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OCT 27 2006

PUBLIC SERVICE COMMISSION

BEFORE THE PUBLIC SERVICE COMMISSION

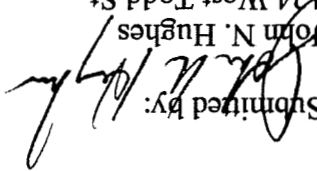
COMMONWEALTH OF KENTUCKY

In the Matter of:

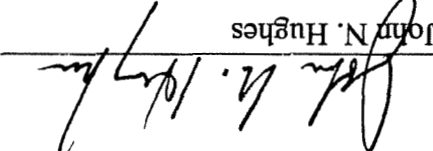
) The Joint Application of Sandy Valley
 Water District, Southern Water and
 Sewer District and the city of Pikeville
 for approval of the transfer of facilities
 and for the assumption of debt by Southern
 Water and Sewer District)
)
)
)
) Case No. 2006-00327
)

RESPONSE TO COMMISSION'S ORDER OF OCTOBER 6, 2006

Volume 1

Submitted by: 
 John N. Hughes
 124 West Todd St.
 Frankfort, KY 40601
 (502) 227 7270
 Attorney for Joint Applicants

Certificate:
 I certify that a copy of this Response was served on the Attorney General on October 27th,
 2006 by hand delivery.


 John N. Hughes

1. Sandy Valley's balance sheet dated July 31, 2006 shows a customer deposit liability balance of \$55,055.

Note: Sandy Valley's customer deposit liability balance as of 10-18-06 is \$58,625.03 with accrued interest of \$5,567.90, for a total liability balance of \$64,192.93. The actual cash amount in Sandy Valley's customer deposit account is \$15,434.42 as of this same date.

1. a. Identify the amount of the customer deposit liability that will be transferred to Southern District.

The amount of customer deposit liability, based on the 10-18-06 amount balance, to be transferred to Southern District, relating to Sandy Valley customers located in Floyd County, is \$23,565.01 and \$2,541.87 in accrued interest.

1. b. Identify the amount of the customer deposit liability that will be transferred to Pikeville.

The amount of customer deposit liability, based on the 10-18-06 amount balance, to be transferred to Pikeville, relating to Sandy Valley customers located in Pike County, is \$35,050.02 and \$3,026.03 in accrued interest.

1. c. If the customer deposit liabilities will not be transferred to either (Sandy Valley(sic)) Southern District or Pikeville, state whether these deposits will be refunded to customers prior to the proposed transfer.

Sandy Valley customer deposit liabilities and the available cash amount on hand will be transferred to Southern District and Pikeville, respectively, based on the location of the customer paying the deposit, upon Commission approval of the proposed transfer.

2. Commission regulations require that interest be paid on customer deposits annually. Sandy Valley's annual report to the Kentucky Public Service Commission for the Calendar Year Ending December 31, 2004 indicates that it owed interest on deposits to its customers of \$5,085. Provide an updated amount of how much accrued interest on customer deposits Sandy Valley owes. Identify the entity that will be responsible for this liability and state when it will be paid to the customers.

The amount of interest owed to Sandy Valley customers as of 10-18-06 is \$5,567.90. Once Sandy Valley customer deposit liability and available customer deposit account cash funds are distributed to Southern District and Pikeville, Southern will adjust its existing customer deposit liability account to include those Sandy Valley customers located in Floyd County who have made deposits and will then make proper interest payments to customers located in Floyd County, in the aggregate amount of \$2,541.87. Pikeville will also make proper interest payments to those Sandy Valley customers located in Pike County who have made deposits, in the aggregate amount of \$3,026.03.

Subsequently, Southern District will maintain its customer deposit liability account, including the deposits made by Sandy Valley customers and remit interest as same becomes due annually. Pikeville intends to refund all customer deposits to Sandy Valley customers located in Pike County within thirty days of Commission approval of the proposed transfer of Sandy Valley assets and liabilities.

3. Refer to Exhibit 5 of the Application. How did the Applicants arrive at the percentages of Sandy Valley's debt to be assigned to Pikeville and Southern District?

In seeking an equitable division of Sandy Valley's debt obligation, a review was conducted of the quantity and location existing facilities, the number of customers and the generation of revenue attributable to the Floyd County section and the Pike County section of the Sandy Valley Water District.

A) Regarding lines and tanks, (see attached listing of facilities) approximately 38% of lines, based on total footage, is located in Floyd County and 62% is located in Pike County. Sandy Valley has two 150kg and two 200kg ground storage tanks, one of each located in Floyd County and one of each located in Pike County.

Using the Sandy Valley Water District Billing Register, Summary Report for each month of calendar year 2005, (see attached Summary Report) the following information was compiled.

B) The total number of Sandy Valley customers in January 2005 was 2,320, of which 1173 were located in Pike County and 1,147 were in Floyd County. In December 2005, there were 2,335 Sandy Valley customers, of which 1,202 were in Pike County and 1,133 were in Floyd County. Based on the December numbers, 51% of Sandy Valley customers reside in Pike County and 49% reside in Floyd County.

C) Total revenue generated from retail customer sales during calendar 2005 by Sandy Valley was \$756,252.55, of which \$433,599.66 (51%) was generated from customers located in Pike County and \$322,652.89 (43%) from customers located in Floyd County.

In discussion between Southern District and Pikeville, it was noted that although there is general parity in facilities (when considering tanks, pumping stations and larger diameter lines) and the numbers of Sandy Valley customers in Pike County and Floyd County, the larger number of commercial customers located in Pike County generates significantly greater revenue.

Consequently, Pikeville and Southern District agreed that division of Sandy Valley debt based on the percentage of revenue generated from retail customers located in the respective sections of the system would be the most equitable method for sharing this obligation. The percentages reflected for calendar 2005, namely 57% in Pike County and 43% in Floyd County, were agreed to by both parties.

Sandy Valley Water District - Lines, Tanks and Pump Stations

A) Total Sandy Valley Water Line by size and footage

1 inch - 836 Feet
2 inch - 18689 Feet 3.2 Miles
3 inch - 816 Feet
4 inch - 53656 Feet 10.1 Miles
6 inch - 145073 Feet 27.3 Miles
8 inch - 20277 Feet 3.7 Miles
10 inch - 316 Feet
12 inch - 88570 Feet 16.7 Miles
Total Feet - 328,233
Total Miles - 62

B) Sandy Valley Water Line located in Pike County

1 inch - 836 Feet
2 inch - 15761 Feet 2.9 Miles
3 inch - 816 Feet
4 inch - 37571 Feet 7.1 Miles
6 inch - 91777 Feet 17.3 Miles
8 inch - 11073 Feet 2.0 Miles
12 inch - 46140 Feet 8.7 Miles
Total Feet- 203974
Total Miles- 38.2 (61% total Sandy Valley water line)

C) Sandy Valley Water Line located in Floyd County

2 inch - 2928 Feet 0.5 Miles
4 inch - 16085 Feet 3.0 Miles
6 inch - 53296 Feet 10.0 Miles
8 inch - 9204 Feet 1.7 Miles
10 inch - 316 Feet
12 inch - 42430 Feet 8.0 Miles
Total Feet- 124259
Total Miles- 23.3 (38% total Sandy Valley water line)

Sandy Valley Water Storage Tanks, Pump Stations and Telemetry

A) Sandy Valley facilities located in Pike County:

One (1) - 150,000g ground storage tank (Mullins Tank), constructed 1970; (out of service, due to line break; repair is budgeted in Pike County Coal Severance, anticipated to be available 12-06)

One (1) - 200,000g ground storage tank (Billips Tank), constructed 2002

One (1) - 1,200 gpm pumping station, near mouth of Tollage Creek, w/ two 20hp pumps, w/pressure and telemetry controls

B) Sandy Valley facilities located in Floyd County:

One (1) - 150,000g ground storage tank (Stanville Tank), constructed 1970

One (1) - 200,000g ground storage tank (Eagle Trace Tank), constructed 2002

C) All system tanks are constructed at same elevation (880') w/ cathodic protection and have radio telemetry, monitored by 2-way radio w/out history recording capacity.

	PIKE				FLOYD			
	# OF BILLS	% USAGE	DOLLAR %	TOTAL \$	# OF BILLS	% USAGE	DOLLAR %	TOTAL \$
Jan-05	0.51	0.58	0.57	\$ 34,082.23	0.49	0.42	0.43	\$ 25,795.37
Feb-05	0.51	0.60	0.68	\$ 36,498.97	0.49	0.40	0.42	\$ 28,643.20
Mar-05	0.51	0.62	0.69	\$ 35,503.05	0.49	0.38	0.41	\$ 24,480.72
Apr-05	0.51	0.59	0.57	\$ 35,870.35	0.49	0.41	0.43	\$ 28,815.08
May-05	0.51	0.59	0.57	\$ 34,091.26	0.49	0.41	0.43	\$ 25,228.24
Jun-05	0.51	0.58	0.57	\$ 40,817.65	0.49	0.42	0.43	\$ 31,154.81
Jul-05	0.61	0.56	0.55	\$ 35,437.50	0.49	0.44	0.45	\$ 28,863.89
Aug-05	0.51	0.58	0.56	\$ 38,830.04	0.49	0.42	0.44	\$ 29,959.58
Sep-05	0.51	0.57	0.56	\$ 35,828.68	0.49	0.43	0.44	\$ 27,949.96
Oct-05	0.51	0.59	0.58	\$ 33,927.43	0.49	0.41	0.42	\$ 24,959.23
Nov-05	0.51	0.58	0.57	\$ 33,723.33	0.49	0.42	0.43	\$ 25,020.36
Dec-05	0.51	0.62	0.60	\$ 38,989.17	0.49	0.38	0.40	\$ 25,804.87
AVERAGE	0.51	0.59	0.57	\$ 433,599.86	AVERAGE	0.49	0.43	\$ 322,852.89

RUN DATE: 01/25/05 12:23
 BILLING DATE: 01/25/05

SANDY VALLEY WATER DISTRICT
 BILLING REGISTER - SUMMARY REPORT

CURRENT BILLING CHARGES BY RATE TABLE

TABLE	BILLS	USAGE	CHARGES	F/C	TAX-1	TAX-2	TAX-3	TAX-4	TAX-5	E/F	TOTALS
HA	1838	4121.0	21794.90	.00	.00	.00	.00	.00	.00	.00	21794.90
HB	5	14.0	123.75	.00	.00	.00	.00	.00	.00	.00	123.75
HC	5	82.0	578.13	.00	.00	.00	.00	.00	.00	.00	578.13
HD	970	3861.0	20255.78	.00	618.47	.00	.00	.00	.00	.00	20966.25
HE	3	11.0	86.70	.00	2.60	.00	.00	.00	.00	.00	89.30
HF	1	2.0	185.35	.00	3.16	.00	.00	.00	.00	.00	188.51
HG	62	376.3	1850.34	.00	.00	111.17	.00	.00	.00	.00	1961.51
HH	7	48.0	247.95	.00	.00	14.89	.00	.00	.00	.00	262.84
HI	9	126.0	1003.20	.00	.00	68.18	.00	.00	.00	.00	1063.38
HJ	1	26.0	197.10	.00	.00	11.83	.00	.00	.00	.00	208.93
HK	125	577.0	3069.69	.00	91.91	190.06	.00	.00	.00	.00	3351.66
HL	30	361.0	1726.20	.00	51.74	106.69	.00	.00	.00	.00	1884.63
HM	42	1654.0	7590.44	.00	227.39	468.48	.00	.00	.00	.00	8276.31
HN	1	4.0	197.10	.00	5.91	12.18	.00	.00	.00	.00	215.19
HO	1	281.0	960.97	.00	28.83	59.39	.00	.00	.00	.00	1049.19
HT	2320	11516.3	59877.60	.00	1022.01	1034.87	.00	.00	.00	.00	61924.48

RATE		SIZE	DESCRIPTION	BILLS	USAGE	CHARGES	PIKE COUNTY	
TABLE								
WF	5/8 * 3/4	PIKE RES	970	3861	\$ 20,355.78			
WG	1"	PIKE RES	3	11	\$ 86.70			
WH	2"	PIKE RES	1	2	\$ 105.35			
WI	3"	PIKE RES						
WJ	4"	PIKE RES						
TOTAL FOR PIKE CT								
			974	3874	\$ 20,547.83			
WP	5/8 * 3/4	PIKE/COM	125	557	\$ 3,069.69			
WQ	1"	PIKE/COM	30	381	\$ 1,726.20			
WR	2"	PIKE/COM	42	1654	\$ 7,580.44			
WS	3"	PIKE/COM	1	4	\$ 197.10			
WT	4"	PIKE/COM	1	281	\$ 960.97			
TOTAL FOR PIKE CT								
			1173	6731	\$ 34,082.23			
% OF PIKE CT								
			0.505603	0.584476	0.569198331			
FLOYD COUNTY								
RATE		SIZE	DESCRIPTION	BILLS	USAGE	CHARGES	TABLE	
WA	5/8 * 3/4	FLOYD/RES	1058	4121	\$ 21,794.90			
WB	1"	FLOYD/RES	5	14	\$ 123.75			
WC	2"	FLOYD/RES	5	82	\$ 578.13			
WD	3"	FLOYD/RES						
WE	4"	FLOYD/RES						
TOTAL FOR FLOYD CT								
			1068	4217	\$ 22,486.78			
WK	5/8 * 3/4	FLOYD/COM	62	376.3	\$ 1,850.34			
WL	1"	FLOYD/COM	7	40	\$ 247.95			
WM	2"	FLOYD/COM	9	126	\$ 1,003.20			
WN	3"	FLOYD/COM	1	26	\$ 197.10			
WO	4"	FLOYD/COM	0	0	\$ -			
TOTAL FOR FLOYD CT								
			1147	4785.3	\$ 25,795.37			
TOTAL PIKE/FLOYD								
			2320	11516.3	\$ 59,877.6			
WU		MT WATER	0	0	\$ -			
			2320	11516.3	\$ 59,877.60			

PIKE COUNTY		RATE		TABLE	
DESCRIPTION	BILLS	USAGE	CHARGES	TABLE	RATE
WF	PIKE RES	5/8 * 3/4	969	4004	\$ 20,757.39
WG	PIKE RES	1"	4	15	\$ 115.60
WH	PIKE RES	2"	1	2	\$ 105.35
WI	PIKE RES	3"			
WJ	PIKE RES	4"			
WT	PIKE/COM	4"	1	304	\$ 1,036.18
WS	PIKE/COM	3"	1	5	\$ 197.10
WR	PIKE/COM	2"	42	2342	\$ 9,764.38
WQ	PIKE/COM	1"	29	301	\$ 1,509.66
WP	PIKE/COM	5/8 * 3/4	125	546	\$ 3,013.31
TOTAL FOR PIKE CT			1172	7519	\$ 36,498.97
% OF PIKE CT			0.506482	0.597994	0.578044277
FLOYD COUNTY					
DESCRIPTION	BILLS	USAGE	CHARGES	TABLE	RATE
WA	FLOYD/RES	5/8 * 3/4	1053	4273	\$ 22,386.58
WB	FLOYD/RES	1"	5	15	\$ 123.75
WC	FLOYD/RES	2"	5	114	\$ 655.20
WD	FLOYD/RES	3"			
WE	FLOYD/RES	4"			
WK	FLOYD/COM	5/8 * 3/4	62	393.7	\$ 1,921.35
WL	FLOYD/COM	1"	7	41	\$ 256.25
WM	FLOYD/COM	2"	9	182	\$ 1,102.97
WN	FLOYD/COM	3"	1	36	\$ 197.10
WO	FLOYD/COM	4"	0	0	\$ -
TOTAL FOR FLOYD CT			1142	5054.7	\$ 26,943.20
TOTAL PIKE/FLOYD			2314	12573.7	63142.17
WU	MT WATER		0	0	\$ -
TOTAL			2314	12573.7	\$ 63,142.17

PIKE COUNTY		TABLE		RATE	SIZE	DESCRIPTION	BILLS	USAGE	CHARGES
WF	5/8 * 3/4	PIKE RES	979	4556.8	\$ 22,486.73				
WG	1"	PIKE RES	4	14	\$ 111.45				
WH	2"	PIKE RES	1	2	\$ 105.35				
WI	3"	PIKE RES							
WJ	4"	PIKE RES							
			984	4572.8	\$ 22,703.53				
WP	5/8 * 3/4	PIKE/COM	126	486	\$ 2,776.96				
WQ	1"	PIKE/COM	29	232	\$ 1,259.14				
WR	2"	PIKE/COM	41	1691	\$ 7,631.51				
WS	3"	PIKE/COM	1	6	\$ 197.10				
WT	4"	PIKE/COM	1	273	\$ 934.81				
			198	2688	\$ 12,799.52				
TOTAL FOR PIKE CT			1182	7260.8	\$ 35,503.05				
% OF PIKE CT			0.509044	0.617898	0.592075015				
FLOYD COUNTY									
TABLE									
WA	5/8 * 3/4	FLOYD/RES	1052	3880	\$ 20,790.27				
WB	1"	FLOYD/RES	5	10	\$ 123.75				
WC	2"	FLOYD/RES	5	87	\$ 600.15				
WD	3"	FLOYD/RES							
WE	4"	FLOYD/RES							
			1062	3977	\$ 21,514.17				
WK	5/8 * 3/4	FLOYD/COM	61	295	\$ 1,517.13				
WL	1"	FLOYD/COM	7	40	\$ 243.80				
WM	2"	FLOYD/COM	9	142	\$ 988.52				
WN	3"	FLOYD/COM	1	36	\$ 197.10				
WO	4"	FLOYD/COM	0	0	\$ 0				
			78	513	\$ 2,946.55				
TOTAL FOR FLOYD CT			1140	4490	\$ 24,460.72				
TOTAL PIKE/FLOYD			2322	11750.8	59963.77				
WU		MT WATER	2	1300	\$ 3,185.00				
			2324	13050.8	\$ 63,148.77				

RUN DATE: 03/24/05 09:47
 BILLING DATE: 03/23/05

SANDY VALLEY WATER DISTRICT
 BILLING REGISTER - SUMMARY REPORT

CURRENT BILLING CHARGES BY RATE TABLE

TABLE	BILLS	USAGE	CHARGES	F/C	STX	TAX-1	TAX-2	TAX-3	TAX-4	TAX-5	E/F	TOTALS
WA	1852	3880.8	20790.27	.00	.00	.00	.00	.00	.00	.00	.00	20790.27
WB	5	18.0	123.75	.00	.00	.00	.00	.00	.00	.00	.00	123.75
WC	5	87.0	608.15	.00	.00	.00	.00	.00	.00	.00	.00	690.15
WD	979	4556.8	22486.73	.00	674.24	.00	.00	.00	.00	.00	.00	23160.97
WE	4	14.0	111.45	.00	3.34	.00	.00	.00	.00	.00	.00	114.79
WF	1	2.0	105.35	.00	3.16	.00	.00	.00	.00	.00	.00	108.51
WG	61	255.0	1517.13	.00	.00	91.19	.00	.00	.00	.00	.00	1608.32
WH	7	48.0	242.88	.00	.00	14.65	.00	.00	.00	.00	.00	258.45
WI	9	142.0	988.52	.00	.00	59.30	.00	.00	.00	.00	.00	1047.82
WJ	1	36.0	197.18	.00	.00	11.83	.00	.00	.00	.00	.00	208.93
WK	126	486.0	2776.96	.00	83.11	171.98	.00	.00	.00	.00	.00	3032.05
WL	29	232.0	1259.14	.00	37.73	77.83	.00	.00	.00	.00	.00	1374.70
WM	41	1691.0	7631.51	.00	228.92	471.65	.00	.00	.00	.00	.00	8332.08
WN	1	6.0	197.18	.00	5.91	12.18	.00	.00	.00	.00	.00	215.19
WO	1	273.0	934.81	.00	28.89	57.77	.00	.00	.00	.00	.00	1020.62
WP	2	1380.0	3185.00	.00	.00	.00	.00	.00	.00	.00	.00	3185.00
WQ	2324	13850.8	63148.77	.00	1064.45	968.38	.00	.00	.00	.00	.00	65181.60

