wherein LWC's treated water is mixed with water from any other source. North Nelson shall also separate LWC water from such other water.

8. Warranties Provided By the Louisville Water Company

LWC covenants and warrants that it will communicate with North Nelson as soon as LWC becomes aware of an event within LWC's system that will result in interruption of service to North Nelson; and, further, that LWC will restore full service to North Nelson as soon as reasonably possible. In the event of an extended shortage of water or in the event that the overall supply of water available from LWC is diminished over an extended period of time, water service to North Nelson shall be reduced or diminished in the same ratio or proportion as the water service to LWC's other customers within the same customer class (excepting health service related cust

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9. Project Collaboration

North Nelson and LWC, as an additional, material consideration for this Agreement, shall jointly collaborate to develop new water sales within or adjacent to the North Nelson service territory.

10. PSC Review and Effective Date

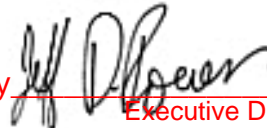
The Parties acknowledge that this Agreement can not become effective until it has been reviewed and accepted for filing by the Kentucky Public Service Commission ("PSC"). LWC shall file an executed copy of this Agreement with the PSC. North Nelson pledges its assistance to help expedite the PSC review process. The Effective Date of this Agreement shall be the date the Agreement is deemed to be "filed" by the PSC. LWC shall give written notice of the Effective Date to North Nelson.

11. Prior Agreements Superseded

As of the Effective Date of this Agreement, the February 25, 2004 water purchase agreement and any and all other wholesale water purchase agreements between the Parties shall be superseded by this Agreement.

12. Term and Termination of Agreement

The term of this Agreement shall extend for a period of fifty (50) years from and after the date of its execution, unless extended by written agreement of the Parties or terminated pursuant to the terms of this Agreement. Either

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Party may terminate this Agreement with twelve (12) months advance written notice to the other Party, in the event of any of the following:

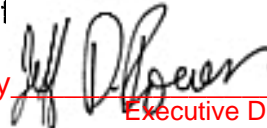
a) For North Nelson to terminate:

- 1) Failure of LWC to meet water delivery requirements stated herein (except for failures related to the temporary interruptions described in paragraph 8); or
- 2) Failure of LWC to meet all applicable water quality requirements of the Kentucky Division of Water and U.S. Environmental Protection Agency (except for failures related to the temporary interruptions described in paragraph 8).

b) For LWC to terminate:

- 1) Failure of North Nelson to pay within thirty (30) days of due date for monthly wholesale water service described in this Agreement; or
- 2) Revocation of North Nelson's authority to operate a water system by one or more governmental authorities having jurisdiction over such matters; or
- 3) Failure of North Nelson to consistently meet all applicable water quality requirements of the Kentucky Division of Water resulting in classification of North Nelson as a significant non-complier; or
- 4) North Nelson's breach of any duty, warranty or covenant contained in this Agreement; provided, however, LWC cannot exercise such termination right until it has given North Nelson written notice of the breach and North Nelson has failed to correct or eliminate such breach within thirty (30) days from receipt of

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13. Authorization to Enter Into Agreement

North Nelson shall obtain any approvals required for the purchase of water contemplated by this Agreement, and LWC agrees to cooperate in obtaining any such approvals. North Nelson affirms that it has the necessary authority to enter into the Agreement.

14. Waiver

Neither LWC's failure nor North Nelson's failure to assert its respective rights under any provision or term of this Agreement shall be construed as a waiver of that right or any other right at any time in the future.

15. Assignment

The Parties agree that this Agreement shall not be assigned without the written consent of the other Party, such consent not to be unreasonably withheld,

16. Notices

All notices required under the Agreement shall be in writing addressed as follows and sent Certified Mail, Return Receipt Requested.

If to LWC: President/CEO
Louisville Water Company
550 S. Third Street
Louisville, KY 40202

If to North Nelson: North Nelson Water District
P.O. Box 25
Cox's Creek, KY 40013

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17. Severability of Provisions

Should any provision or paragraph in this Agreement be held to be invalid or unlawful, the remaining provisions or paragraphs in this Agreement shall be fully enforceable and shall remain in full effect.

18. Entire Agreement

This Agreement represents the entire agreement by the Parties regarding wholesale water sales by LWC to North Nelson and, subject to the provisions of paragraphs 11 and 12, supersedes any and all other previous agreements regarding this matter, whether written or oral.

19. Jurisdiction

As a result of Simpson County Water District v. City of Franklin, 872 S.W.2d 460 (Ky. 1994), the Parties acknowledge that the PSC has exclusive jurisdiction to resolve disputes concerning "rates and service" which may arise under this Agreement. Any other dispute arising under this Agreement shall be filed and be heard in the Circuit Court of Jefferson County, Kentucky.

[Remainder of this page intentionally left blank – signature page to follow.]

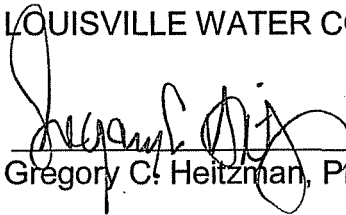
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IN TESTIMONY WHEREOF, witness the signatures of the Parties by their duly authorized officers (as evidenced by resolutions of their respective governing boards) as of the day and year first above written, it being understood and agreed that this Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

For the

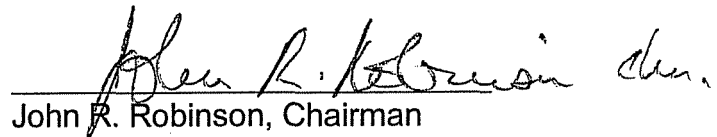
LOUISVILLE WATER COMPANY



Gregory C. Heitzman, President


For the

NORTH NELSON WATER DISTRICT




John R. Robinson, Chairman

Approved for Legality and Form:



Barbara K. Dickens
Vice President, General Counsel

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