PIKE COUNTY		TABLE		RATE		SIZE		DESCRIPTION		BILLS		USAGE		CHARGES	
WF	5/8 * 3/4	PIKE RES	984	4154.2	\$	21,561.24	1"	PIKE RES	4	15	\$	119.75	2	\$	105.35
WH		PIKE RES			\$		2"	PIKE RES	1	2	\$			\$	
WI		PIKE RES			\$		3"	PIKE RES			\$			\$	
WJ		PIKE RES			\$		4"	PIKE RES			\$			\$	
WP	5/8 * 3/4	PIKE/COM	127	548	\$	3,014.96	1"	PIKE/COM	29	337	\$	1,667.00		\$	
WQ		PIKE/COM			\$		1"	PIKE/COM			\$			\$	
WR		PIKE/COM			\$		2"	PIKE/COM	41	1871	\$	8,053.05		\$	
WS		PIKE/COM			\$		3"	PIKE/COM	1	14	\$	197.10		\$	
WT		PIKE/COM			\$		4"	PIKE/COM	1	340	\$	1,153.90		\$	
TOTAL FOR PIKE CT			1188	7281.2	\$	35,872.35									
% OF PIKE CT			0.510968	0.58572		0.572241699									
FLOYD COUNTY		TABLE		RATE		SIZE		DESCRIPTION		BILLS		USAGE		CHARGES	
WA	5/8 * 3/4	FLOYD/RES	1049	4345	\$	22,595.36	1"	FLOYD/RES	5	14	\$	123.75		\$	
WB		FLOYD/RES			\$		1"	FLOYD/RES			\$			\$	
WC		FLOYD/RES			\$		2"	FLOYD/RES			\$			\$	
WD		FLOYD/RES			\$		3"	FLOYD/RES			\$			\$	
WE		FLOYD/RES			\$		4"	FLOYD/RES			\$			\$	
TOTAL FOR FLOYD CT			1059	4488	\$	23,446.32									
WL	5/8 * 3/4	FLOYD/COM	61	381	\$	1,825.78	1"	FLOYD/COM	7	36	\$	243.80		\$	
WM		FLOYD/COM			\$		2"	FLOYD/COM	9	194	\$	1,098.62		\$	
WN		FLOYD/COM			\$		3"	FLOYD/COM	1	61	\$	200.54		\$	
WO		FLOYD/COM			\$		4"	FLOYD/COM	0	0	\$			\$	
TOTAL FOR FLOYD CT			1137	5150	\$	26,815.06									
TOTAL PIKE/FLOYD			2325	12431.2		62687.41									
WU		MT WATER	2	2900.2	\$	7,105.50									
TOTAL			2327	16331.4	\$	69,792.91									

RUN DATE: 04/25/05 13:23
 BILLING DATE: 04/25/05

SANDY WATLEY WATER DISTRICT
 BILLING REGISTER - SUMMARY REPORT

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CURRENT BILLING CHARGES BY RATE TABLE

TABLE	BILLS	USAGE	CHARGES	F/C	STX	TAX-1	TAX-2	TAX-3	TAX-4	TAX-5	E/F	TOTALS
NA	1049	4345.0	22595.36	.00	.00	.00	.00	.00	.00	.00	.00	10495.36
MB	5	14.0	123.75	.00	.00	.00	.00	.00	.00	.00	.00	123.75
MC	5	129.0	727.21	.00	.00	.00	.00	.00	.00	.00	.00	727.21
MD	904	4154.2	21561.24	.00	646.59	.00	.00	.00	.00	.00	.00	22207.83
ME	4	15.0	119.75	.00	3.53	.00	.00	.00	.00	.00	.00	123.24
MH	1	2.0	105.35	.00	3.16	.00	.00	.00	.00	.00	.00	108.51
MK	61	381.0	1825.70	.00	.00	109.66	.00	.00	.00	.00	.00	1925.44
ML	7	36.0	243.00	.00	.00	14.65	.00	.00	.00	.00	.00	258.45
MM	9	194.0	1098.62	.00	.00	65.90	.00	.00	.00	.00	.00	1164.52
MN	-1	51.0	200.54	.00	.00	12.03	.00	.00	.00	.00	.00	212.57
MO	127	540.0	3014.96	.00	.00	186.66	.00	.00	.00	.00	.00	3291.91
MP	29	337.0	1666.85	.00	.00	49.97	.00	.00	.00	.00	.00	1819.83
MR	41	1071.0	8053.05	.00	.00	103.01	.00	.00	.00	.00	.00	8792.28
MS	1	14.0	197.10	.00	.00	497.60	.00	.00	.00	.00	.00	215.19
MT	1	340.0	1153.90	.00	.00	5.91	.00	.00	.00	.00	.00	1259.83
MU	2	2900.2	7105.50	.00	.00	34.62	.00	.00	.00	.00	.00	7105.50
SWTOT	2327	15331.4	6792.76	.00	1075.68	1073.00	.00	.00	.00	.00	.00	71941.52

1105.52
 64.836.0

PIKE COUNTY					
RATE	SIZE	DESCRIPTION	BILLS	USAGE	CHARGES
TABLE					
WF	5/8 * 3/4	PIKE RES	977	3865	\$ 20,328.16
WG	1"	PIKE RES	4	25	\$ 136.35
WH	2"	PIKE RES	1	1	\$ 105.35
WI	3"	PIKE RES			
WJ	4"	PIKE RES			
			982	3891	\$ 20,569.86
WP	5/8 * 3/4	PIKE/COM	127	475	\$ 2,758.05
WQ	1"	PIKE/COM	30	311	\$ 1,587.25
WR	2"	PIKE/COM	42	1750	\$ 7,890.50
WS	3"	PIKE/COM	1	29	\$ 197.10
WT	4"	PIKE/COM	1	320	\$ 1,088.50
			201	2885	\$ 13,521.40
TOTAL FOR PIKE CT					
			1183	6776	\$ 34,091.26
% OF PIKE CT					
			0.509255	0.588521	0.574725165
FLOYD COUNTY					
RATE	SIZE	DESCRIPTION	BILLS	USAGE	CHARGES
TABLE					
WA	5/8 * 3/4	FLOYD/RES	1052	3993	\$ 21,291.26
WB	1"	FLOYD/RES	5	16	\$ 132.05
WC	2"	FLOYD/RES	5	184	\$ 867.17
WD	3"	FLOYD/RES			
WE	4"	FLOYD/RES			
			1062	4193	\$ 22,290.48
WK	5/8 * 3/4	FLOYD/COM	61	284	\$ 1,390.07
WL	1"	FLOYD/COM	7	30	\$ 214.75
WM	2"	FLOYD/COM	9	214.6	\$ 1,133.84
WN	3"	FLOYD/COM	1	36	\$ 197.10
WO	4"	FLOYD/COM	0	0	\$ -
			78	544.6	\$ 2,935.76
TOTAL FOR FLOYD CT					
			1140	4737.6	\$ 25,226.24
			2323	11513.6	59317.5
TOTAL PIKE/FLOYD					
WU		MT WATER	1	1056	\$ 2,587.20
			2324	12569.6	\$ 61,804.70

RUN DATE: 05/23/05 14:28
 BILLING DATE: 05/23/05

SANDY VALLEY WATER DISTRICT
 BILLING REGISTER - SUMMARY REPORT

CURRENT BILLING CHARGES BY RATE TABLE

TABLE BILLS	USRB	CHARGES	F/C	STW	TAX-1	TAX-2	TAX-3	TAX-4	TAX-5	E/F	TOTALS
WA 1052	3993.0	21291.26	.00	.00	.00	.00	.00	.00	.00	.00	21291.26
MB 5	16.0	132.05	.00	.00	.00	.00	.00	.00	.00	.00	132.05
MC 5	184.0	867.17	.00	.00	.00	.00	.00	.00	.00	.00	867.17
MF 977	3065.0	28328.16	.00	689.43	.00	.00	.00	.00	.00	.00	28937.59
MB 4	25.0	136.35	.00	4.09	.00	.00	.00	.00	.00	.00	140.44
MA 1	1.0	185.35	.00	3.15	.00	.00	.00	.00	.00	.00	188.51
MA 61	254.0	1398.07	.00	.00	83.55	.00	.00	.00	.00	.00	1473.62
ML 7	38.0	214.75	.00	.00	12.98	.00	.00	.00	.00	.00	227.73
MA 9	214.6	1133.04	.00	.00	68.02	.00	.00	.00	.00	.00	1201.86
MA 1	36.0	197.18	.00	.00	11.83	.00	.00	.00	.00	.00	208.93
MA 127	475.0	2758.05	.00	82.53	178.81	.00	.00	.00	.00	.00	3011.39
MA 38	311.0	1587.25	.00	47.58	98.10	.00	.00	.00	.00	.00	1732.93
MA 42	1758.0	7898.58	.00	236.71	487.61	.00	.00	.00	.00	.00	8614.82
MA 1	29.8	197.18	.00	5.91	12.18	.00	.00	.00	.00	.00	215.19
MA 1	328.0	1888.58	.00	32.66	67.27	.00	.00	.00	.00	.00	1188.43
MA 1	1855.0	2587.28	.00	.00	.00	.00	.00	.00	.00	.00	2587.28
SWTOT	2224	12569.6	61904.70	.00	1822.87	1812.27	.00	.00	.00	.00	63939.04

PIKE COUNTY				FLOYD COUNTY			
RATE	TABLE	SIZE	DESCRIPTION	BILLS	USAGE	CHARGES	
WF		5/8 * 3/4	PIKE RES	986	4968	\$ 24,904.88	
WG		1"	PIKE RES	4	20	\$ 128.05	
WH		2"	PIKE RES	1	27	\$ 112.69	
WI		3"	PIKE RES				
WJ		4"	PIKE RES				
				991	5016	\$ 25,145.62	
WP		5/8 * 3/4	PIKE/COM	127	649	\$ 3,413.19	
WQ		1"	PIKE/COM	30	419	\$ 1,942.71	
WR		2"	PIKE/COM	42	1941	\$ 8,318.98	
WS		3"	PIKE/COM	1	175	\$ 614.35	
WT		4"	PIKE/COM	1	410	\$ 1,382.80	
				201	3594	\$ 15,672.03	
TOTAL FOR PIKE CT				1192	8609	\$ 40,817.65	
% OF PIKE CT				0.508967	0.579793	0.567130308	
FLOYD COUNTY							
RATE	TABLE	SIZE	DESCRIPTION	BILLS	USAGE	CHARGES	
WA		5/8 * 3/4	FLOYD/RES	1061	5306	\$ 26,544.05	
WB		1"	FLOYD/RES	5	16	\$ 123.75	
WC		2"	FLOYD/RES	5	242	\$ 1,063.55	
WD		3"	FLOYD/RES				
WE		4"	FLOYD/RES				
				1071	5504	\$ 27,731.35	
WK		5/8 * 3/4	FLOYD/COM	62	285	\$ 1,508.11	
WL		1"	FLOYD/COM	7	28	\$ 214.75	
WM		2"	FLOYD/COM	9	331.4	\$ 1,503.30	
WN		3"	FLOYD/COM	1	31	\$ 197.10	
WO		4"	FLOYD/COM	0	0	\$ 0	
				79	675.4	\$ 3,423.26	
TOTAL FOR FLOYD CT				1150	6239.4	\$ 31,154.81	
TOTAL PIKE/FLOYD				2342	14848.4	71972.26	
WU			MT WATER	2	2637.9	\$ 6,462.86	
				2344	17486.3	\$ 78,436.12	

SANDY VALLEY WATER DISTRICT
BILLING REGISTER - SUMMARY REPORT

CURRENT BILLING CHARGES BY RATE TABLE

BILLS	USAGE	CHARGES	F/C	STX	TAX-1	TAX-2	TAX-3	TAX-4	TAX-5	E/F	TOTALS
1001	5305.0	26544.05	.00	.00	.00	.00	.00	.00	.00	.00	25544.05
5	16.0	123.75	.00	.00	.00	.00	.00	.00	.00	.00	123.75
5	242.0	1063.55	.00	.00	.00	.00	.00	.00	.00	.00	1063.55
986	4968.0	24904.00	.00	747.15	.00	.00	.00	.00	.00	.00	25652.03
4	20.0	128.05	.00	3.04	.00	.00	.00	.00	.00	.00	131.09
1	27.0	112.69	.00	3.38	.00	.00	.00	.00	.00	.00	116.07
62	285.0	1508.11	.00	90.62	.00	.00	.00	.00	.00	.00	1598.73
7	28.0	214.75	.00	12.98	.00	.00	.00	.00	.00	.00	227.73
9	331.4	1503.30	.00	90.19	.00	.00	.00	.00	.00	.00	1593.49
1	31.0	197.10	.00	11.03	.00	.00	.00	.00	.00	.00	208.13
127	649.0	3413.19	.00	102.21	211.26	.00	.00	.00	.00	.00	3726.66
30	419.0	1942.71	.00	58.27	120.06	.00	.00	.00	.00	.00	2121.04
42	1941.0	8318.98	.00	249.54	514.12	.00	.00	.00	.00	.00	9082.64
1	175.0	614.35	.00	18.43	37.97	.00	.00	.00	.00	.00	678.75
1	410.0	1382.00	.00	41.48	85.46	.00	.00	.00	.00	.00	1509.74
2	2637.9	6462.96	.00	.00	.00	.00	.00	.00	.00	.00	6462.96
2344	17486.3	70435.12	.00	1224.30	1174.41	.00	.00	.00	.00	.00	80833.83

PIKE COUNTY				TABLE	RATE	SIZE	DESCRIPTION	BILLS	USAGE	CHARGES	
WF	5/8 * 3/4	PIKE RES	984	4088.9	\$	21,248.50					
WG	1"	PIKE RES	4	33	\$	169.55					
WH	2"	PIKE RES	1	0	\$	105.35					
WI	3"	PIKE RES									
WJ	4"	PIKE RES									
			989	4121.9	\$	21,523.40					
WP	5/8 * 3/4	PIKE/COM	126	737	\$	3,749.95					
WQ	1"	PIKE/COM	30	274	\$	1,435.80					
WR	2"	PIKE/COM	41	1634	\$	7,406.61					
WS	3"	PIKE/COM	1	51	\$	200.54					
WT	4"	PIKE/COM	1	330	\$	1,121.20					
			199	3026	\$	13,914.10					
TOTAL FOR PIKE CT				1188	7147.9	\$	35,437.50				
% OF PIKE CT				0.508127	0.557959	0.551117328					
FLOYD COUNTY											
WA	5/8 * 3/4	FLOYD/RES	1052	4799.2	\$	24,416.65					
WB	1"	FLOYD/RES	5	17	\$	127.90					
WC	2"	FLOYD/RES	5	152.4	\$	880.19					
WD	3"	FLOYD/RES									
WE	4"	FLOYD/RES									
			1072	4968.6	\$	25,424.74					
WK	5/8 * 3/4	FLOYD/COM	61	276.3	\$	1,460.77					
WL	1"	FLOYD/COM	7	26	\$	206.45					
WM	2"	FLOYD/COM	9	295	\$	1,412.95					
WN	3"	FLOYD/COM	1	97	\$	358.78					
WO	4"	FLOYD/COM	0	0	\$	-					
			78	694.3	\$	3,438.95					
TOTAL FOR FLOYD CT				1150	5662.9	\$	28,863.69				
TOTAL PIKE/FLOYD				2338	12810.8	64301.19					
WU		MT WATER	2	2219	\$	5,436.54					
			2340	15029.8	\$	69,737.73					

RATE		SIZE	DESCRIPTION	BILLS	USAGE	CHARGES
PIKE COUNTY						
WF	5/8 * 3/4		PIKE RES	987	4500.5	\$ 22,972.36
WG	1"		PIKE RES	4	19	\$ 115.60
WH	2"		PIKE RES	1	1	\$ 105.35
WI	3"		PIKE RES			
WJ	4"		PIKE RES			
TOTAL FOR PIKE CT						
				992	4520.5	\$ 23,193.31
WP	5/8 * 3/4		PIKE/COM	126	685	\$ 3,522.85
WQ	1"		PIKE/COM	30	307	\$ 1,565.72
WR	2"		PIKE/COM	41	2172	\$ 9,038.54
WS	3"		PIKE/COM	1	79	\$ 298.86
WT	4"		PIKE/COM	1	358	\$ 1,212.76
				199	3801	\$ 15,636.73
				1191	8121.5	\$ 38,830.04
				0.508323	0.57815	0.56447528
% OF PIKE CT						
FLOYD COUNTY						
TABLE						
WA	5/8 * 3/4		FLOYD/RES	1063	5025.3	\$ 25,427.92
WB	1"		FLOYD/RES	5	17	\$ 127.90
WC	2"		FLOYD/RES	5	157.6	\$ 838.21
WD	3"		FLOYD/RES			
WE	4"		FLOYD/RES			
				1073	5199.9	\$ 26,394.03
WK	5/8 * 3/4		FLOYD/COM	62	336	\$ 1,675.07
WL	1"		FLOYD/COM	7	28	\$ 210.60
WM	2"		FLOYD/COM	8	266	\$ 1,324.54
WN	3"		FLOYD/COM	1	98	\$ 355.34
WO	4"		FLOYD/COM	0	0	\$ -
				79	726	\$ 3,565.55
				1152	5925.9	\$ 29,959.58
TOTAL FOR FLOYD CT						
				2343	14047.4	68789.62
TOTAL PIKE/FLOYD						
WU						
				2	1796	\$ 4,769.30
				2345	15843.4	\$ 73,558.92

RATE		SIZE	DESCRIPTION	BILLS	USAGE	CHARGES	TABLE
WF	5/8 * 3/4	PIKE RES	994	4211	\$ 21,860.87		
WG	1"	PIKE RES	4	20	\$ 115.60		
WH	2"	PIKE RES	1	1	\$ 105.35		
WI	3"	PIKE RES					
WJ	4"	PIKE RES					
TOTAL FOR PIKE CT							
			999	4232	\$ 22,081.82		
WP	5/8 * 3/4	PIKE/COM	127	557	\$ 3,064.26		
WQ	1"	PIKE/COM	30	218	\$ 1,250.52		
WR	2"	PIKE/COM	41	1849	\$ 8,087.11		
WS	3"	PIKE/COM	1	53	\$ 207.42		
WT	4"	PIKE/COM	1	335	\$ 1,137.55		
TOTAL FOR PIKE CT							
			1199	7244	\$ 35,828.68		
% OF PIKE CT							
			0.511083	0.570106	0.561766134		
FLOYD COUNTY							
TABLE							
RATE							
SIZE							
DESCRIPTION							
BILLS							
USAGE							
CHARGES							
TOTAL FOR FLOYD CT							
			1147	5462.4	\$ 27,949.96		
TOTAL PIKE/FLOYD							
			2346	12706.4	63778.64		
WU		MT WATER	2	1416	\$ 3,838.30		
			2348	14122.4	\$ 67,616.94		

SANDY VALLEY WATER DISTRICT
 BILLING REGISTER - SUMMARY REPORT

CURRENT BILLING CHARGES BY RATE TABLE

TABLE	BILLS	USAGE	CHARGES	F/C	STX	TAX-1	TAX-2	TAX-3	TAX-4	TAX-5	E/F	TOTALS
WA	1860	4520.3	23374.25	.00	.00	.00	.00	.00	.00	.00	.00	23374.25
WB	5	15.0	123.75	.00	.00	.00	.00	.00	.00	.00	.00	123.75
WC	4	276.0	1072.66	.00	.00	.00	.00	.00	.00	.00	.00	1072.66
WD	994	4211.8	21860.97	.00	655.41	.00	.00	.00	.00	.00	.00	22516.28
WE	4	28.0	115.60	.00	3.47	.00	.00	.00	.00	.00	.00	119.07
WF	1	1.0	105.35	.00	3.16	.00	.00	.00	.00	.00	.00	108.51
WG	61	346.1	1723.53	.00	.00	103.53	.00	.00	.00	.00	.00	1827.06
WH	7	27.0	202.38	.00	.00	12.15	.00	.00	.00	.00	.00	214.45
WI	9	218.0	1222.25	.00	.00	73.32	.00	.00	.00	.00	.00	1295.57
WJ	1	68.0	231.50	.00	.00	13.89	.00	.00	.00	.00	.00	245.39
WK	127	557.0	3064.26	.00	91.72	189.73	.00	.00	.00	.00	.00	3345.71
WL	30	218.0	1250.52	.00	37.48	77.29	.00	.00	.00	.00	.00	1365.29
WM	41	1849.0	8807.11	.00	242.60	499.81	.00	.00	.00	.00	.00	8829.52
WN	1	53.0	207.42	.00	6.22	12.82	.00	.00	.00	.00	.00	226.46
WO	1	335.0	1137.55	.00	34.13	70.30	.00	.00	.00	.00	.00	1241.98
WP	2	1416.0	3838.30	.00	.00	.00	.00	.00	.00	.00	.00	3838.30
WQ	2348	14122.4	67617.24	.00	1074.19	1852.84	.00	.00	.00	.00	.00	69744.27

RATE		SIZE	DESCRIPTION	BILLS	USAGE	CHARGES	PIKE COUNTY	
TABLE								
WF	5/8 * 3/4		PIKE RES	994	3865.4	\$ 20,406.56		
WG	1"		PIKE RES	4	16	\$ 107.30		
WH	2"		PIKE RES	1	4	\$ 105.35		
WI	3"		PIKE RES					
WJ	4"		PIKE RES					
TOTAL FOR PIKE CT								
				999	3885.4	\$ 20,619.21		
WP	5/8 * 3/4		PIKE/COM	126	529	\$ 2,935.30		
WQ	1"		PIKE/COM	30	208	\$ 1,205.52		
WR	2"		PIKE/COM	42	1771	\$ 7,950.47		
WS	3"		PIKE/COM	1	28	\$ 197.10		
WT	4"		PIKE/COM	1	299	\$ 1,019.83		
TOTAL FOR PIKE CT								
				1199	6720.4	\$ 33,927.43		
% OF PIKE CT								
				0.511737	0.587576	0.57614798		
FLOYD COUNTY								
RATE		SIZE	DESCRIPTION	BILLS	USAGE	CHARGES	TABLE	
TABLE								
WA	5/8 * 3/4		FLOYD/RES	1060	3967	\$ 21,173.07		
WB	1"		FLOYD/RES	5	16	\$ 123.75		
WC	2"		FLOYD/RES	4	221	\$ 906.76		
WD	3"		FLOYD/RES					
WE	4"		FLOYD/RES					
TOTAL FOR FLOYD CT								
				1069	4204	\$ 22,203.58		
WK	5/8 * 3/4		FLOYD/COM	59	254.1	\$ 1,350.77		
WL	1"		FLOYD/COM	7	29	\$ 214.75		
WM	2"		FLOYD/COM	8	163	\$ 934.55		
WN	3"		FLOYD/COM	1	67	\$ 255.58		
WO	4"		FLOYD/COM	0	0	\$ -		
TOTAL FOR FLOYD CT								
				1344	4717.1	\$ 24,959.23		
TOTAL PIKE/FLOYD								
				2843	11437.5	58886.66		
WU			MT WATER	1	1584	\$ 3,880.80		
				2844	13021.5	\$ 62,767.46		

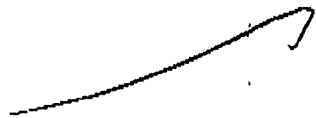
PIKE COUNTY		TABLE		RATE	SIZE	DESCRIPTION	BILLS	USAGE	CHARGES
WF	5/8 * 3/4	PIKE RES	894	3698.6	\$ 19,794.61				
WG	1"	PIKE RES	4	18	\$ 107.30				
WH	2"	PIKE RES	1	2	\$ 105.35				
WI	3"	PIKE RES							
WJ	4"	PIKE RES							
TOTAL FOR PIKE CT									
			200	2935	\$ 13,716.07				
TOTAL FOR PIKE CT									
			1199	6651.6	\$ 33,723.33				
% OF PIKE CT			0.512612	0.584622	0.57407579				
FLOYD COUNTY									
TABLE									
WA	5/8 * 3/4	FLOYD/RES	1055	3952	\$ 21,076.54				
WB	1"	FLOYD/RES	5	14	\$ 123.75				
WC	2"	FLOYD/RES	4	190	\$ 796.69				
WD	3"	FLOYD/RES							
WE	4"	FLOYD/RES							
TOTAL FOR FLOYD CT									
			1140	4726	\$ 25,020.36				
TOTAL PIKE/FLOYD									
			2839	11377.6	58743.69				
WU		MT WATER	1	1504	\$ 3,684.00				
			2840	12881.6	\$ 62,427.69				

RUN DATE: 11/23/05 12:21
 BILLING DATE: 11/23/05

SANDY VALLEY WATER DISTRICT
 BILLING REGISTER - SUMMARY REPORT

CURRENT BILLING CHARGES BY RATE TABLE

TABLE	USAGE	CHARGES	F/C	STX	TAX-1	TAX-2	TAX-3	TAX-4	TAX-5	E/F	TOTALS
WA 1855	3952.0	21076.54	.00	.00	.00	.00	.00	.00	.00	.00	21076.54
MB 5	14.0	123.75	.00	.00	.00	.00	.00	.00	.00	.00	123.75
MC 4	190.0	796.69	.00	.00	.00	.00	.00	.00	.00	.00	796.69
MD 994	3696.6	19794.61	.00	593.50	.00	.00	.00	.00	.00	.00	20388.11
ME 4	18.0	107.30	.00	3.21	.00	.00	.00	.00	.00	.00	110.51
MH 1	2.0	105.35	.00	3.16	.00	.00	.00	.00	.00	.00	108.51
MJ 60	273.8	1426.41	.00	.00	85.73	.00	.00	.00	.00	.00	1512.14
ML 7	25.0	190.15	.00	.00	11.91	.00	.00	.00	.00	.00	210.06
MM 8	145.0	941.43	.00	.00	56.40	.00	.00	.00	.00	.00	997.91
MN 1	127.0	457.39	.00	.00	27.44	.00	.00	.00	.00	.00	484.83
MP 126	564.0	3064.34	.00	91.74	189.73	.00	.00	.00	.00	.00	3345.81
MQ 30	230.0	1277.48	.00	30.29	78.96	.00	.00	.00	.00	.00	1394.73
MR 42	1020.0	0157.32	.00	244.68	504.10	.00	.00	.00	.00	.00	8906.10
MS 1	14.0	197.10	.00	5.91	12.18	.00	.00	.00	.00	.00	215.19
MT 1	299.0	1019.03	.00	30.55	63.03	.00	.00	.00	.00	.00	1113.45
MU 1	1504.0	3684.80	.00	.00	.00	.00	.00	.00	.00	.00	3684.80
SWCT01	2340	62428.49	.00	1011.04	1029.56	.00	.00	.00	.00	.00	64469.13



PIKE COUNTY		TABLE		RATE		SIZE		DESCRIPTION		BILLS		USAGE		CHARGES	
WF	5/8 * 3/4	PIKE RES	995	4911	\$ 25,011.55	18	\$ 111.45								
WG	1"	PIKE RES	4	18	\$ 111.45										
WH	2"	PIKE RES	1	1	\$ 105.35										
WI	3"	PIKE RES													
WJ	4"	PIKE RES													
WP	5/8 * 3/4	PIKE/COM	128	503	\$ 2,869.26										
WQ	1"	PIKE/COM	30	203	\$ 1,154.42										
WR	2"	PIKE/COM	42	1929	\$ 8,556.18										
WS	3"	PIKE/COM	1	0	\$ 197.10										
WT	4"	PIKE/COM	1	288	\$ 983.86										
TOTAL FOR PIKE CT			1202	7853	\$ 38,989.17										
% OF PIKE CT			0.514775	0.617423	0.601740067										
FLOYD COUNTY															
TABLE															
WA	5/8 * 3/4	FLOYD/RES	1049	4216	\$ 22,131.81										
WB	1"	FLOYD/RES	5	18	\$ 132.05										
WC	2"	FLOYD/RES	4	121	\$ 649.61										
WD	3"	FLOYD/RES													
WE	4"	FLOYD/RES													
TOTAL FOR FLOYD CT			1058	4355	\$ 22,913.47										
WK	5/8 * 3/4	FLOYD/COM	59	315	\$ 1,603.72										
WL	1"	FLOYD/COM	7	33	\$ 214.75										
WM	2"	FLOYD/COM	8	130	\$ 875.83										
WN	3"	FLOYD/COM	1	33	\$ 197.10										
WO	4"	FLOYD/COM	0	0	\$ -										
TOTAL FOR FLOYD CT			1133	4868	\$ 25,804.87										
TOTAL PIKE/FLOYD			2336	12719	64794.04										
WU	MT WATER		1	1714.9	\$ 4,201.51										
TOTAL			2336	14433.9	\$ 68,995.55										

SOUTHERN WATER & SEWER DISTRICT

ADJUSTING JOURNAL ENTRY
 TO RECORD TRANSFER OF ASSETS & LIABILITIES
 FROM SANDY VALLEY WATER DISTRICT

	DEBIT	CREDIT
CASH	DR XXX	
ACCOUNTS RECEIVABLE	DR XXX	
LAND	DR XXX	
OFFICE FURNISHINGS	DR XXX	
PLANT, TOOLS & EQUIPMENT	DR XXX	
ACCUMULATED DEPRECIATION		CR XXX
ACCOUNTS PAYABLE		CR XXX
P/R TAXES PAYABLE		CR XXX
OTHER LIABILITIES		CR XXX
CUSTOMER DEPOSITS		CR XXX
NOTE PAYABLE-RD		CR XXX
NOTE PAYABLE-EDA		CR XXX
RETAINED EARNINGS	DR XXX	
DONATED CAPITAL		CR XXX

NOTES:

Actual amounts of debits / credits will be based on:

1. Actual amount of assets & liabilities on Sandy Valley books at date of transfer
2. Book value of assets actually transferred to Southern Water (and accumulated depreciation associated therewith) pursuant to final tabulation of assets (plant, vehicles, office, etc.) to be transferred to Southern Water.
3. Final determination of employees to be transferred to Southern Water at date of transfer (ie: regarding P/R tax liabilities)
4. Final determination of Customer deposits to be transferred to Southern Water (as specified elsewhere in this response).
5. Actual remaining balances due on notes to RD and EDA at time of transfer, based on split of debt between Southern Water & Pikeville, as addressed elsewhere in this response.

10/12/2006

about:blank

L. Kevin Puckett, CPA
Wallen and Cornett, PSC
106 4th Street
Pikeville, KY 41501
(606) 432-8833
(606) 432-8486 Fax
(606) 899-7182 Mobile

Any ?'s please call.

Note that the numbers will change to—whatever the numbers are on the day of transfer.

If the deal goes through, I am assuming all assets of Sandy Valley Water will be transferred and there will not be a "Sandy Valley Water" anymore. The age is very simple.
The age is simple because—it doesn't matter what the %'s are and to whom it goes because either way all assets and liabilities are reversed off the books.

Sue,

Return-Path: <kpuckettwaco@setel.com>
From: "Kevin Puckett" <kpuckettwaco@setel.com>
To: "Sue Varney" <svarney@pikevillecity.com>
Subject: Age For Sandy Valley Water
Date: Thu, 12 Oct 2006 10:47:07 -0400
Importance: Normal

**Sandy Valley Water District
 Adjusting Journal Entry
 To Record xfer of assets to Southern and Pikeville**

Description	Debit	Credit
Accounts receivable	76,853.00	
Construction in progress	1,521,558.00	
Land	49,845.00	
Office furniture	20,645.00	
Plant, tools, and equip	2,203,742.00	
Accumulated depreciation		1,431,845.00
Accounts payable	63,606.00	
Payroll taxes and withholdings	4,762.00	
Other liabilities	169,509.00	
Customer deposits	30,313.00	
Notes payable-rural development funds	1,451,736.00	
Notes payable-rural eda funds	37,384.00	
Retained earnings		543,516.00
Donated capital		1,227,004.00

*Kevin Padgett
 (606) 437-8728*

5. Provide the proposed journal entry that Sandy Valley will use to record the transfer to Southern District and Pikeville. If all of the accounts reported on Sandy Valley's balance sheet will not be transferred to either Southern District or Pikeville explain how they will be disposed of.

**Sandy Valley Water District
 Adjusting Journal Entry
 To Record Transfer of assets to Southern and Pikeville**

Description	Debit	Credit
Accounts receivable	76,853.00	
Construction in progress	1,521,558.00	
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To: "Sue Varney" <svarney@pikevillecity.com>
Subject: Aje For Sandy Valley Water
Date: Thu, 12 Oct 2006 10:47:07 -0400
Importance: Normal

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Note that the numbers will change to--whatever the numbers are on the day of transfer.

Any ?'s please call.

L. Kevin Puckett, CPA
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106 4th Street
Pikeville, KY 41501
(606) 432-8833
(606) 432-8466 Fax
(606) 899-7182 Mobile

6. Explain why Sandy Valley had not filed its annual report for the calendar year ending December 31, 2005.

Mr. Jim Crum of Justice and Crum, a firm under contract with Sandy Valley have prepared the report for Sandy Valley in previous years. Sandy Valley staff indicate that consequent upon the possibility of a transfer of assets, Justice and Crum has communicated verbally that they no longer wish to continue providing accounting services to Sandy Valley, including preparation of the annual report. Attempts to contact and speak directly with Mr. Crum have not been successful.

ITEM 7: Regarding Southern District's A/R and A/P balances with Floyd County Solid Waste at 12/31/05:

At the end of 2005, Southern District was in the middle of negotiating contract termination with Veolia Water. At the same time, it was experiencing cash flow problems, resulting in the District being behind several months in payments due to Floyd Solid Waste. Subsequent to the end of 2005, Southern District's cash flow position improved and it made catch-up payments to Floyd Solid Waste beginning in January 2006. As of August 31, 2006, the District was current with and remains current with its payments to Floyd Solid Waste.

It should also be noted that Southern District books the actual amount of solid waste accounts invoiced each month as well as actual solid waste payments received from customers. As there is never a 100% collection rate, there will always be an accounts receivable (from customers) and corresponding accounts payable to Floyd Solid Waste on the books. It is not Southern District's responsibility to collect outstanding accounts receivable from solid waste customers.

8. Based on Sandy Valley billing journal summary report for calendar 2005, the total number of Sandy Valley customers in January 2005 was 2,320, of which 1,173 were located in Pike County and 1,147 were in Floyd County. In December 2005, there were 2,335 Sandy Valley customers, of which 1,202 were in Pike County and 1,133 were in Floyd County.

Based on the December 2005 numbers, 51% of Sandy Valley customers are located in Pike County and 49% are located in Floyd County.

Again, based on system billing journal summary report for the months of January, June and September 2006, the location of Sandy Valley customers were as follows:

January: # located in Pike County: 1,212 (51.6%)
 # located in Floyd County: 1,134 (48.4%)
 2,346

June: # located in Pike County: 1,213 (51.2%)
 # located in Floyd County: 1,154 (48.8%)
 2,367

September: # located in Pike County: 1,222 (51.6%)
 # located in Floyd County: 1,146 (48.4%)
 2,368

Sandy Valley staff confirms that it is not unusual for fluctuation in the number of system customers over the period of a year, both increases and decreases.

9. Provide a copy of the most recent audit report for The City of Pikeville.

Wallen and Cornell, PSC
CERTIFIED PUBLIC ACCOUNTANTS
POST OFFICE BOX 1349
PIKEVILLE, KENTUCKY 41502

CITY OF PIKEVILLE, KENTUCKY
FINANCIAL STATEMENTS
For the year ended June 30, 2005

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4	Statement of Activities
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6	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
7	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
8	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds to the Statement of Activities
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59	Statement of Revenues and Expenses and Changes in Retained Earnings - Budget and Actual - Sewer Fund
60	Statement of Revenues and Expenses and Changes in Retained Earnings - Budget and Actual - Gas Fund



J. Don Wallen, CPA
Johnny C. Cornell, CPA
Johnny K. White, CPA
L. Kevin Puckett, CPA

606-432-8833
FAX 606-432-8466

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of
City of Pikeville, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Pikeville, Kentucky as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Pikeville, Kentucky's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The City's financial statements do not include the management discussion and analysis, which is required supplemental information.

In our opinion, except for the omission of the management discussion and analysis as noted in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pikeville, Kentucky, as of June 30, 2005, and the respective changes in financial position and cash flows thereof, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

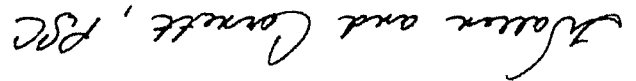
To the Board of Commissioners of
City of Pikeville, Kentucky

Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2005, on our consideration of the City of Pikeville, Kentucky internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the City of Pikeville, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

WALLEN AND CORNETT, P. S. C.



Certified Public Accountants
Pikeville, Kentucky
December 1, 2005

	Governmental	Business Type	Total
ASSETS			
Cash	\$3,705,637	\$1,307,996	\$5,013,633
Certificates of Deposit and Savings	1,216,175	0	1,216,175
Receivables (Net of Allowance for Uncollectibles)	54,808	0	54,808
Accounts	378,247	373,776	752,023
Prepaid Expenses	469	3,494	3,963
Restricted Assets	0	294,898	294,898
Cash	0	294,898	294,898
Certificates of Deposit	0	2,263,048	2,263,048
Other Receivables	0	27,564	27,564
Capital Assets, Net	42,496,011	18,594,688	61,090,699
TOTAL ASSETS	\$47,851,347	\$22,865,464	\$70,716,811
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts Payable	\$64,284	\$12,769	\$77,053
Accrued Expenses	0	0	0
Current Portion of Long-Term Debt	94,338	584,498	678,836
Customer's Deposit	0	52,016	52,016
Deferred Revenue	53,679	0	53,679
Payable from Restricted Assets	15,117	3,105	18,222
Matured Coupons Payable	4,000	0	4,000
Matured Bonds Payable	1,205,000	0	1,205,000
General Obligation Bonds Payable - Note B	0	4,187,713	4,187,713
Revenue Bonds Payable - Note B	52,420	3,843,897	3,896,317
Notes Payable - Note B	\$1,488,838	\$8,683,998	\$10,172,836
TOTAL LIABILITIES	\$1,488,838	\$8,683,998	\$10,172,836
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	\$41,144,253	\$9,978,580	\$51,122,833
Restricted For:	0	646,424	646,424
Reserve for Depreciation	0	971,370	971,370
Sinking Fund Reserve	0	387,000	387,000
Reserve For Operation and Maintenance	0	27,564	27,564
Reserved for Revenue Bond Retirement	(17,642)	0	(17,642)
Designated for Debt Service	5,235,898	2,170,528	7,406,426
Unrestricted	\$46,362,509	\$14,181,466	\$60,543,975
TOTAL NET ASSETS	\$47,851,347	\$22,865,464	\$70,716,811

The accompanying notes are an integral part of the combined financial statements.

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF ACTIVITIES
JUNE 30, 2005

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$1,934,866	\$0	\$0	\$0	(\$1,934,866)		(\$1,934,866)
Public Safety	3,846,327	0	0	0	(3,846,327)		(3,846,327)
Streets	1,908,490	0	0	0	(1,908,490)		(1,908,490)
Parking Garage	27,701	0	0	0	(27,701)		(27,701)
Recreation	462,451	0	0	0	(462,451)		(462,451)
Lake Cleanup	14,054	0	0	0	(14,054)		(14,054)
Landscape	93,318	0	0	0	(93,318)		(93,318)
Pikeville Redevelopment Project	428,047	0	0	0	(428,047)		(428,047)
Other	7,627	0	0	0	(7,627)		(7,627)
Total Governmental Funds	\$8,722,881	\$0	\$0	\$0	(\$8,722,881)		(\$8,722,881)
Business-Type Activities							
Water	\$2,381,172	\$1,819,950	\$0	\$29,037		(\$532,185)	(\$532,185)
Sewer	1,054,387	930,042	0	0		(124,345)	(124,345)
Gas	2,155,809	2,035,248	0	0		(120,561)	(120,561)
Other	934,615	1,058,550	0	0		123,935	123,935
Total Business-type Activities	\$6,525,983	\$5,843,790	\$0	\$29,037		(\$653,156)	(\$653,156)
Total Primary Government	\$15,248,864	\$5,843,790	\$0	\$29,037		(\$652,594)	(\$652,594)
General Revenues-- Detailed:							
Ad Valorem Taxes					\$862,189		\$862,189
Franchise Taxes					301,722		301,722
Occupational License Fees					5,218,753		5,218,753
ABC Licenses					150,040		150,040
Intergovernmental Revenue					3,716,759		3,716,759
Other Grants					207,062		207,062
Interest Income					113,998	78,705	192,703
Other					888,441		888,441
Royalties					0	5,856	5,856
Gain on disposal of assets					6,860	1,223	8,083
Transfers					(979,496)	979,496	0
Total General Revenues, Contributions, Special Items, and Transfers					\$10,486,328	\$1,065,280	\$11,551,608
Change in Net Assets					\$1,763,447	\$412,124	\$2,175,571
Net Assets - Beginning					44,599,062	-13,769,342	58,368,404
Net Assets - Ending					\$46,362,509	\$14,181,466	\$60,543,975

The accompanying notes are an integral part of the combined financial statements.

CITY OF PIKEVILLE, KENTUCKY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General	Projects Control	Downtown Utility Relocation	Parking Garage Construction	Other Government Funds	Total Governmental Funds
ASSETS						
Cash and Investments						
Cash	\$2,299,602	\$484,716	\$155,640	\$38,437	\$727,242	\$3,705,637
Certificates of Deposit and Savings	982,428	0	0	0	233,747	1,216,175
Receivables (Net of Allowance for Uncollectibles)						
Taxes	54,808	0	0	0	0	54,808
Accounts	10,296	0	0	367,951	0	378,247
Prepaid Expenses	469	0	0	0	0	469
TOTAL ASSETS	\$3,347,603	\$484,716	\$155,640	\$406,388	\$960,989	\$5,355,336
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts Payable	\$64,284	\$0	\$0	\$0	\$0	\$64,284
Accrued Expenses	0	0	0	0	0	0
Customer's Deposit	0	0	0	0	0	0
Deferred Revenue	53,679	0	0	0	0	53,679
Payable from Restricted Assets	0	0	0	0	15,117	15,117
Matured Coupons Payable	0	0	0	0	4,000	4,000
Matured Bonds Payable	0	0	0	0	0	0
TOTAL LIABILITIES	\$117,963	\$0	\$0	\$0	\$19,117	\$137,080
FUND BALANCES						
Designated for Debt Service	\$0	\$0	\$0	\$0	(\$17,642)	(\$17,642)
Undesignated	3,229,640	484,716	155,640	406,388	959,514	5,235,898
TOTAL FUND BALANCES	\$3,229,640	\$484,716	\$155,640	\$406,388	\$941,872	\$5,218,256
TOTAL LIABILITIES AND FUND BALANCES	\$3,347,603	\$484,716	\$155,640	\$406,388	\$960,989	\$5,355,336

The accompanying notes are an integral part of the combined financial statements.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2005

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$5,218,256
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the fund statements.	42,496,011
Long-Term Liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,351,758)
	<u>\$46,362,509</u>

The accompanying notes are an integral part of the combined financial statements.

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2005

	General	Projects Control	Downtown Utility Relocation	Parking Garage Construction	Other Funds	Totals
REVENUES						
Ad Valorem Taxes	\$862,189	\$0	\$0	\$0	\$0	\$862,189
Franchise Taxes	301,722	0	0	0	0	301,722
Occupational License Fees	5,218,753	0	0	0	0	5,218,753
Permits and Fees	213,164	0	0	0	0	213,164
Intergovernmental Revenue	365,832	735,772	1,094,936	790,726	729,493	3,716,759
Other Grants	0	4,562	0	0	202,500	207,062
Interest Income	86,562	7,758	4,208	93	15,377	113,998
Other Revenue	814,354	0	0	8,319	2,644	825,317
Total Revenues	\$7,862,576	\$748,092	\$1,099,144	\$799,138	\$950,014	\$11,458,964
EXPENDITURES						
CURRENT						
General Government	\$1,405,295	\$0	\$0	\$0	\$0	\$1,405,295
Public Safety	3,680,508	0	0	0	0	3,680,508
Streets	968,412	0	0	0	0	968,412
Parking Garage	28,184	0	0	0	0	28,184
Recreation	461,418	0	0	0	0	461,418
Lake Cleanup	18,259	0	0	0	0	18,259
Landscape	93,318	0	0	0	0	93,318
Other	0	2	0	0	7,625	7,627
Capital Outlay	0	435,966	1,485,870	854,138	432,565	3,208,539
Debt Service						
Principal Retirement	33,468	2,632	0	0	80,000	116,100
Interest	4,732	137	0	0	42,315	47,184
Grants / Loan Advances	0	0	0	0	0	0
Total Expenditures	\$6,693,594	\$438,737	\$1,485,870	\$854,138	\$562,505	\$10,034,844
Excess of Revenues Over (Under) Expenditures	\$1,168,982	\$309,355	(\$386,726)	(\$55,000)	\$387,509	\$1,424,120
OTHER FINANCING SOURCES (USES)						
Proceeds from Long-Term Debt	\$0	\$0	\$0	\$0	\$0	\$0
Proceeds from Sale of Fixed Assets	0	0	0	0	15,550	15,550
Operating Transfers In	9	265,122	51,823	55,000	0	371,954
Operating Transfers Out	(873,500)	(549,186)	0	0	71,236	(1,351,450)
Total Other Financing Sources (Uses)	(\$873,491)	(\$284,064)	\$51,823	\$55,000	\$86,786	(\$963,946)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)						
	\$295,491	\$25,291	(\$334,903)	\$0	\$474,295	\$460,174
FUND BALANCES - BEGINNING OF YEAR						
	2,934,149	459,425	490,543	406,388	467,577	4,758,082
FUND BALANCES-END OF YEAR						
	\$3,229,640	\$484,716	\$155,640	\$406,388	\$941,872	\$5,218,256

The accompanying notes are an integral part of the combined financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2005

	Net change in fund balances - total governmental funds.	\$ 460,174
Amounts reported for the governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense.	2,594,518	
The cost of capital assets is allocated over their useful lives and reported as depreciation expense.	(1,423,442)	
The repayment of debt principal is an expenditure of governmental funds, but the repayment reduces long-term debt in the statement of net assets.	116,100	
Proceeds from debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	0	
Other	16,097	
Change in net assets of governmental activities	<u>\$ 1,763,447</u>	

The accompanying notes are an integral part of the combined financial statements.

CITY OF PIKEVILLE, KENTUCKY

FUND BALANCE SHEET
PROPRIETARY FUNDS
June 30, 2005

	Water Fund	Sewer Fund	Gas Fund	Other Funds	Total
ASSETS					
Cash	\$150,540	\$40,145	\$791,842	\$325,469	\$1,307,996
Customer's Accounts Receivable	127,846	75,303	94,889	75,738	373,776
Inventory	0	0	0	0	0
Prepaid Expenses	0	0	3,494	0	3,494
Due From Other Funds	0	0	0	0	0
Property, Plant and Equipment	9,874,415	7,624,426	827,450	268,397	18,594,688
Restricted Assets:					
Cash	151,973	42,773	13,683	86,469	294,898
Certificates of Deposit	984,868	1,278,180	0	0	2,263,048
Other Receivables	6,654	20,910	0	0	27,564
TOTAL ASSETS	\$11,296,296	\$9,081,737	\$1,731,358	\$756,073	\$22,865,464

LIABILITIES AND NET ASSETS

	Water Fund	Sewer Fund	Gas Fund	Other Funds	Total
LIABILITIES					
Accounts Payable	\$9,832	\$0	\$2,937	\$0	\$12,769
Accrued Expenses	0	0	0	0	0
Current Portion of Long-Term Debt	356,421	228,077	0	0	584,498
Customer's Deposits	0	0	0	52,016	52,016
Notes Payable	997,041	2,846,856	0	0	3,843,897
Bonds Payable (Note B)	4,187,713	0	0	0	4,187,713
Restricted Liabilities:					
Matured Bonds Payable	0	0	0	0	0
Matured Coupons Payable	0	0	3,105	0	3,105
Total Liabilities	\$5,551,007	\$3,074,933	\$6,042	\$52,016	\$8,683,998

NET ASSETS

Invested in capital Assets, net of related debt	\$4,333,240	\$4,549,493	\$827,450	\$268,397	\$9,978,580
Reserve for Depreciation	441,214	205,210	0	0	646,424
Sinking Fund Reserve	654,265	314,000	3,105	0	971,370
Reserve for Operation and Maintenance	0	387,000	0	0	387,000
Reserve for Revenue Bond Retirement, et al	6,654	20,910	0	0	27,564
Unreserved	309,916	530,191	894,761	435,660	2,170,528
Total Net Assets	\$5,745,289	\$6,006,804	\$1,725,316	\$704,057	\$14,181,466
TOTAL LIABILITIES AND NET ASSETS	\$11,296,296	\$9,081,737	\$1,731,358	\$756,073	\$22,865,464

The accompanying notes are an integral part of the financial statements.

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 For The Fiscal Year Ended June 30, 2005

	Water	Sewer	Gas	Other Funds	TOTALS
OPERATING REVENUES	\$1,819,950	\$930,042	\$2,035,248	\$1,058,550	\$5,843,790
OPERATING EXPENSES					
Personnel Costs	\$18,000	\$0	\$5,467	\$0	\$23,467
Gas Purchased	0	0	1,543,585	0	1,543,585
Contractual Services	1,428,608	612,232	463,561	506,300	3,010,701
Dumping Fees	0	0	0	291,784	291,784
Repairs and Maintenance	76,182	46,329	11,627	4,296	138,434
Operational	42,358	8,143	36,973	51,683	139,157
Bad Debts	(7,000)	2,817	5,192	2,684	3,693
Depreciation	415,731	321,967	89,404	77,404	904,506
Total Operating Expenses	\$1,973,879	\$991,488	\$2,155,809	\$934,151	\$6,055,327
Operating Income (Loss)	(\$153,929)	(\$61,446)	(\$120,561)	\$124,399	(\$211,537)
NONOPERATING INCOME (EXPENSES)					
Royalties	\$0	\$0	\$5,856	\$0	\$5,856
Interest Income	28,693	32,521	12,741	4,750	78,705
Interest Expense	(368,810)	(68,565)	0	(464)	(437,839)
Premium (Discount) on Debt Restructuring	(38,483)	5,666	0	0	(32,817)
Gain (Loss) on Disposition of Fixed Assets	0	0	0	1,223	1,223
Grant	29,037	0	0	0	29,037
Total Nonoperating Income (Expense)	(\$349,563)	(\$30,378)	\$18,597	\$5,509	(\$355,835)
NET INCOME (LOSS)(Before Transfers)	(\$503,492)	(\$91,824)	(\$101,964)	\$129,908	(\$567,372)
TRANSFERS					
Operating Transfers In	\$307,000	\$738,904	\$2,441	\$0	\$1,048,345
Operating Transfers (Out)	(48,849)	\$0	0	(20,000)	(68,849)
Total Transfers	\$258,151	738,904	\$2,441	(\$20,000)	\$979,496
NET INCOME (LOSS)	(\$245,341)	\$647,080	(\$99,523)	\$109,908	\$412,124
NET ASSETS - BEGINNING OF YEAR	\$5,990,630	\$5,359,724	\$1,824,839	\$594,149	\$13,769,342
NET ASSETS - END OF YEAR	\$5,745,289	\$6,006,804	\$1,725,316	\$704,057	\$14,181,466

The accompanying notes are an integral part of the combined financial statements.

CITY OF PIKEVILLE, KENTUCKY
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 June 30, 2005

	Water Fund	Sewer Fund	Gas Fund	Other Funds	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers	\$1,811,285	\$899,554	\$2,003,733	\$1,047,053	5,761,625
Cash Received from Other Operating Revenues	77,760	12,128	20,888	4,276	115,052
Miscellaneous Revenues	0	15,836	0	0	15,836
Cash Payments for Personnel Costs	(18,000)	0	(5,467)	0	(23,467)
Cash Payments for Gas Purchases	0	0	(1,543,585)	0	(1,543,585)
Cash Payments for Contractual Services	(1,428,608)	(612,232)	(463,561)	(493,556)	(2,997,957)
Cash Payments for Other Operating Expenses	(258,630)	(54,472)	(47,215)	(336,973)	(697,290)
Net Cash Provided by Operating Activities	\$183,807	\$260,814	(\$35,207)	\$220,800	\$630,214
Cash Flows from Non-Capital Financing Activities					
Proceeds from Asset Dispositions	\$0	\$0	\$0	\$1,223	\$1,223
Operating Transfers In	307,000	738,904	2,441	0	1,048,345
Operating Transfers (Out)	(48,849)	0	0	(20,000)	(68,849)
Increase in Restricted Other Receivables	279,993	49,551	0	0	329,544
Other	29,037	0	0	0	29,037
Net Cash Flows from Non-Capital Financing Activities	\$567,181	\$788,455	\$2,441	(\$18,777)	\$1,359,300
Cash Flows from Capital Financing Activities					
Interest Expense	(\$368,810)	(\$68,565)	\$0	(\$464)	(\$437,839)
Premium (Discount) on Debt Restructuring	(38,483)	\$5,666	\$0	0	(32,817)
Maturing Coupons & Bonds	0	0	0	0	0
Retirement of Principal	(439,885)	(428,731)	0	(30,858)	(899,474)
Net Cash Flows from Capital Financing Activities	(\$847,178)	(\$491,630)	\$0	(\$31,322)	(\$1,370,130)
Cash Flows from Investing Activities					
Proceeds From Long-Term Debt	\$0	\$0	\$0	\$0	\$0
Discount on Sale of Bonds	(59,419)	(514,307)	(10,332)	(112,354)	(696,412)
Purchase of Fixed Assets	0	0	5,856	0	5,856
Royalties	28,693	32,521	12,741	4,750	78,705
Interest Income	(\$30,726)	(\$491,786)	\$8,255	(\$107,604)	(\$611,851)
Net Cash Flows from Investing Activities	(\$126,916)	\$75,853	(\$24,501)	\$63,097	(\$12,467)
Cash and Cash Equivalents at Beginning of Year	1,414,297	1,285,245	830,026	348,841	3,878,409
Cash and Cash Equivalents at End of Year	\$1,287,381	\$1,361,098	\$805,525	\$411,938	\$3,865,942
RECONCILIATION OF INCOME (LOSS) FORM OPERATING ACTIVITIES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Income (Loss) from Operations	(\$153,929)	(\$61,446)	(\$120,561)	\$124,399	(\$211,537)
Adjustments to Reconcile Income From Operations to Net Cash Provided by Operating Activities:					
Depreciation and Amortization	415,731	321,967	89,404	77,404	904,506
(Increase) Decrease in Customer Accounts Receivable	62,095	293	(5,295)	(4,537)	52,556
(Increase) Decrease in Prepaid Expenses	0	0	(140)	0	(140)
(Increase) Decrease in Due From Other Funds	0	0	0	0	0
Increase (Decrease) in Accounts Payable	(140,090)	0	1,385	0	(138,705)
Increase (Decrease) in Accrued Expenses	0	0	0	0	0
Increase (Decrease) in Due To Other Funds	0	0	0	0	0
Increase (Decrease) in Customer Deposits	0	0	0	23,534	23,534
Net Cash Provided by Operating Activities	\$183,807	\$260,814	(\$35,207)	\$220,800	\$630,214

The accompanying notes are an integral part of the financial statements.

CITY OF PIKEVILLE, KENTUCKY
 FIDUCIARY FUND - AGENCY
 BALANCE SHEET
 June 30, 2005

	ASSETS			
	Cash			
	Certificates of Deposits \ Savings			
	TOTAL ASSETS			\$32,287
				244,441
				<u>\$276,728</u>
				<u>\$276,728</u>
	LIABILITIES AND FUND BALANCE			
	Accrued Liabilities			
	TOTAL LIABILITIES			276,728
				<u>\$276,728</u>
				0
	FUND BALANCE UNRESERVED - UNDESIGNATED			
	TOTAL LIABILITIES AND FUND BALANCE			<u>\$276,728</u>

The accompanying notes are an integral part of the financial statements
 Wallen and Cornell • CERTIFIED PUBLIC ACCOUNTANTS • PIKEVILLE, KENTUCKY 41502

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pikeville, Kentucky (City) operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highway and streets, water/sewer, gas, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Proprietary funds apply Financial Accounting Standards Boards (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The more significant of the City's accounting policies are described below.

1 - Related Organizations

The accounts of the related entities listed below are not included because these entities are autonomous agencies operating independently from the City. Their elected or appointed board contracts independently for audits of their financial statements.

- a) Pikeville Independent School Board,
- b) Pikeville Housing Authority,
- c) Pikeville/Pike County Public Library,
- d) Industrial Development and Economic Authority (IDEA)
- e) The Main Street Program
- f) Historic Preservation Board
- g) Tourism Commission
- h) Swim Team Board
- i) Park Board
- j) Pikeville/Pike County/Elkhorn City Joint Planning Commission

2 - Government-Wide and Fund Financial Statements
a) Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The primary governments are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

b) Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, franchise taxes (fees), and hotel/motel taxes. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

4 - Fund Types and Major Funds
The City reports the following major funds:

a) Governmental Funds

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Projects Control - are used to account for the construction of major capital facilities (other than those financed by proprietary funds). Principal sources of revenue are grants, City funding, and municipal long-term debt proceeds and interest income.

Downtown Utility Relocation - is used to account for the relocation of electric, telephone, and television cabling to under ground conduits. Principal sources of revenue are grants, City funding, and interest income.

Parking Garage - is being used to account for the construction of a parking garage. Principal sources of revenue are grants, City funding, and interest income.

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
 4 - Fund Types and Major Funds (concluded)

b) Proprietary Funds

The City reports the following major enterprise funds:

- Water* – accounts for the operating activities of the City's water utilities service.
- Sewer* – accounts for the operating activities of the City's sewer utilities service.
- Gas* – accounts for the operating activities of the City's natural gas utilities service.
- Sanitation* – accounts for the operating activities of the City's garbage collection service.

c) Other Fund Types

The city also reports the following fund type:

Agency – report fiduciary resources held by the City in a custodial capacity as an agent on behalf of others. The City's agency fund is used to account for various deposits.

5 - Fixed Assets

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The City has complied with GASB 34 and included certain infrastructure assets in the government-wide financial statements. A listing of streets and their respective length, in feet, were provided by the city engineer with an estimated replacement cost per foot. The weighted-average age of the streets were used to determine the date in which to book the streets. The replacement cost per foot was discounted back to that date and applied to the accumulated depreciation is calculated from that date to present. Also, the City's bridges were booked using same method on a "per square foot" basis.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increase (revenues) and decrease (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Utility plant	40 years
Machinery and Equipment	5-10 years

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6 - Budgets and Budgetary Accounting

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

- a) In accordance with the City Charter, prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with actual for the current year and prior year budget. The City Charter requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.

- b) Public hearings are conducted to obtain taxpayer comment.
- c) Prior to June 30, the budget is to be legally enacted through passage of an ordinance.

- d) Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Funds.

- e) Budgets for the General, Debt Service, Special Revenue Funds, and Enterprise Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

- f) Budgetary data for the Capital Project Funds has not been presented in the accompanying combined and combining financial statements as such funds are budgeted over the life of the respective project and not on an annual basis.

- g) Appropriations lapse at the end of each fiscal year.

- h) The City Council may authorize supplemental appropriations during the year.

7 - Investments Policy

With prior approval of the Mayor and City Commission the Finance Director may invest in obligations of the United States and its agencies and instrumentality.

Without prior approval of the Mayor and City Commission the Finance Director may invest in certificates of deposit issued by or other-interest bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by section 41.240(4) of the Kentucky Revised Statutes.

For the fiscal year ended June 30, 2005 the City invested only in certificates of deposit and savings accounts. Investments are stated at cost or amortized cost approximates market.

8 - Restricted Assets

These assets consist of cash and short-term investments restricted for debt service.

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9 - Reserves
 The City records reserves to indicate that a portion of the retained earnings and fund balance is legally segregated for a specific future use. Following is a description of each reserve used by the City and a list of all reserves:

Reserve for Debt Service - An account used to segregate a portion of fund balance for debt service resources restricted to accumulate to the maximum amount of principal and interest that will become due in any subsequent twelve-month period per the bond covenants.

Reserve for Operation and Maintenance - An account used to segregate a portion of fund balance restricted for operating and maintaining the system. The reserve reflects amounts accumulated to a balance specified in the bond covenant.

Reserve for Sinking Fund - An account used to segregate a portion of fund balance for debt service resources restricted to the payment of long-term debt principal and interest amounts maturing in future years when sufficient amounts are not reserved in bond debt service accounts.

Reserve for depreciation - An account used to segregate a portion of fund balance for amortization of capital expenditures as required per bond covenant.

	2005	2004
A) Water-Sewer Fund		
Reserve for Revenue Bond Retirement:		
1988 Issue	\$ 6,554	\$ 246,377
1988 Issue	5,510	46,101
1993 KIA	15,400	64,343
Total Reserves for Debt Service	\$ 27,564	\$ 356,821
Reserve for Operations and Maintenance		
1995 Sewer Extension	\$ 387,000	\$ 344,000
Total Reserves for Operations and Maintenance	\$ 387,000	\$ 344,000
Reserve for Sinking Fund		
1988 Issue	\$ 654,265	\$ 617,944
1992 KIA	314,000	314,000
Total Reserve for Sinking Fund	\$ 968,265	\$ 931,944
Reserve for Depreciation		
1988/1985 Issue	\$ 411,000	\$ 411,000
1992 Issue	159,961	159,961
1993 KIA	44,893	44,893
Thompson Road Sewer	30,570	30,570
Total Reserves for Depreciation	\$ 646,424	\$ 646,424
B) Gas Fund		
Reserve for Sinking Fund 1976 Issue	\$ 3,105	\$ 3,105
Total Reserves for Debt Service	\$ 3,105	\$ 3,105

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10 - Revenue Recognition - Property Taxes

The City's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for both real and personal property located in the City. The City adopts the county assessment of property situated within the city limits, for both real and personal property. The assessed value of the roll, upon which the levy for 2005 fiscal year was based, was \$335,994,392 real and \$56,913,556 tangible.

The tax rates assessed for the year ended June 30, 2005 were \$.171 per \$100 valuation for real estate and \$.175 per \$100 valuation for tangible personal property.

Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2005 were 97.39% of the tax levy. Property taxes on vehicles are assessed at January 1, and are billed when the vehicle is licensed. These funds are collected by the Pike County Court Clerk and remitted to the City. These amounts were not used in computing the above percentage.

All property tax revenues are recognized and recorded when they become measurable and available. Available means due, or past due and receivable within the current period and collected no longer than sixty days after the close of the current period.

Property taxes receivable as of June 30, 2005 and 2004 are composed of the following:

Year of Levy	Amount	2005	Amount	2004
2004	\$	17,432	\$	0
2003		11,188		21,746
2002		9,068		11,649
2001		6,657		7,664
2000		9,527		9,839
1999		7,950		9,953
1998		8,587		10,287
1997		9,937		11,840
1996		9,893		11,614
1995		11,098		11,944
1994		14,834		15,239
1993		9,489		9,647
1992		9,134		9,134
1991		6,766		6,766
1990		6,112		6,112
1989		0		6,672
Less: Allowance for doubtful accounts		147,672	\$	160,106
Net Property Taxes Receivable		\$ 54,808	\$	57,942

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11 - Receivables - Proprietary Funds

Receivables are recorded at net realizable value. Net realizable value is equal to gross receivables less an allowance for uncollectable accounts.

	2005					2004					
Total Accounts Receivable	\$ 114,904	\$ 154,813	\$ 91,187	\$ 91,714	\$ 452,618	Total Accounts Receivable	\$ 106,098	\$ 224,930	\$ 89,522	\$ 84,317	\$ 504,867
Less: Allowance for Doubtful Accounts	20,015	26,967	15,976	15,884	78,842	Less: Allowance for Doubtful Accounts	16,504	34,989	13,926	13,116	78,535
Net Receivables	\$ 94,889	\$ 127,846	\$ 75,211	\$ 75,830	\$ 373,776	Net Receivables	\$ 89,594	\$ 189,941	\$ 75,596	\$ 71,201	\$ 426,332

12 - Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is entitled to receive accrued vacation but not accrued sick leave. Accumulated vacation pay at June 30, 2005, was \$17,151.

13 - Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Gas Fund, Water and Sewer Fund, and the Sanitation Fund; all highly liquid investments (including restricted assets) were considered to be cash equivalents. Highly liquid investments are defined as investments that (a) are readily convertible to known amounts of cash and/or (b) are near to their maturity that they present insignificant risk of changes in value because of changes in interest rates.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE B - LONG-TERM DEBT

The following is a summary of bonds and notes payable of the City for the year ended June 30, 2005

CHANGES IN LONG-TERM DEBT:

DESCRIPTION	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Bonds	\$ 1,365,000	\$ 0	\$ 80,000	\$ 1,285,000
Revenue Bonds	4,499,683	0	137,683	4,362,000
Less: Discount	-27,060	0	-2,773	-24,287
N/P - KIA	1,460,092	0	168,241	1,291,851
N/P - KIA - B 291-08	468,196	0	46,235	421,961
N/P - KIA - C 92-04	283,216	0	78,216	205,000
N/P - KIA - B 93-05	346,659	0	30,425	316,234
N/P - KIA - A 94-20	1,341,424	0	104,577	1,236,847
N/P - USDA - Rural Development	654,000	0	7,500	646,500
N/P - KIA Fund C88-43	386,241	0	251,241	135,000
N/P - KIA Fund C88-44	72,273	0	47,273	25,000
N/P - KIA Fund E99-04	30,857	0	30,857	0
C/L - Pitney Bowes	17,845	0	5,857	11,988
N/P - Kentucky Housing Corporation	13,712	0	11,863	1,849
N/P - Kentucky National Bank	58,914	0	5,993	52,921
N/P - FIRSTAR Bank	21,619	0	21,619	0
Total	\$ 10,992,671	\$ 0	\$ 1,024,807	\$ 9,967,864

N/P = Note Payable CL = Capitalized Lease

NOTE B - LONG-TERM DEBT (Continued)

Bonds and notes payable as of June 30, 2005 are comprised of the following:

	General Obligation Bonds	\$ 1,440,000
	Series 2003 maturing through 2018, with interest at 3.100% Maturing in June 2018	
	Total General Obligation Bonds	\$ 1,285,000
	Revenue Bonds	
	Bank of New York Trust Company, N.A. - Refunding of \$3,354,000 1985 Series A Revenue Bonds maturing through 2025, with interest at 5%	\$ 2,477,000
	\$2,285,000 Series 1998 Refunding Revenue Bonds maturing through 2021, with interest at 4.705% (Estimated average rate over maturity of bonds)	1,885,000
	Total Revenue Bonds	\$ 4,362,000
	Less: Discounts	24,287
	Net Revenue Bonds Payable	\$ 4,337,713
	Total Bonds Payable	\$ 5,622,713

KENTUCKY INFRASTRUCTURE AUTHORITY - \$1,251,660 1988 through 2008, with interest at 4.0% - 4.375%.

The loan was restructured in the fiscal year ended June 30, 2005. Debt service reserve was applied to principal balance. Interest after restructure are 2.250% to 4.040% with the last payment due June 1, 2008.

\$ 135,000

KENTUCKY INFRASTRUCTURE AUTHORITY - \$234,208 1988 through 2008, with interest at 4.0% - 4.375%.

The loan was restructured in the fiscal year ended June 30, 2005. Debt service reserve was applied to principal balance. Interest after restructure are 2.250% to 4.040% with the last payment due June 1, 2008.

25,000

KENTUCKY INFRASTRUCTURE AUTHORITY (NOTE O) - This note is for the construction of additions to the City's wastewater treatment plant. The note will be repaid at an interest rate of 2.3% in semi-annual installments starting December 1, 1992, and the last payment being on June 1, 2012.

1,291,851

KENTUCKY INFRASTRUCTURE AUTHORITY - This note is for the construction of additions to the City's water distribution system, these include the Yorktown extension, Cedar Gap water tank and Island Creek tie. The note will be repaid at an average interest rate of 4.643% in semi-annual installments starting April 1, 1993, and the last payment being on June 1, 2013.

The loan was restructured in the fiscal year ended June 30, 2005. Debt service reserve was applied to principal balance. Interest after restructure are 2.250% to 5.190% with last payment due June 2, 2013.

205,000

KENTUCKY INFRASTRUCTURE AUTHORITY - This note is for the construction of additions to the City's water distribution system, these include the Yorktown extension, Cedar Gap water tank and Island Creek tie. The note will be repaid at an interest rate of 2.9% in semi-annual installments starting December 1, 1993, and the last payment being on June 1, 2013.

421,962

NOTE B - LONG-TERM DEBT (Continued)

	KENTUCKY INFRASTRUCTURE AUTHORITY - This note is for the construction of additions to the City's water distribution and sewer system, this includes the Thompson Road Sewer Extension. The note will be repaid at an interest rate of 1.7% in annual installments starting December 1, 1995 and the last payment being on December 1, 2014.
	KENTUCKY INFRASTRUCTURE AUTHORITY - This note is for the construction of additions to the City's sewer system. The note will be repaid at an interest rate of 1.2% in annual installments starting December 1, 1996, and the last payment being on June 1, 2016. Total loan amount is \$2,114,295 with \$557,228 being drawn down in the fiscal year ending June 30, 1997.
	KENTUCKY INFRASTRUCTURE AUTHORITY - This note is for the purchase of garbage trucks. The note will be repaid at an interest rate of 2% in annual installments starting December 1, 2000, and the last payment being on June 1, 2005. Total loan amount is \$170,500 with \$148,328 being drawn down in the fiscal year ending June 30, 2000.
	KENTUCKY HOUSING CORPORATION - AFFORDABLE HOUSING TRUST FUND LOAN - This note is for funding of administration costs of the Sycamore and Kentucky Avenue project Phase I & Phase II. The note will be repaid at an interest rate of 1% in annual installments starting February 1, 2001, with the last payment being due on February 1, 2005.
	KENTUCKY NATIONAL BANK - This loan was for the construction of locker rooms at the Hambley Athletic Complex. It is secured with a mortgage on the locker room building. The Loan is for a term of twelve years, with a monthly installment of \$780.83, at an interest rate of 6.00%, with the last payment being due on June 6, 2012.
	FIRSTAR BANK - For the drainage improvements in the Bowles Addition of Pikeville. The agreement is for a term of five years, a semi annual installment of \$21,720.38, at an interest rate of 5.02%, with the last payment due on August 2, 2004.
	0
	USDA - RURAL DEVELOPMENT - Loan for water system improvements. The loan is for a term of 40 years, with annual installments of \$36,301, at an interest rate of 4.50%, with the last installment due in 2041.
	646,500
	Pitney Bowes - Capital lease of a folding machine. The lease is for a term of 4 years, with monthly installments of \$545.00, at an interest rate of 4.50%, with the last payment due in May 2007.
	11,988
	<u>Total</u> \$ <u>9,967,864</u>

NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005

NOTE B - LONG-TERM DEBT (Concluded)

CURRENT MATURITIES

The maturities of the Bonds Payable are as follows:

	Principal Portion			Interest Portion		
	2006	2007	2008	2006	2007	2008
General Obligation Bonds	\$ 80,000	\$ 85,000	\$ 85,000	\$ 80,000	\$ 85,000	\$ 85,000
Water	\$ 150,000	\$ 159,000	\$ 163,000	\$ 150,000	\$ 159,000	\$ 163,000
Sewer	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Gas	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL	\$ 230,000	\$ 244,000	\$ 248,000	\$ 230,000	\$ 248,000	\$ 244,000

	Principal Portion			Interest Portion		
	2006	2007	2008	2006	2007	2008
General Obligation Bonds	\$ 80,000	\$ 85,000	\$ 85,000	\$ 80,000	\$ 85,000	\$ 85,000
Water	\$ 150,000	\$ 159,000	\$ 163,000	\$ 150,000	\$ 159,000	\$ 163,000
Sewer	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Gas	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL	\$ 230,000	\$ 244,000	\$ 248,000	\$ 230,000	\$ 248,000	\$ 244,000

	General Obligation Bonds			Revenue Bonds		
	2006	2007	2008	Water	Sewer	Gas
2006	\$ 39,835	\$ 253,040	\$ 253,040	\$ 253,040	\$ 0	\$ 0
2007	37,355	243,585	243,585	243,585	0	0
2008	34,720	233,440	233,440	233,440	0	0
2009	32,085	223,095	223,095	223,095	0	0
2010	29,295	212,088	212,088	212,088	0	0
2011-2015	101,990	874,108	874,108	874,108	0	0
2016-2020	21,700	500,590	500,590	500,590	0	0
2021-2025	0	141,319	141,319	141,319	0	0
Total	\$ 296,980	\$ 2,681,265	\$ 2,681,265	\$ 2,681,265	\$ 0	\$ 0

The maturities of the Notes Payable and Capital Leases are as follows:

	General Long-Term Debt			Proprietary Funds			Principal			Interest			Total		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
2006	\$ 14,338	\$ 434,499	\$ 448,837	\$ 434,499	\$ 448,837	\$ 448,837	\$ 103,701	\$ 103,701	\$ 103,701	\$ 552,538	\$ 552,538	\$ 552,538	\$ 552,538	\$ 552,538	\$ 552,538
2007	12,619	451,673	464,292	451,673	464,292	464,292	93,716	93,716	93,716	558,008	558,008	558,008	558,008	558,008	558,008
2008	7,174	460,004	467,178	460,004	467,178	467,178	82,887	82,887	82,887	550,065	550,065	550,065	550,065	550,065	550,065
2009	7,617	412,495	420,112	412,495	420,112	420,112	71,436	71,436	71,436	491,548	491,548	491,548	491,548	491,548	491,548
2010	8,087	420,651	428,738	420,651	428,738	428,738	61,578	61,578	61,578	490,316	490,316	490,316	490,316	490,316	490,316
2011-2015	16,923	1,430,785	1,447,708	1,430,785	1,447,708	1,447,708	176,870	176,870	176,870	1,624,578	1,624,578	1,624,578	1,624,578	1,624,578	1,624,578
2016-2020	0	186,787	186,787	186,787	186,787	186,787	117,675	117,675	117,675	304,462	304,462	304,462	304,462	304,462	304,462
2021-2025	0	84,500	84,500	84,500	84,500	84,500	101,070	101,070	101,070	185,570	185,570	185,570	185,570	185,570	185,570
2026-2030	0	105,000	105,000	105,000	105,000	105,000	80,325	80,325	80,325	185,325	185,325	185,325	185,325	185,325	185,325
2031-2035	0	131,000	131,000	131,000	131,000	131,000	54,428	54,428	54,428	185,428	185,428	185,428	185,428	185,428	185,428
2036-2040	0	161,000	161,000	161,000	161,000	161,000	22,410	22,410	22,410	183,410	183,410	183,410	183,410	183,410	183,410
Total	\$ 66,758	\$ 4,278,394	\$ 4,345,152	\$ 4,278,394	\$ 4,345,152	\$ 4,345,152	\$ 966,096	\$ 966,096	\$ 966,096	\$ 5,311,248	\$ 5,311,248	\$ 5,311,248	\$ 5,311,248	\$ 5,311,248	\$ 5,311,248

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE C - LEASE COMMITMENTS

BELL SOUTH TELECOMMUNICATIONS - A one year lease with Bell South Telecommunications, Inc. for equipment to be used in the E-911 Service, payments are monthly in the amount of \$1,732.20. Lease is automatically renewed for one-year terms. Lease is cancelable by either party upon ninety days written notice.

The related future minimum lease payments are as follows:

2006	\$ 20,786
2007	20,786
2008	20,786
2009	20,786
2010	20,786
Total	\$ 103,930

NOTE D - CHANGES IN CAPITAL ASSETS

The following is a summary of changes in the Capital Assets as of June 30, 2005.

CHANGES IN FIXED ASSETS - GOVERNMENTAL ACTIVITIES

ASSETS		ACCUMULATED DEPRECIATION							
Description	Beginning Cost	Additions	Deletions	Ending Cost	Description	Beginning Balance	Provisions Current	Deletions	Ending Balance
Property, Plant, and Equipment	\$ 19,686,091	\$ 9,745,030	\$ 0	\$ 29,431,121	Property, Plant, and Equipment	\$ 3,664,486	\$ 405,453	\$ 0	\$ 4,069,939
Vehicles	3,082,575	0	211,646	2,870,929	Vehicles	2,102,709	209,879	204,146	2,108,442
Equipment	2,406,546	220,779	147,091	2,480,234	Equipment	2,105,889	118,394	145,901	2,078,382
Infrastructure	26,896,820	2,075,492	0	28,972,312	Infrastructure	19,082,932	689,716	0	19,772,648
Construction In Progress	16,217,609	2,327,841	11,774,624	6,770,826	TOTALS	\$ 26,956,016	\$ 1,423,442	\$ 350,047	\$ 28,029,411
TOTALS	\$ 68,289,641	\$ 14,369,142	\$ 12,133,361	\$ 70,525,422	NET ASSETS	\$ 41,333,625			\$ 42,496,011

Depreciation expense was charged to Governmental Activities

General Government	\$ 442,784
Public Safety	234,911
Streets	718,851
Recreation and Parks	26,896
Total Depreciation Expense Governmental Activities	\$ 1,423,442

NOTE E - PROPRIETARY FUNDS PROPERTY, PLANT AND EQUIPMENT

The following is a summary of the Property, Plant and Equipment of the Enterprise Funds as of June 30, 2004.

CHANGES IN FIXED ASSETS - GAS FUND

ASSETS		ACCUMULATED DEPRECIATION		NET ASSETS					
Description	Beginning Cost	Additions	Deletions	Ending Cost	Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	\$ 2,218,662	\$ 0	\$ 0	\$ 2,218,662	Plant and Distribution System	\$ 1,359,510	\$ 61,790	\$ 0	\$ 1,421,300
Equipment	128,511	10,331	0	138,842	Equipment	87,685	21,067	0	108,752
Vehicles	84,093	0	0	84,093	Vehicles	77,546	6,547	0	84,093
TOTALS	\$ 2,431,266	\$ 10,331	\$ 0	\$ 2,441,597	TOTALS	\$ 1,524,741	\$ 89,404	\$ 0	\$ 1,614,145
					NET ASSETS	\$ 906,525			\$ 827,452

CHANGES IN FIXED ASSETS - WATER

ASSETS		ACCUMULATED DEPRECIATION		NET ASSETS					
Description	Beginning Cost	Additions	Deletions	Ending Cost	Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	\$ 16,126,015	\$ 43,090	\$ 0	\$ 16,169,105	Plant and Distribution System	\$ 5,996,029	\$ 374,070	\$ 0	\$ 6,370,099
Equipment	422,161	16,328	0	438,489	Equipment	342,485	30,654	0	373,139
Vehicles	79,768	0	0	79,768	Vehicles	58,703	11,007	0	69,710
Construction In Progress	0	0	0	0	TOTALS	\$ 6,397,217	\$ 415,731	\$ 0	\$ 6,812,948
TOTALS	\$ 16,627,944	\$ 59,418	\$ 0	\$ 16,687,362	NET ASSETS	\$ 10,230,727			\$ 9,874,414

NOTE E - PROPRIETARY FUNDS PROPERTY, PLANT AND EQUIPMENT (Continued)

CHANGES IN FIXED ASSETS - SEWER

ASSETS		ACCUMULATED DEPRECIATION	
Description	Beginning Cost	Additions	Deletions
Plant and Distribution System	\$ 13,345,518	\$ 0	\$ 0
Equipment	102,741	0	0
Vehicles	15,800	55,242	0
Construction In Progress	0	459,065	0
TOTALS	\$ 13,464,059	\$ 514,307	\$ 0
Ending Cost			
Plant and Distribution System	\$ 13,345,518		
Equipment	102,741		
Vehicles	71,042		
Construction In Progress	459,065		
TOTALS	\$ 13,978,366		

CHANGES IN FIXED ASSETS - SANITATION

ASSETS		ACCUMULATED DEPRECIATION	
Description	Beginning Balance	Current Provisions	Deletions
Plant and Distribution System	\$ 5,942,820	\$ 307,371	\$ 0
Equipment	73,352	11,231	0
Vehicles	15,800	3,365	0
TOTALS	\$ 6,031,972	\$ 321,967	\$ 0
Ending Balance			
Plant and Distribution System	\$ 5,942,820		
Equipment	84,583		
Vehicles	19,165		
TOTALS	\$ 6,353,939		
Ending Cost			
Plant and Distribution System	\$ 6,250,191		
Equipment	84,583		
Vehicles	19,165		
TOTALS	\$ 7,624,427		

CHANGES IN FIXED ASSETS - SANITATION

ASSETS		ACCUMULATED DEPRECIATION	
Description	Beginning Cost	Additions	Deletions
Property and Plant	\$ 127,569	\$ 0	\$ 0
Equipment	101,476	0	0
Vehicles	482,392	112,353	68,972
TOTALS	\$ 711,437	\$ 112,353	\$ 68,972
Ending Cost			
Property and Plant	\$ 127,569		
Equipment	101,476		
Vehicles	525,773		
TOTALS	\$ 754,818		

CHANGES IN FIXED ASSETS - SANITATION

ASSETS		ACCUMULATED DEPRECIATION	
Description	Beginning Balance	Current Provisions	Deletions
Property and Plant	\$ 7,586	\$ 4,926	\$ 0
Equipment	71,268	12,179	0
Vehicles	399,135	60,299	68,972
TOTALS	\$ 477,989	\$ 77,404	\$ 68,972
Ending Balance			
Property and Plant	\$ 7,586		
Equipment	83,447		
Vehicles	390,462		
TOTALS	\$ 486,421		
Ending Cost			
Property and Plant	\$ 127,569		
Equipment	101,476		
Vehicles	525,773		
TOTALS	\$ 754,818		

NET ASSETS PROPRIETARY FUNDS

FUND	Beginning Net Assets	Ending Net Assets
GAS	\$ 906,525	\$ 827,452
WATER	10,230,727	9,874,414
SEWER	7,432,087	7,624,427
SANITATION	233,448	268,397
TOTALS	\$ 18,802,787	\$ 18,594,690

NOTE F - LITIGATION

Various claims and lawsuits are pending against the City. In the opinion of the City attorney, the potential loss on all claims will not be significant to the City's Financial Statements.

NOTE G - COMMITMENTS AND CONTINGENT LIABILITIES

FEDERAL GRANT PROGRAMS - The City participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives.

PROPERTY SALE - PIKEVILLE METHODIST HOSPITAL (Hospital) - The City sold river fill property to the Pikeville Methodist Hospital for \$91,000 during the fiscal year ended June 30, 1998. There is a lawsuit pending against this property and if the courts rule against the City, the City will be required to repay the purchase price to the Hospital.

NOTE H - REPORT RECLASSIFICATIONS

Certain previously reported amounts have been reclassified to conform to 2005 report classifications.

NOTE I - MANAGEMENT CONTRACT

The City contracted with the Veolia Water (formerly US Filter) to manage the Street, Water and Sewer, Gas, and Garbage departments of the City. The contract went into effect on July 1, 1989.

Veolia Water is paid a monthly fee and in turn they pay certain expenses relating to the operation of the above departments.

The City bills and collects all utility charges and related fees.

Veolia Water took over all inventories held by the City on July 1, 1989, as a part of the contract, and agreed to return to the City said inventories, in the same amounts, if their contract is not renewed. Thus, inventories are shown in the financial statements at their value on the date the contract took effect.

NOTE J - HELLIER MANOR APARTMENTS, LTD (HDG GRANT)

In 1984 the City received a Housing Development Grant (HDG) from the U. S. Department of Housing and Urban Development in the amount of \$1,430,002. The City loaned the grant proceeds to Hellier Manor Apartments, Ltd. (HMA) who used the funds, in addition to bond proceeds, to construct the Ridge Cliff Apartments.

These funds are to be repaid over a twenty-year period that will commence when the bonds are paid and is to be paid from profits in excess of a 10% return on investment.

Due to the length of time between the origination of the loan and the commencement of payment, and the possibility of unforeseen conditions, the likelihood of collection is such that it cannot be predicted, thus this loan receivable is not recorded.

NOTE K - URBAN DEVELOPMENT ACTION GRANTS (UDAG)

Stuart Adams (Adams) - The City received a Urban Development Action Grant from the U S Department of Housing and Urban Development in the amount of \$450,000. The City loaned the grant proceeds to Adams for construction of housing for low and moderate-income individuals/families.

Grant Administration - The City received a Urban Development Action Grant for the U S Department of Housing and Urban Development in the amount of \$50,000. These funds are to be used to administer the grants/loan for the above project.

NOTE L - LETTER OF CREDIT - KENTUCKY INFRASTRUCTURE AUTHORITY

This note payable is for the construction of additions to the City's wastewater treatment plant. The note will be repaid in semi-annual installments starting December 1, 1992 and the last payment being on June 1, 2012. The City is required to maintain an irrevocable letter of credit in the amount of \$381,888 to cover debt service payments for two years. The City is required to establish a Reserve for Operation and Maintenance in the amount of 5% of the original principal by making deposits on or before each payment date, in the amount of 10% of each payment. The City also increased occupational license fees to 2%, with the .5% being earmarked for debt service of this note. There currently is no balance outstanding.

NOTE M - KENTUCKY HOUSING CORPORATION

Loan was used in Phase II of the Pikeville Redevelopment Project. The loan has been assumed by the Kentucky Avenue Phase II, LLC (Partnership) (a Limited Liability Company), upon the transfer of property upon which the partnership has constructed townhouses.

NOTE N - RETIREMENT PLAN

All employees are covered under the County Employees' Retirement System (CERS), a cost sharing, multi-employer, public employees' retirement system administered by the Kentucky Retirement Systems. The Plan operates on a fiscal year ending on June 30, and issues financial statements as of that date, which can be obtained from Kentucky Retirement Systems or viewed at www.kyret.com.

Employers contribute at the rate determined by the Board of Trustees, of the Kentucky Retirement Systems, to be necessary for the actuarial soundness of the systems as required by KRS 61.565. The employer rate is reviewed annually following the valuation by a consulting actuary. *Employer contributions are not deposited to member accounts.* Employer contributions are deposited to the Retirement Allowance Account and are used to pay monthly benefits and the expenses of the systems.

Funding for this Plan is provided through payroll withholdings from the employee's total compensation subject to contribution. All required contributions were made. Contribution percentages and amounts of contributions required for CERS are as follows:

Year	Rate -- Non-hazardous		Rate -- Hazardous		Amount
	Employee	Employer	Employee	Employer	
2005	5.00%	8.48%	8.00%	22.08%	\$164,808
2004	5.00%	7.34%	8.00%	18.51%	\$156,746
					\$331,641

The City's payroll subject to retirement withholding for 2005 and 2004 the year was \$2,308,420 and \$2,220,212 respectively.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

CERS do not make separate measurements of assets and pension benefit obligation for individual employers. As the City is only one of several employers participating in the Plan, it is not practicable to determine the City's portion of the unfunded past service cost or the vested benefits of the City's portion of the Plan assets.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE N - RETIREMENT PLAN (concluded)

The benefits of all vested members are based on years of service and final compensation. Annual benefits are computed based on 2.2% of Final Compensation multiplied by Years of Service as defined under the plan. The Plan provides for benefits upon early retirement based on the number of years of service and age. Additional details can be found in the Plan.

For non-hazardous members, final compensation is the average of the five fiscal years during which the member had the highest average monthly salary. A non-hazardous member must have a minimum of 48 months in his final compensation. If the five fiscal years with highest earnings contain fewer than 48 months, additional fiscal years will be added to the calculation.

For non-hazardous members with 27 years service who retire between August 1, 2001 and January 1, 2009, final compensation will be based on the three highest fiscal years of salary if the member's age when added to his service is at least 75. There must be a minimum of 24 months in the three fiscal years. If the three fiscal years with highest earnings contain fewer than 24 months, additional fiscal years will be added to the calculation.

For hazardous members, final compensation is the average of the three fiscal years during which the member had the highest average monthly salary. A hazardous member must have a minimum of 24 months in the final compensation. If the three fiscal years with highest earnings contain fewer than 24 months, additional fiscal years will be added to the calculation.

NOTE O - DEFERRED COMPENSATION PLAN

The City of Pikeville adopted Plan I and Plan II under the Kentucky Public Employees Deferred Compensation Authority allowing eligible employees to defer a portion of their compensation under Internal Revenue Code sections 457 and 401 (k). The plan was adopted for payroll ending October 16, 1998.

Funding for these plans is provided through payroll withholdings that are set by the employees. The City of Pikeville elected not to match any contribution to these funds for any employee. The contributions, by employees, to the 457 and 401 (k) are as follows:

Year	2005	2004
457	\$8,520	\$7,025
401 (k)	\$2,597	\$4,190

NOTE P - RETIREMENT BENEFITS ORDINANCE

The City Board of Commissioners adopted ordinance no. 0-98-001 establishing parameters for certain retirement benefits. The ordinance establishes benefits for employees who meet the following criteria:

1. Who were employed by the City of Pikeville on August 25, 1975;
2. Who have completed at least 25 years of employment with the City of Pikeville; and
3. Who retired from employment for the City of Pikeville.

The pension shall be \$500.00 per month payable from general funds, but there shall be a dollar for dollar offset for any other pension or retirement benefits received from any other source other than Social Security or SSI. The pension is payable only to the employee for and during his natural life. No disability plan or fund is established. No policemen or firemen are eligible to participate in this retirement plan.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits estimated to be payable in the future. This Obligation could not be computed as information as to the number employees who are eligible, life expectancy, and the amount of other pensions or retirement benefits being received by those eligible. Due to the inability to compute the liability, no conclusions as to the materiality can be ascertained.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE Q - DEPOSITS WITH FINANCIAL INSTITUTIONS

At June 30, 2005, the carrying amount of the City's deposits with financial institutions was \$8,868,521 and the bank balance, per statements, was \$9,610,213. The bank balance is categorized as follows:

	Amount insured by the FDIC	\$	400,000	
	Amount collateralized with securities held by third party in the City's name		9,210,213	
	Uncollateralized (\$ 0 of this amount is collateralized with securities held by the pledging financial institution)		0	
	Total Bank Balance	\$	9,610,213	

NOTE R - FEDERAL GRANTS

The City participates in several federally funded programs, these are shown in the Schedule of Federal Financial Assistance.

Emergency Shelter Grant - The Kentucky Housing Corporation granted the City \$40,000 of U. S. Department of Housing and Urban Development funds for the purpose of maintaining and operating the City's Emergency Shelter.

Community Oriented Policing Services Universal Hiring Grant - The Pikeville Police Department has accepted a grant from the U S Department of Justice. The grant is to be used to fund 75% of the salary and benefits of two full time police officers.

Pikeville Redevelopment Project - The City received funding for the purchase of land and buildings and relocation of residents on Sycamore Street, Kentucky Avenue, and High Street in Pikeville. The funding is provided by the Commonwealth of Kentucky, Department for Local Government, CDBG Funds, and ARC Funds. The project is to be completed in five phases.

Pikeville Main Street Program, Downtown Utility Relocation- The City received funding for the relocation of downtown utilities.

Parking Garage - The City received funding for the construction of a parking garage at the corner of Hambley Boulevard and Huffman Avenue.

NOTE S - LONG-TERM LEASE AGREEMENTS

Pike County Chamber of Commerce, Inc. - Leases the building at 261 Hambley Blvd (train station). The lease is for a term of five (5) years, with the Lessor having the right to cancel upon 90 days written notice during the first three years of the lease if the City desires to sell the premises. Either party to the lease may cancel the lease upon 90 days written notice in the last two years of the lease term. Rent will be in the amount of \$2,400 for 2000, 3600 for 2001, 4800 for 2002, and shall be negotiated for 2003 to 2004, but shall not be less than \$4,800.

Pikeville-Pike County Tourism and Recreation Commission - leases a Passenger Train Car and Contents located on Huffman Avenue for \$1.00 per year. The lease is a one year lease, automatically renewed for successive one-year terms, termination can be by either party upon giving sixty (60) days notice prior to the end of the term.

Dilco Development Company - leases the Dils Cemetery located adjacent to the Pikeville Bypass Road and Chloe Creek Road for \$1.00 per year. The lease is for a term of fifteen years, automatically renewed for successive one-year terms under the same terms and conditions, termination can be by either party upon giving 180 days notice prior to the end of the term.

Pikeville Area Family YMCA, Inc. - YMCA leases several properties:
 a - Land located in Bob Amos Park for consideration of \$1.00 per year for a term of fifty years. This agreement is dated December 31, 1991.

b - Teen Center Building located in the Hambley Athletic Complex for consideration of \$450.00 per month.
 c - Softball Field located in Bob Amos Park for consideration of \$1.00 per year for a period of one year and the right to renew for five additional one year terms. Either party has the right to cancel by giving thirty days written notice of the parties' intent to terminate this lease or renewal thereof.

d - Driving Range Equipment on June 16, 1995, for consideration of \$1.00 per year for a period of one year and automatic renewal for five successive one year terms. Either party has the right to cancel by giving thirty days written notice of the parties' intent to terminate this lease or renewal thereof.

e - Skate Park (Land) - Located directly across from the YMCA Building in Bob Amos Park (a) (AKA the Batting Cage Property) to be used for construction of a Skating Park. Leased on a year to year lease for consideration of \$1.00 per year. The lease is for a term of two years ending on December 31, 1992, renewable for two consecutive two year terms under the same terms and conditions, upon on written notice by Model City Day Care Center, Inc. of its intent to renew 180 days prior to the end of the term of the lease or any renewal thereof. Any renewal is contingent on the Model City Day Care Center, Inc. being in substantial compliance with this agreement.

Commonwealth of Kentucky - leases land for use as a firing range by the Kentucky State Police. The agreement is for the period from May 1, 1996, to April 30, 2006.

WZLK, Inc. - leases the real estate located on Poor Farm Hollow for consideration of \$250.00 per year, for the purpose of erecting, and maintaining a tower for the purpose of constructing, maintaining, and operating certain communication equipment. For a term of five (5) years with the right of automatic renewal for three (3) additional five (5) year terms.

Channel 51 - leases the land located on Hambley Boulevard for consideration of \$8,015.29 a year.

Pikeville Independent Board of Education - Use of the Hambley Athletic Complex for consideration of \$20,000 per year for the life of the general obligation bonds; \$1,000 per month for the Maintenance and Operation rental Fee and \$800 per month for one hundred and thirty eight (138) months beginning July 1, 2000.

Pikeville Community Church - Teen Center building for \$200.00 per month, on a month to month basis with either party having the right to cancel the agreement on a 30 days notice.

Big Sandy Heritage Center - Lease of the building at 773 Hambley Blvd (train station).

NOTE U - PIKEVILLE COLLEGE SCHOOL OF OSTEOPATHIC MEDICINE

The City Commission authorized a \$250,000 grant to Pikeville College (College) for the College's medical school. The grant is to be paid in five equal annual installments. During each fiscal year ended June 30, 2005 and 2004, the City made a payment of \$50,000.

NOTE V - INTER FUND RECEIVABLES AND PAYABLES
There were no Inter-fund balances at June 30, 2005 and 2004.

NOTE W - SUBSEQUENT EVENTS

1. After June 30, 2004 the Kentucky Infrastructure Authority restructured the Fund C program, by refunding all outstanding KIA GAP bonds, and restructured all Fund C loans. The most significant change in the program was the release of the debt service reserve fund, for which credit was given to all Fund C loans for each share in the reserve.

2. The City acquired the assets that make up the Mossy Bottom Sewer System and began operating the Mossy Bottom Sewer System and is assuming debt in the amount of \$1,438,249.

Wallen and Cornett, PSC
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CITY OF PIKEVILLE, KENTUCKY
REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS
For the year ended June 30, 2005



J. Don Wallen, CPA
Johnny C. Cornell, CPA
Johnny K. White, CPA
L. Kevin Pucett, CPA

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners of
City of Pikeville, Kentucky

We have audited the general purpose financial statements of the City of Pikeville, Kentucky as of and for the year ended June 30, 2005, and have issued our report thereon dated December 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether The City of Pikeville, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The City of Pikeville, Kentucky's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to

To the Board of Commissioners of
City of Pikeville, Kentucky

Page 2

the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Commissioners, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

WALLEN AND CORNETT, P. S. C.



Certified Public Accountants
Pikeville, Kentucky

December 1, 2005



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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Commissioners of
The City of Pikeville, Kentucky

Compliance

We have audited the compliance of The City of Pikeville, Kentucky with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The City of Pikeville, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Pikeville, Kentucky's management. Our responsibility is to express an opinion on The City of Pikeville, Kentucky's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Pikeville, Kentucky's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Pikeville, Kentucky's compliance with those requirements.

In our opinion, City of Pikeville, Kentucky complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the City of Pikeville, Kentucky is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Pikeville, Kentucky's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Commissioners, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

WALLEN AND CORNETT, P. S. C.

Wallen and Cornett, PSC

Certified Public Accountants
Pikeville, Kentucky

December 1, 2005

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR / PASS-THROUGH	CFDA	Pass-Through	Disbursements/
GRANTOR / PROGRAM TITLE	Number	Number	Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
EDJ Special Projects Grant			
CDBG - Parking Garage	14.246		\$211,150
<u>Passed Through Kentucky Housing Corporation</u>			
Homeless Shelter	14.231	S97-DC21-0001	14,637
<u>Passed Through Commonwealth of Kentucky, Department of Local Government</u>			
CDBG - Pikeville Redevelopment	14.228	99-016	9,000
Project - Phase I			
CDBG - Pikeville Redevelopment	14.228	01-006	268,337
Project -Phase VI			
CDBG - Pikeville Redevelopment	14.228	01-007	53,833
Project -Phase V			
CDBG - Downtown Utility relocation	14.228	02-017	194,151
CDBG - Downtown Utility relocation	14.228		7,662
CDBG - Parking Garage	14.000		
<u>Total U. S. Department of Housing and Urban Development</u>			
			<u>\$764,681</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed Through Rural Development</u>			
Kentucky Rural Water Finance Corporation	10.760	KY-13493-99	\$646,500
Loan # 91-06			
Department for Rural Development	10.000	03-0335	7,748
Sunset Lane - Pride			
<u>Total U. S. Department of Agriculture</u>			
			<u>\$654,248</u>

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR / PASS-THROUGH	FEDERAL	Pass-Through	Disbursements/
GRANTOR / PROGRAM TITLE	CFDA	Grantor's	Expenditures
	Number	Number	
APPALACHIAN REGIONAL COMMISSION			
Passed Through Commonwealth of Kentucky, Department of Transportation			
Transportation Enhancement Act			
Pikeville Main Street Program	23,000		7,000
Down Town Utilities Relocation	23,000		17,837
Down Town Utilities Relocation			
U. S. TRANSPORTATION CABINET			
Passed Through Commonwealth of Kentucky, Department of Transportation			
Sandy Valley Transportation			
Transportation Enhancement Act	20,500		\$211,626
Highway Safety	20,000		11,422
Transportation Enhancement Act			
Pikeville Main Street Program	20,205		12,248
Down Town Utilities Relocation	20,205		500,000
Renaissance	20,205		250,000
Total U. S. Transportation Cabinet			\$985,296
U. S. DEPARTMENT OF JUSTICE			
Community Oriented Policing Services	16,710	96UMWX0306	\$2,717
Total U. S. Department of Justice			\$2,717
U. S. DEPARTMENT OF DEFENSE			
The Department of the Army / Corps of Engineers	12,000	04-0252	\$188,702
Indian Hills			\$188,702
Total U. S. Department of Justice			\$188,702
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$2,620,481

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Pikeville, Kentucky and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Reportable condition(s) identified that

are not considered to be material

None

weakness(es)?

Material weakness (es) identified?

NO

Noncompliance material to financial

NO

statements noted?

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

NO

Reportable condition(s) identified that are

not considered to be material

NONE

weakness(es)?

Type of auditor's report issued on

Unqualified

compliance for major programs:

Any audit findings disclosed that are

required to be reported in accordance

NO

with section 510(a) of Circular A-133?

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
12,000	The Department of Defense / Corps of Engineers - Indian Hills
20,500	Transportation Enhancement Act - Parking Garage
14,246	EDI Special Projects Grant - CDBG - Parking Garage

Dollar threshold used to distinguish between type A and type B programs: \$500,000

Auditee qualified as low-risk auditee? YES

Section II—Financial Statement Findings

No matters were reported.

Section III—Federal Award Findings and Questioned Costs

No matters were reported.

There were no Findings on the City's prior audit report.

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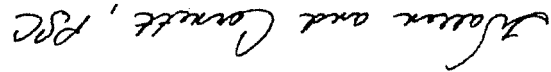
CITY OF PIKEVILLE, KENTUCKY
INDIVIDUAL FUND FINANCIAL STATEMENTS
For the year ended June 30, 2005

Wallen and Cornett, PSC
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CITY OF PIKEVILLE, KENTUCKY
INDIVIDUAL MAJOR FUND FINANCIAL STATEMENTS
For the year ended June 30, 2005

December 1, 2005

Certified Public Accountants
Pikeville, Kentucky



WALLEN AND CORNETT, P. S. C.

Our report on the financial statements for the year ended June 30, 2005 appears on pages 1 and 2. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pikeville, Kentucky basic financial statements. The individual major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Mayor and Members of
The Board of Commissioners
City of Pikeville, Kentucky

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTAL INFORMATION**

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CERTIFIED PUBLIC ACCOUNTANTS



GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Ad Valorem Taxes	\$665,000	\$690,000	\$704,791	14,791
Property Taxes				
Housing Authority Property Tax	24,000	24,000	22,325	(1,675)
Franchise	174,000	174,000	135,073	(38,927)
Franchise Tax	41,000	41,000	33,823	(7,177)
Franchise Fees	227,000	227,000	255,144	28,144
Franchise Cable	17,000	17,000	12,755	(4,245)
Occupational License Taxes & Fees	3,860,000	3,860,000	4,523,562	663,562
Business Licenses	259,000	584,000	653,511	69,511
Penalties and Interest	40,000	40,000	41,680	1,680
Permits and Fees	19,000	19,000	25,270	6,270
Building Permits	1,500	2,075	3,873	1,798
Off Track Betting	0	25,000	12,181	(12,819)
ABC Licenses	145,000	145,000	150,040	5,040
Electrical Inspection Fees	0	12,000	21,800	9,800
Grants-Federal	0	0	0	0
Police Grant - Traffic	0	0	0	0
Shelter Grant	40,000	40,000	14,637	(25,363)
FEMA Grant	0	0	0	0
Grants - State	68,000	68,000	70,595	2,595
KLEFPF Police Incentive	81,000	81,000	104,548	23,548
Fire Incentive	2,500	2,500	0	(2,500)
VFD Allotment	56,704	90,804	90,845	41
DOT Gasoline Tax	3,000	3,000	5,375	2,375
Base Court Revenue	13,000	13,000	15,327	2,327
Department of Transportation	0	0	0	0
Highway Safety	0	6,500	11,422	4,922
HIDTA	0	48,000	53,083	5,083
Interest Income	11,000	14,600	20,603	6,003
Penalties & Interest - Property Taxes	5,000	8,000	65,959	57,959
Other Revenue	55,000	55,000	48,319	(6,681)
911 Fees	78,000	78,000	80,526	2,526
Hotel/Motel Tax	2,500	2,500	848	(1,652)
Fire Employee Fund	220,000	220,000	247,606	27,606
Ambulance Fund	12,000	29,900	38,210	8,310
Pool	9,200	9,200	5,220	(3,980)
Concession and Vending	1,000	1,000	2,550	1,550
Swim Team	59,166	60,966	80,742	19,776
Rent	0	0	6,158	6,158
Litter Abatement	0	10,000	6,966	(3,034)
Parking Garage	682,350	899,600	297,209	(602,391)
Other Miscellaneous	\$6,879,820	\$7,601,645	\$7,862,576	\$260,931
TOTAL REVENUES				

The accompanying notes are an integral part of the financial statements

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

EXPENDITURES	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Government Personnel Cost	\$320,982	\$348,982	\$344,615	\$4,367
Salaries and Wages	26,300	27,300	27,415	(115)
Payroll Taxes	37,000	77,000	74,334	2,666
Insurance	25,000	27,500	26,996	604
Pensions	9,500	9,500	6,375	3,125
Insurance - Workers Comp	0	0	0	0
Rent	24,100	49,850	55,619	(5,769)
Telephone	17,000	22,000	25,472	(3,472)
Power, Lights and Heat	11,200	16,500	14,358	2,142
Automotive - Fuel	1,500	1,500	2,260	(760)
Automotive - Repairs & Maintenance	1,500	1,500	981	519
Insurance	27,000	28,000	25,812	2,188
Advertising	13,000	21,000	21,954	(954)
Professional Services - Accounting	36,000	40,000	34,217	5,783
Professional Services - Legal	0	0	0	0
Professional Services - Engineering	35,000	38,500	42,353	(3,853)
Professional Services - Training	6,000	7,500	7,653	(153)
Professional Services - Audit Occ. License	0	0	0	0
Professional Services - Other	21,000	36,250	34,632	1,618
Tax Commissioners Statutory Fee	20,000	20,000	19,500	500
Repairs and Maintenance	16,960	16,960	11,998	5,362
Travel	9,000	20,000	17,316	2,684
Postage and Freight	14,000	16,500	10,971	5,529
Dues and Subscriptions	2,300	7,800	8,650	(850)
Bank Service Charges	500	500	37	463
Refunds	46,000	46,050	29,053	16,997
Tourism Commission	75,000	75,000	76,500	(1,500)
Big Sandy Area Development	1,500	1,500	1,500	0
Pike County Airport Board	25,000	25,000	25,000	0
Pikeville Main Street Program	20,000	40,217	36,847	3,370
East Kentucky Corporation	1,500	1,500	787	713
Pike Medical Grant	50,000	50,000	50,000	0
Sandy Valley Transportation	6,000	6,000	6,500	(500)
Domestic Violence Shelter	0	0	0	0
Hearing Officer	200	200	0	200
Development Agreement	0	143,900	143,900	0
Fixed Asset Purchased / Construction	72,500	169,865	207,723	(37,858)
Miscellaneous	10,780	12,780	19,510	(6,730)
Provision for Bad Debts	0	0	(5,043)	5,043
Total General Government	\$983,322	\$1,406,654	\$1,405,295	\$1,359

The accompanying notes are an integral part of the financial statements

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

VARIANCE	FAVORABLE	(UNFAVORABLE)	ORIGINAL	FINAL	ACTUAL	
			BUDGET	BUDGET	ACTUAL	
						Public Safety
						Police Department
						Personnel Costs
						Salaries and Wages
						Payroll Taxes
						Insurance
						Pensions
						Insurance - Workers Comp
						Rent
						Supplies
						Telephone
						Power, Lights and Heat
						Police Case Expense
						Automotive - Fuel
						Automotive - Repairs & Maintenance
						Insurance
						Advertising
						Professional Services
						Professional Services - Training
						Uniforms
						Repairs and Maintenance
						Travel
						Postage and Freight
						Dues and Subscriptions
						D. A. R. E. PROGRAM
						Miscellaneous
						Equipment
						Total Police Department
			\$873,000	\$906,000	\$834,387	
			56,000	57,500	56,108	
			85,000	93,000	92,219	
			126,000	164,700	169,410	
			39,101	67,101	62,524	
			0	0	326	
			13,000	13,000	11,471	
			16,500	16,500	16,016	
			3,500	3,500	3,507	
			5,000	5,000	5,000	
			30,000	30,000	34,707	
			40,000	40,000	26,881	
			42,000	44,202	44,156	
			600	600	256	
			16,000	12,800	6,342	
			0	0	2,357	
			31,500	31,500	30,951	
			9,010	13,910	12,837	
			5,500	5,500	3,908	
			600	900	705	
			1,000	1,000	625	
			1,000	1,000	991	
			0	0	0	
			139,500	40,500	23,671	
			\$1,533,811	\$1,548,213	\$1,439,355	
						Total
						\$108,858

The accompanying notes are an integral part of the financial statements

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

VARIANCE	ACTUAL	BUDGET	BUDGET	
FAVORABLE		FINAL	ORIGINAL	
(UNFAVORABLE)				
				Fire Department
				Personnel Costs
				Salaries and Wages
				Payroll Taxes
				Insurance
				Pensions
				Insurance - Workers Comp
				Rent
				Supplies
				Telephone
				Power, Lights and Heat
				Automotive - Fuel
				Automotive - Repairs & Maintenance
				Insurance
				Advertising
				Professional Services
				Professional Services - Training
				Uniforms
				Repairs and Maintenance
				Travel
				Postage and Freight
				Dues and Subscriptions
				VFD Allotment
				Fire Prevention
				Miscellaneous
				Equipment
				Total Fire Department
				Ambulance Service
				Personnel Costs
				Supplies
				Telephone
				Automotive - Fuel
				Automotive - Repairs & Maintenance
				Insurance
				Advertising
				Professional Services
				Professional Services - Training
				Travel
				Uniforms
				Repairs and Maintenance
				Dues and Subscriptions
				Miscellaneous
				Equipment
				Total Ambulance Service
				Personnel Costs
				Supplies
				Telephone
				Automotive - Fuel
				Automotive - Repairs & Maintenance
				Insurance
				Advertising
				Professional Services
				Professional Services - Training
				Travel
				Uniforms
				Repairs and Maintenance
				Dues and Subscriptions
				Miscellaneous
				Equipment
				Total Fire Department
				Ambulance Service
				Personnel Costs
				Supplies
				Telephone
				Automotive - Fuel
				Automotive - Repairs & Maintenance
				Insurance
				Advertising
				Professional Services
				Professional Services - Training
				Travel
				Uniforms
				Repairs and Maintenance
				Dues and Subscriptions
				Miscellaneous
				Equipment
				Total Ambulance Service

The accompanying notes are an integral part of the financial statements

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Emergency Shelter	\$51,000	\$40,000	\$37,517	\$2,483
Personnel Costs	8,000	3,000	2,698	302
Salaries and Wages	5,000	5,000	4,240	760
Payroll Taxes	4,500	2,200	1,988	212
Insurance	1,800	2,050	1,800	250
Insurance - Workers Comp	9,500	9,500	7,684	1,816
Supplies	1,200	1,685	1,526	159
Telephone	14,500	15,200	14,124	1,076
Power, Lights and Heat	2,500	2,500	2,496	4
Insurance	4,000	4,000	2,247	1,753
Professional Services	14,600	14,600	8,699	5,901
Repairs and Maintenance	120	120	357	(237)
Miscellaneous	2,500	5,500	4,297	1,203
Equipment	\$119,220	\$105,355	\$89,673	\$15,682
Codes				
Personnel Costs	\$36,000	\$33,200	\$31,045	\$2,155
Salaries and Wages	2,550	1,950	1,521	429
Payroll Taxes	3,500	3,500	3,270	230
Insurance	3,100	2,600	1,705	895
Insurance - Workers Comp	1,500	1,750	1,500	250
Supplies	1,000	1,800	2,520	(720)
Telephone	1,600	1,600	610	990
Automotive - Fuel	1,000	1,000	864	136
Automotive - Repairs & Maintenance	1,500	1,500	1,077	423
Insurance	1,745	1,745	1,726	19
Advertising	800	800	362	438
Professional Services - Electrical Ins.	0	6,000	10,354	(4,354)
Professional Services	1,250	16,750	16,460	290
Uniforms	500	600	272	328
Repairs and Maintenance	0	0	0	0
Travel	1,000	1,450	1,081	369
Dues and Subscriptions	300	300	100	200
Refund of Inspection Fees	0	250	100	150
Miscellaneous	500	500	0	500
Equipment	21,000	3,000	561	2,439
Total Codes	\$78,845	\$80,295	\$75,128	\$5,167

The accompanying notes are an integral part of the financial statements

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
911				
Personnel Costs	\$0	\$0	\$0	\$0
Telephone	54,620	44,620	31,671	12,949
Insurance	2,000	2,000	1,980	20
Advertising	2,500	2,500	2,444	56
Professional Services	4,500	4,500	1,896	2,604
Repairs and Maintenance	13,000	13,000	3,731	9,269
Travel	0	0	0	0
Miscellaneous	0	0	0	0
Equipment	26,000	21,000	10,990	10,010
Total 911	\$102,620	\$87,620	\$52,712	\$34,908
Dispatch Service				
Personnel Costs	\$200,000	\$211,000	\$206,663	\$4,337
Salaries and Wages	15,000	15,700	14,947	753
Payroll Taxes	31,000	31,000	31,068	(68)
Insurance	16,000	15,800	14,416	1,384
Pensions	9,000	10,500	9,257	1,243
Insurance - Workers Comp	500	500	0	500
Supplies	8,300	8,300	609	7,691
Telephone	1,800	2,200	2,083	117
Automotive - Fuel	1,650	1,650	1,644	6
Insurance	400	400	315	85
Advertising	2,800	2,800	1,657	1,143
Professional Services	5,400	4,400	4,382	18
Repairs and Maintenance	2,600	2,600	1,169	1,431
Travel	2,000	3,000	1,930	1,070
Dues and Subscriptions	200	200	153	47
Miscellaneous	0	0	0	0
Equipment	11,000	11,000	4,198	6,802
Total Dispatch Service	\$307,650	\$321,050	\$294,491	\$26,559
Total Public Safety	\$3,772,746	\$3,927,588	\$3,680,508	\$247,080

The accompanying notes are an integral part of the financial statements

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

VARIANCE	FAVORABLE	(UNFAVORABLE)	ORIGINAL	BUDGET	FINAL	BUDGET	ACTUAL
			\$129,000	2,500	\$176,000	2,500	\$176,951
			2,500	0	2,500	0	2,500
			27,500	27,500	27,500	23,472	4,028
			651,169	658,879	658,879	658,872	7
			1,000	1,000	1,000	600	400
			30,000	73,000	73,000	80,744	(7,744)
			0	0	0	0	0
			14,000	23,000	23,000	27,773	(4,773)
			\$855,169	\$961,879	\$961,879	\$968,412	(\$6,533)
			\$7,500	\$1,000	\$1,000	\$0	\$1,000
			Supplies	1,100	1,100	0	1,100
			Telephone	27,000	22,000	16,053	5,947
			Power, Lights and Heat	13,000	6,100	5,942	158
			Insurance	2,500	2,500	0	2,500
			Professional Services	38,900	12,000	5,706	6,294
			Repairs and Maintenance	10,000	1,000	483	517
			Equipment	\$100,000	\$45,700	\$28,184	\$17,516
			Total Parking Garage				
			Recreation				
			Parks Department				
			Personnel Costs	\$6,000	\$6,000	\$6,000	\$6,000
			Salaries and Wages	0	460	459	1
			Payroll Taxes	0	0	0	0
			Insurance	0	0	0	0
			Pensions	0	(79)	(79)	0
			Insurance - Workers Comp	0	8,900	8,412	488
			Rent	0	0	0	0
			Supplies	2,500	0	0	0
			Telephone	1,800	1,800	587	1,213
			Power, Lights and Heat	40,500	22,500	18,991	3,509
			Automotive - Fuel	0	0	0	0
			Automotive - Repairs & Maintenance	2,500	2,500	1,063	1,437
			Insurance	11,800	12,100	11,536	564
			Advertising	0	0	0	0
			Professional Services	295,029	300,129	300,520	(391)
			Uniforms	0	0	0	0
			Repairs and Maintenance	3,000	18,360	17,575	785
			Travel	0	0	0	0
			Animal Control	0	0	0	0
			Little League	0	0	7,650	(7,650)
			Miscellaneous	0	0	0	0
			Equipment	27,000	28,500	25,863	2,637
			Total Parks Department	\$390,129	\$401,170	\$398,577	\$2,593

The accompanying notes are an integral part of the financial statements

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL	FINAL BUDGET	ORIGINAL BUDGET	
				Pool Department
				Personnel Costs
				Salaries and Wages
				Payroll Taxes
				Insurance - Workers Comp
				Supplies
				Telephone
				Power, Lights and Heat
				Insurance
				Advertising
				Professional Services
				Uniforms
				Repairs and Maintenance
				Refunds
				Miscellaneous
				Equipment
				Total Pool Department
				Total Recreation
				Lake Cleanup
				Personnel Costs
				Salaries and Wages
				Payroll Taxes
				Insurance
				Pensions
				Insurance - Workers Comp
				Supplies
				Insurance
				Power, Lights and Heat
				Insurance
				Advertising
				Professional Services
				Repairs and Maintenance
				Miscellaneous
				Equipment
				Total Lake Cleanup

The accompanying notes are an integral part of the financial statements

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Landscaping	\$0	\$0	\$0	\$0
Personnel Costs	\$0	\$0	\$0	\$0
Salaries and Wages	\$0	\$0	\$0	\$0
Payroll Taxes	\$0	\$0	\$0	\$0
Insurance	\$0	\$0	\$0	\$0
Pensions	\$0	\$0	\$0	\$0
Insurance - Workers Comp	\$0	\$0	\$0	\$0
Rent	\$0	\$0	\$0	\$0
Insurance	\$2,200	\$2,200	\$1,869	\$331
Advertising	\$0	\$0	\$0	\$0
Professional Services	\$82,115	\$83,190	\$83,184	\$6
Automotive - Fuel	\$2,500	\$2,500	\$0	\$2,500
Automotive - Maintenance	\$0	\$0	\$0	\$0
Repairs and Maintenance	\$10,000	\$0	\$0	\$10,000
Supplies	\$5,000	\$2,500	\$0	\$2,500
Telephone	\$0	\$0	\$0	\$0
Power, Lights and Heat	\$5,100	\$5,100	\$1,065	\$4,035
Uniforms	\$0	\$0	\$0	\$0
Travel	\$0	\$0	\$0	\$0
Miscellaneous	\$0	\$0	\$0	\$0
Equipment	\$3,000	\$3,000	\$0	\$3,000
Total Landscape	\$109,915	\$105,990	\$93,318	\$12,672
Debt Service	\$5,966	\$27,690	\$33,468	(\$5,778)
Principal Paid	\$3,404	\$3,962	\$4,732	(\$770)
Interest Paid	\$9,370	\$31,652	\$38,200	(\$6,548)
Total Debt Service	\$6,388,442	\$7,016,544	\$6,693,594	\$322,950
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$491,378	\$585,101	\$1,168,982	\$583,881
OTHER FINANCING SOURCES (USES)	\$0	\$0	\$9	\$9
Operating Transfer In	\$0	\$0	\$9	\$9
Operating Transfer Out	(\$438,500)	(\$669,042)	(\$73,500)	(\$304,458)
Loan Proceeds	\$0	\$0	\$0	\$0
Proceeds from Sale of Fixed Assets	\$0	\$0	\$0	\$0
Total Other Financing Sources (Uses)	(\$438,500)	(\$1,007,542)	(\$873,491)	(\$304,449)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	\$52,878	(\$422,441)	\$295,491	\$717,932
FUND BALANCE-BEGINNING OF YEAR	2,934,149	2,934,149	2,934,149	
FUND BALANCE-END OF YEAR	\$3,229,640	\$3,229,640	\$3,229,640	

The accompanying notes are an integral part of the financial statements

CAPITAL PROJECTS - PROJECTS CONTROL

STATEMENT OF REVENUES AND EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL

For The Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal Grants	\$1,500,000	\$1,509,000	\$715,235	(\$793,765)
State Grants	72,945	8,945	20,537	11,592
Other Grants	0	1,316	4,562	3,246
Interest	100	100	7,758	7,658
Housing Credits	0	0	0	0
Miscellaneous	0	0	0	0
Total Revenues	\$1,573,045	\$1,519,361	\$748,092	(\$771,269)
EXPENDITURES				
Miscellaneous	\$0	\$0	\$2	(\$2)
Capital Outlay	1,868,511	1,920,941	435,966	1,484,975
Debt Service	12,000	12,000	2,632	9,368
Principal	0	0	137	(137)
Interest	0	0	0	0
Total Expenditures	\$1,880,511	\$1,932,941	\$438,737	\$1,494,204
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(\$307,466)	(\$413,580)	\$309,355	\$722,935
OTHER FINANCING SOURCES (USES)				
Proceeds From Long-Term Debt	\$0	\$0	\$0	\$0
Operating Transfers In	100,000	256,148	265,122	8,974
Operating Transfers Out	0	0	(549,186)	(549,186)
Total Other Financing Sources (Uses)	\$100,000	\$256,148	(\$284,064)	(\$540,212)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(\$207,466)	(\$157,432)	\$25,291	\$182,723
FUND BALANCE - BEGINNING OF YEAR			459,425	
FUND BALANCE - END OF YEAR			<u>\$484,716</u>	

The accompanying notes are an integral part of the combined financial statements.

CAPITAL PROJECTS - DOWNTOWN UTILITY RELOCATION

STATEMENT OF REVENUES AND EXPENDITURES,

AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL

For The Year Ended June 30, 2005

Variance	Original	Final	Actual
	Budget	Budget	(Unfavorable)
	\$650,000	\$868,987	\$987,146
Federal Grants	132,294	132,294	107,790
State Grants	0	4,200	4,208
Interest	0	0	0
Miscellaneous	0	0	0
Total Revenues	\$782,294	\$1,005,481	\$1,099,144
EXPENDITURES			
Capital Outlay	\$1,317,416	\$1,494,946	\$1,485,870
Miscellaneous	0	0	0
Total Expenditures	\$1,317,416	\$1,494,946	\$1,485,870
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(\$535,122)	(\$489,465)	(\$386,726)
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	\$0	\$0	51,823
Operating Transfers Out	0	(42,500)	0
Total Other Financing Sources (Uses)	\$0	(\$42,500)	\$51,823
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(\$535,122)	(\$531,965)	(\$334,903)
FUND BALANCE - BEGINNING OF YEAR			490,543
FUND BALANCE - END OF YEAR			\$155,640

The accompanying notes are an integral part of the combined financial statements.

CAPITAL PROJECTS - PARKING GARAGE
 COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES,
 AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
 For the Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal Grants	\$5,997,685	\$5,997,685	\$790,726	(\$5,206,959)
State Grants	0	0	0	0
Interest	0	0	93	93
Miscellaneous	0	0	8,319	8,319
Total Revenues	\$5,997,685	\$5,997,685	\$799,138	(\$5,198,547)
EXPENDITURES				
Capital Outlay	\$6,052,635	\$6,052,635	\$854,138	\$5,198,497
Miscellaneous	0	0	0	0
Total Expenditures	\$6,052,635	\$6,052,635	\$854,138	\$5,198,497
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(\$54,950)	(\$54,950)	(\$55,000)	(\$50)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	\$0	\$146,000	\$55,000	\$91,000
Operating Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	\$0	\$146,000	\$55,000	\$91,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(\$54,950)	\$91,050	\$0	(\$91,050)
FUND BALANCE - BEGINNING OF YEAR			406,388	
FUND BALANCE - END OF YEAR			\$406,388	

The accompanying notes are an integral part of the combined financial statements.

CITY OF PIKEVILLE, KENTUCKY

WATER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - BUDGET (GAAP BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Water Sales	\$2,244,880	1,999,880	\$1,742,190	(257,690)
Service Charges	17,000	21,000	19,555	(1,445)
Penalties and Services	5,000	5,700	3,381	(2,319)
Water Tap Fees	18,000	18,000	35,025	17,025
Miscellaneous	89,500	225,491	19,799	(205,692)
TOTAL REVENUE	<u>\$2,374,380</u>	<u>\$2,270,071</u>	<u>\$1,819,950</u>	<u>(\$450,121)</u>
OPERATING EXPENSES				
Personnel Costs	\$18,000	\$18,000	\$18,000	\$0
Contractual Service	1,433,277	1,428,777	1,428,608	169
Operational	55,674	54,674	42,358	12,316
Repairs and Maintenance	205,400	148,500	76,182	72,318
Provision For Bad Debts	0	0	(7,000)	7,000
Depreciation	0	0	415,731	(415,731)
Total Operating Expenses	\$1,712,351	\$1,649,951	\$1,973,879	(\$323,928)
Operating Income (Loss)	\$662,029	\$620,120	(\$153,929)	(\$774,049)
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$24,075	\$24,075	\$28,693	\$4,618
Interest Expense	(283,819)	(348,819)	(368,810)	(19,991)
Premium (Discount) on Debt Restructuring	0	0	(38,483)	0
Grant	0	30,000	29,037	(963)
Total Nonoperating Revenues (Expenses)	(\$259,744)	(\$294,744)	(\$349,563)	(\$16,336)
NET INCOME (LOSS) (Before Transfers)	\$402,285	\$325,376	(\$503,492)	(\$790,385)
TRANSFERS				
Operating Transfers In	\$0	\$0	\$307,000	\$307,000
Operating Transfers (Out)	(31,389)	(31,389)	(48,849)	(17,460)
Total Transfers	(\$31,389)	(\$31,389)	\$258,151	\$289,540
NET INCOME (LOSS)	<u>\$370,896</u>	<u>\$293,987</u>	<u>(\$245,341)</u>	<u>(\$500,845)</u>
NET ASSETS - BEGINNING OF YEAR			5,990,630	
NET ASSETS - END OF YEAR			<u>\$5,745,289</u>	

The accompanying notes are an integral part of the combined financial statements.

SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - BUDGET (GAAP BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2005

Variance	Favorable	(Unfavorable)	Original	Budget	Final	Actual	
			\$938,000	\$945,000	\$902,078	\$902,078	
			9,500	9,500	5,128	(4,372)	
			5,000	2,500	7,000	4,500	
			64,000	56,000	15,836	(40,164)	
			\$1,016,500	\$1,013,000	\$930,042	(\$82,958)	
REVENUES							
			\$0	\$0	\$0	\$0	
			615,440	615,440	612,232	3,208	
			42,776	50,776	46,329	4,447	
			117,500	131,500	8,143	123,357	
			0	0	2,817	(2,817)	
			0	0	321,967	(321,967)	
			\$775,716	\$797,716	\$991,488	(\$193,772)	
			\$240,784	\$215,284	(\$61,446)	(\$276,730)	
OPERATING EXPENSES							
			\$19,895	\$19,895	\$32,521	\$12,626	
			(66,416)	(66,416)	(68,565)	(2,149)	
			0	0	5,666	5,666	
			0	0	0	0	
			(\$46,521)	(\$46,521)	(\$30,378)	\$16,143	
			\$194,263	\$168,763	(\$91,824)	(\$260,587)	
NONOPERATING REVENUES (EXPENSES)							
			\$19,895	\$19,895	\$32,521	\$12,626	
			(66,416)	(66,416)	(68,565)	(2,149)	
			0	0	5,666	5,666	
			0	0	0	0	
			(\$46,521)	(\$46,521)	(\$30,378)	\$16,143	
			\$194,263	\$168,763	(\$91,824)	(\$260,587)	
TRANSFERS							
			\$244,872	\$242,389	738,904	\$496,515	
			0	0	0	0	
			\$244,872	\$242,389	738,904	\$496,515	
			\$439,135	\$411,152	\$647,080	\$235,928	
NET INCOME (LOSS)							
			\$244,872	\$242,389	738,904	\$496,515	
			\$244,872	\$242,389	738,904	\$496,515	
			\$439,135	\$411,152	\$647,080	\$235,928	
NET ASSETS - BEGINNING OF YEAR							
			5,359,724	5,359,724	5,359,724	5,359,724	
NET ASSETS - END OF YEAR							
			\$6,006,804	\$6,006,804	\$6,006,804	\$6,006,804	

The accompanying notes are an integral part of the combined financial statements.

GAS FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN NET ASSETS - BUDGET (GAAP BASIS) AND ACTUAL
 For The Fiscal Year Ended June 30, 2005

Variance	Actual	Final Budget	Original Budget	
Favorable				
(Unfavorable)				
				REVENUES
				Gas Sales
	\$2,014,220	\$2,018,800	\$1,838,800	Penalties & Service Charges
	10,258	8,600	8,600	Tap Fees
	8,634	6,500	6,500	Miscellaneous
	2,136	0	0	TOTAL REVENUES
	\$2,035,248	\$2,033,900	\$1,853,900	
				OPERATING EXPENSES
				Personnel Costs
	\$5,467	\$11,090	\$11,090	Gas Purchased
	1,543,585	1,519,740	1,319,740	Contractual Services
	463,561	467,275	462,075	Repairs and Maintenance
	11,627	223,000	187,000	Operational
	36,973	45,850	42,350	Bad Debts
	5,192	0	0	Depreciation
	89,404	0	0	Total Operating Expenses
	\$2,155,809	\$2,266,955	\$2,022,255	Operating Income
	(\$120,561)	(\$233,055)	(\$168,355)	
				NONOPERATING REVENUES (EXPENSES)
				Royalties
	\$5,856	\$2,500	\$2,500	Interest Revenue
	12,741	600	600	Interest Expense
	0	(0)	(0)	Gain (Loss) on Disposition of Assets
	0	0	0	Total Nonoperating Revenue (Expense)
	\$18,597	\$3,100	\$3,100	NET INCOME (LOSS) Before Transfers
	(\$101,664)	(\$229,955)	(\$165,255)	
				TRANSFERS
				Operating Transfers In
	2,441	0	\$0	Operating Transfers (Out)
	0	(0)	(0)	Total Transfers
	\$2,441	\$0	\$0	NET INCOME (LOSS)
	(\$99,523)	(\$229,955)	(\$165,255)	
				NET ASSETS - BEGINNING OF YEAR
	\$1,824,839			
				NET ASSETS - END OF YEAR
	\$1,725,316			

The accompanying notes are an integral part of the combined financial statements.

10. As stated in the Interlocal Cooperation Agreement, has Pikeville assumed responsibility for the daily operations of Sandy Valley's facilities?

Yes, but partially. Effective February, 2006, Ms. Sue Varney, Director, Pikeville Finance Department and Mr. Roger Recktenwald, Manager, Pikeville Public Works Department attended the Sandy Valley commissioners' meeting. It was made clear in this meeting that regular and routine actions of Sandy Valley staff were adequate to meet the routine demands of operation of the system, and that the best use of Pikeville assistance would be better applied to assistance in dealing with a major line break near the Harold Bridge, coordinating response to the planned Habitat Project in Harmonds Branch and other large, non-routine scale projects. The representatives of Pikeville noted that the agreement called for more direct managerial assistance but would comply with the board's request. However, it was stated that there would be need for Sandy Valley board and staff assistance in preparing and following through with documentation and information relating to the asset transfer application to the PSC, including debt assignment and assumption resolutions. Assurance of cooperation was given and such cooperation continues.

Subsequently, Ms. Varney and Mr. Recktenwald were joined by Mr. Donnie Stone, Field Services Director, Pikeville Public Works Department, in meeting with Sandy Valley staff to assess critical needs and establish lines of communication. This level of activity continues. The repair of the 12" line at Harold was coordinated by Mr. Stone, who worked with the field staff of the District to complete the repair by developing a short relocation off the river bank. The Floyd County Judge-Executive, Paul Hunt Thompson providing necessary funding for materials and secured a track backhoe and operator. Additionally, Mr. Stone coordinated Sandy Valley's effort in support of the Habitat Project, assisted by Sandy Valley staff when and system demands allowed.

More recently, Mr. Stone has assisted Sandy Valley staff in planning for the relocation of a 12" line to the Mullins Tank, subject of shippage that destroyed several sections of line just below the tank site. Funds to repair the line via relocation have been budgeted by the Pike County Fiscal Court through its Coal Severance Fund and these funds are anticipated to be available in December, 2006.

Ms. Varney has maintained routine (weekly, at minimum) personal and phone contact with Sandy Valley office staff since February, soliciting information and interpretation of information and providing direction and guidance, as appropriate.

Throughout this period, Ms. Lynn Justice, CPA has been extremely helpful in providing financial information regarding Sandy Valley.

The Sandy Valley board of commissioners met in January, February and June.

11. Provide a copy of the current contract between Pikeville and Veolia Water North America Operating Services, LLC ("Veolia Water").

The City of Pikeville's contract with Veolia Water was due to expire June 30, 2007. The City advertised a request for proposals in January, 2006, subsequently received proposals from Veolia Water and Utility Management Group (UMG) on March 30, 2006 and selected the UMG proposal on June 26, 2006.

On September 22, 2006 the City and Veolia Water entered a "Consent to Assign, Mutual Release and Settlement Agreement" and on the same day Veolia Water and UMG entered an "Assignment Agreement" the effect of which is that UMG is now the contract operator of the Pikeville Public Works Department.

Copies of the original contract agreement between the City and Professional Services Group (dba Veolia Water), an amendment thereto, the agreements cited above and the contract between the City and UMG effective July 1, 2007 are attached.

AGREEMENT FOR OPERATIONS AND
MAINTENANCE SERVICES FOR
Pikeville, Kentucky

THIS AGREEMENT is made on this 26th day of March, 1987, between The City of Pikeville, Kentucky (hereinafter "OWNER"), whose address is P. O. Box 1228, Pikeville, Kentucky, 41501 and PROFESSIONAL SERVICES GROUP, INC., (hereinafter "PSG"), whose address is, One Jenkintown Station, 115 West Avenue, Suite 101, Jenkintown, PA 19046-2025

OWNER and PSG agree:

1. GENERAL

- 1.1 All definitions of words or phrases used in this Agreement are contained in Appendix A.
- 1.2 All grounds, facilities, equipment and vehicles now owned by OWNER or acquired by OWNER shall remain the property of the OWNER.
- 1.3 This Agreement shall be governed by and interpreted in accordance with the laws of the State of Kentucky.
- 1.4 This Agreement shall be binding upon the successors and assigns of each of the parties, but neither party will assign this Agreement without the prior written consent of the other party.
- 1.5 All notices shall be in writing and transmitted by certified mail to the address noted above.
- 1.6 This Agreement, including Appendices, "A" through "H" is the entire Agreement between the parties. This Agreement may be modified only by written agreement signed by both parties. Wherever used, the terms "PSG" and "OWNER" shall include the respective officers, agents, directors, elected or appointed officials, and employees.

- 2.4 Offer employment to the personnel contained in Appendix H of OWNER assigned full-time to the project as of the effective date of this Agreement providing benefits and wages comparable to those wages and benefits provided by OWNER. PSG will continue to provide employment to all personnel who accept employment with PSG so long as their positions are necessary to PSG's performance under this Agreement and they continue to perform their duties in a satisfactory manner.
- 2.3 Perform all Maintenance and Repairs for the project, and submit a monthly accounting to the OWNER, along with a detailed invoice if Maintenance and Repair expenditures exceed the maintenance and repair limit specified in Article 4.1.
- 2.2 Maintain the present industrial waste sampling and laboratory analysis program, as described in Appendix D. Results of all industrial sampling and testing shall be reported to OWNER in a timely manner.
- 2.1 Within the design capacity and capability of the project, manage, operate and maintain the project so that effluent discharged from the project meets the requirements specified in Appendix C. PSG may alter the process and/or facilities to achieve the objectives of this Agreement; provided, however, that no alteration shall be without OWNER'S written approval if alteration shall cost in excess of One Thousand Dollars (\$1,000.00).

PSG shall:

2. SCOPE OF SERVICES - PSG

- 1.8 It is understood that the relationship of PSG to OWNER is that of independent contractor.
- 1.7 If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

- 2.5 Provide OWNER, on a monthly basis, a report of Direct Cost in the format and in the level of detail shown in Appendix E.
- 2.6 Pay all Costs incurred in normal Project operations except water, sewer and gas.
- 2.7 Staff the Project with employees who have met the certification requirements of the State of Kentucky.
- 2.8 Prepare NPDES permit plant performance reports and submit them to OWNER for transmittal to appropriate agencies.
- 2.9 Provide for the disposal of screenings, grit, sludge and scum to the existing disposal sites.
- 2.10 Perform all laboratory testing and sampling presently required by the plant performance portion of NPDES permit.
- 2.11 Provide a physical inventory of OWNER's vehicles and equipment in use at the Project within 45 days after PSG begins service under this Agreement.
- 2.12 Provide twenty four (24) hour per day access to Project for OWNER's personnel. Visits may be made at any time by any of OWNER's employees so designated by OWNER's Representative. Keys for Project shall be provided to OWNER by PSG. All visitors to the project shall comply with PSG's operating and safety procedures.
- 2.13 Provide a physical inventory of chemicals on hand when PSG begins services under this Agreement. PSG will provide client with the same quantity of chemicals or the equivalent, upon termination of this Agreement.
- 2.14 Provide to OWNER, in writing, on the day services begin under this Agreement, the name of PSG's authorized representative.

- 3.8 Pay the cost of all water, sewer and gas used by the project.
- 3.7 Provide to PSG, in writing, on the day services begin under this Agreement, the name of OWNER's authorized representative.
- 3.6 Provide for PSG's use all vehicles and equipment presently in use at the project.
- 3.5 Provide all licenses for OWNER's vehicles used in connection with the Project.
- 3.4 Provide PSG, within a reasonable time after request, any piece of OWNER's heavy equipment that is available so that PSG may discharge its obligations under this Agreement in the most cost-effective manner.
- 3.3 Pay all property, franchise or other taxes associated with the Project other than taxes imposed upon PSG's income.
- 3.2 Keep in force all project warranties, guarantees, easements, and licenses that have been granted to OWNER and are not transferred to PSG under this Agreement.
- 3.1 Make all Capital Expenditures.

OWNER shall:

3. SCOPE OF SERVICES - OWNER

- 2.15 Perform other services that are incidental to the Scope of Services as directed by OWNER. Such services will be invoiced to OWNER at PSG's cost plus ten percent (10%).
- 2.16 Comply with all state and Federal employment laws.
- 2.17 All records, invoices, documents etc. maintained by PSG concerning the operation of the project shall be subject to inspection by OWNER upon reasonable notice by the OWNER.
- 2.18 PSG shall indemnify and hold harmless the OWNER from and against all mechanic and materialmen liens that may be filed against the project and shall cause any such lien to be discharged of record through bonding or otherwise within thirty(30) days which are the results of PSG's activities on the property.

The Base Fee and estimated total Direct Cost shall be negotiated by March 1, 1988 and subsequent March 1 for subsequent terms of this Agreement. Should OWNER and PSG fail to agree, the Base Fee and the estimated total Direct Cost will be determined by the application of the procedures in Appendix F.

4.4

If actual Direct Cost, excluding actual Maintenance and Repair expenditures, is less than the estimated total Direct Cost for the initial term and the first renewal period of this Agreement, PSG will rebate 90% of the difference to the OWNER. If actual total Direct Costs, excluding actual Maintenance and Repair expenditures, exceed the estimated total Direct Cost, PSG will be responsible for the difference.

4.3

If actual Maintenance and Repair expenditures are less than the Maintenance and Repair Limit for the initial term of this Agreement, PSG will rebate the entire difference to the OWNER. If actual Maintenance and Repair expenditures exceed the Maintenance and Repair Limit, the OWNER will pay the excess to PSG in accordance with Article 5.2. PSG will notify OWNER when actual Maintenance and Repair expenditures equal eighty percent (80%) of the Maintenance and Repair Limit.

4.2

PSG's compensation under this Agreement shall consist of its Base Fee and the estimated total Direct Cost. For the initial term of this Agreement, PSG's Base Fee is \$ 55,625, the estimated total Direct Cost is estimated to be \$ 555,000 and the Maintenance and Repair Limit included in the estimated total Direct Cost is \$ 15,000.

4.1

4. COMPENSATION

Loan two employees at no cost to PSG to assist PSG with operation of the existing water plant as long as the existing plant is operated.

3.9

OWNER shall pay interest at an annual rate equal to the Philadelphia National Bank's prime rate plus one and one half percent (1-1/2%) said amount of interest is not to exceed any limitation provided by law, on payments not paid and received within thirty (30) calendar days, such interest being calculated from the due date of the payment.

5.4

Any monies arising from Articles 4.2 and 4.3 will be paid to OWNER within sixty (60) days after the end of the initial term or subsequent Agreement year and sixty (60) days after the end of the initial term and the first renewal period of this Agreement respectively.

5.3

All other compensation to PSG is due upon receipt of PSG's invoice and payable within fifteen (15) days.

5.2

One fifteenth (1/15) and one twelfth (1/12) of the Base Fee and estimated total Direct Cost for the initial term and subsequent years respectively, shall be due and payable on the first of the month for each month that services are provided.

5.1

5. PAYMENT OF COMPENSATION

If this Agreement is terminated by Owner for no cause prior to June 30, 1990, Owner will pay PSG a demobilization fee of \$25,000. Such fee is to compensate PSG for startup costs that have not been recovered.

4.6

OWNER will pay as additional compensation to PSG any increases in Electricity Cost that are a result of electrical rate increases that occur during any Agreement year. The additional compensation will be calculated based upon a maximum of 138,000 KWH of energy and 125 KW of demand per month. PSG will invoice any such Electricity Cost increase quarterly.

4.5

The initial term of this Agreement shall commence on April 1, 1987 and end on June 30, 1988. Thereafter, this Agreement shall be automatically renewed for successive terms of two (2) years each unless cancelled in writing by either party no less than one hundred and twenty (120) days prior to expiration.

7.1

7. TERM, TERMINATION AND DEFAULT

Each party shall obtain and maintain insurance coverage of a type and in the amounts described in Appendix G. Each party shall name the other party as an additional insured on all insurance policies covering the Project and shall provide the other party with satisfactory proof of insurance.

6.4

PSG shall be liable for those fines or civil penalties, imposed by a regulatory agency for violations of the effluent quality requirements contained in Article 2.1 that are a result of PSG's negligence. OWNER will assist PSG to contest any such fines in administrative proceedings and/or in court prior to any payment by PSG. PSG shall pay the cost of contesting any such fines.

6.3

OWNER agrees to and shall hold PSG harmless from any liability or damages, court costs and attorney's fees for property damage or bodily injury, including death, which may arise from all causes of any kind other than PSG's negligence. Should it be determined that PSG and the OWNER or some other third party are jointly negligent, each Party shall indemnify the other for its proportionate share of damages.

6.2

PSG hereby agrees to and shall hold OWNER harmless from any liability or damages, court costs and attorney's fees for bodily injury, including death, which may arise from PSG's negligence under this Agreement, whether such negligence be by PSG or by subcontractor of PSG. Should it be determined that PSG and the OWNER or some other third party are jointly negligent, each Party shall indemnify the other for its proportionate share of damages.

6.1

6. INDEMNITY, LIABILITY AND INSURANCE

8.1. In the event activities by OWNER's employee groups or unions cause a disruption in PSG's ability to perform at the project, OWNER, with PSG's assistance or PSG at its own option, may seek appropriate injunctive court orders. During any such disruption, PSG shall operate the facilities on a best-efforts basis until any such disruptions cease.

8.2. If any litigation is necessary to enforce the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees which are directly attributed to such litigation in addition to any other relief to which it may be entitled.

8. DISPUTES AND FORCE MAJEURE

7.2. A party may terminate this Agreement only for a breach of the Agreement by the other party; only after giving written notice of breach; and, except in case of a breach by OWNER for non-payment of PSG's invoices, in which case termination may be immediate by PSG, only after allowing the other party thirty (30) days to cure or commence taking reasonable steps to cure the breach.

7.3. Upon notice of termination by OWNER, PSG shall assist OWNER in assuming operation of the project. If additional cost is incurred by PSG at request of OWNER, OWNER shall pay PSG such cost in accordance with Article 5.2.

7.4. Upon termination of this Agreement and all renewals and extensions of it, PSG will return the project to the OWNER in the same condition as it was upon the Effective Date of this Agreement, ordinary wear and tear excepted. PSG agrees to be responsible for all damages to the project caused by PSG, PSG's servants, agents or employees, invitees or visitors.

8.3 Neither party shall be liable for its failure to perform its obligations under this Agreement if performance is made abnormally difficult, or abnormally costly, due to any unforeseen occurrence beyond its reasonable control. However, this Article 8.3 may not be used by either party to avoid, delay or otherwise affect any payments due to other party.

Both parties indicate their approval of this Agreement by their signatures below and each party certifies that all corporate or governmental action necessary to bind the parties to the terms of this Agreement has been taken.

AUTHORIZED SIGNATURE:

Dr. William C. Hambley
 Dr. William C. Hambley
 Mayor

DATE: March 26, 1987

William C. Hambley
 Witness

Date: March 26, 1987

AUTHORIZED SIGNATURE:

Michael M. Stump
 Michael M. Stump
 President

DATE: March 25, 1987

Olga J. Imperia
 Witness

Date: March 25, 1987

PROFESSIONAL SERVICES GROUP, INC.

- A.1 The "Project" means all equipment, vehicles, grounds, sewers and facilities described in Appendix B and where appropriate, the management, operations and maintenance of such.
- A.2 "Capital Expenditures" means any expenditures for (1) the purchase of new equipment or facility items that cost more than One Thousand Dollars (\$1,000); or (2) major repairs which significantly extends equipment or facility service life and cost more than One Thousand Dollars (\$1,000) or (3) expenditures that are planned, non-routine and budgeted by OWNER.
- A.3 "Cost" means all Direct Cost and Indirect Cost determined on an accrual basis in accordance with generally accepted accounting principles.
- A.4 "Direct Cost" means the actual cost incurred for the direct benefit of the Project including, but not limited to, expenditures for direct labor, employee benefits, Labor Overhead, chemicals, lab supplies, repairs, repair parts, maintenance parts, safety supplies, gasoline, oil, equipment rental, travel, office supplies, other supplies, uniforms, telephone, postage, utilities, tools, memberships, and training supplies.
- A.5 "Labor Overhead" means general and administrative expenditures incurred by PSG to support the Project and OWNER. Labor Overhead is determined annually and is fixed for the year.
- A.6 "Base Fee" means a predetermined, fixed sum for PSG's profit. This amount is fixed for the year and covers overruns on Direct Costs and other costs in PSG's scope not contemplated.
- A.7 "Maintenance" means the cost, exclusive of PSG's labor cost, of those routine and/or repetitive activities required or recommended by the equipment or facility manufacturer or PSG to maximize the service life of the equipment, sewer, vehicles, and facility. Exclusive of PSG's labor cost.

DEFINITIONS

APPENDIX A

- A.8 "Repairs" means the cost of those non-routine/non-repetitive activities required for operational continuity, safety, and performance generally due to failure or to avert a failure of the equipment, sewer, vehicles, or facility or some component thereof. Exclusive of PSG's labor cost. Repairs do not include Capital Expenditures or costs connected with a change in the design capacity or capability of the project which are not essential to the performance of the project as designed.
- A.9 "Biologically Toxic Substances" means any substance or combination of substances contained in the plant influent in sufficient high concentration so as to interfere with the biological processes necessary for the removal of the organic and chemical constituents of the wastewater required to meet the discharge requirements of the OWNER's NPDES permit. Biologically Toxic Substances include but are not limited to heavy metals, phenols, cyanides, pesticides, and herbicides.
- A.10 "Adequate Nutrients" means plant influent nitrogen, phosphorus and iron contents proportional to BOD5 in the ratio of five (5) parts nitrogen, one (1) part phosphorus, and one half (0.5) part iron for each one hundred (100) parts BOD5.
- A.11 "Electrical Cost" means the monthly cost of 138,000 KWH of energy and 125 KW of demand calculated utilizing Kentucky Power Company's MMW and or LG rate in effect on the last day of the month.

- PSG agrees to provide the services necessary for the management, operation and maintenance of the following:
- a) All equipment, vehicles, grounds and facilities now existing within the present property boundaries of or being used to operate OWNER'S Wastewater Treatment Plant located north of Pikeville west of U.S. Highway 23.
 - b) All equipment, grounds and facilities now existing within the present property boundaries of the raw water pumping station located on South Mayo Trail, south of Pikeville.
 - c) The new six(6) Mgd water treatment plant located at Island Creek and South Mayo Trail.

APPENDIX B
DESCRIPTION OF PROJECT

APPENDIX C

NPDES PERMIT AND PROJECT CHARACTERISTICS

C.1 PSG will operate so that effluent will meet the requirement of NPDES permit no. KY0025291 (copy attached). PSG shall be responsible for meeting the effluent quality requirements of OMNER's NPDES permit unless one or more of the following occurs: (1) the Project Influent does not contain Adequate Nutrients to support operation of Project biological processes and/or contains Biologically Toxic Substances which cannot be removed by the existing process and facilities; (2) dischargers into OMNER's sewer system violate any or all regulations as stated in the Water and Sewer Ordinance; (3) the flow, Influent BOD5 and/or suspended solids exceeds the Project design parameters which are 0.84 million gallons of flow per day, 1261 pounds of BOD5 per day, 1261 pounds of suspended solids, and a daily peaking factor of 1.5 times flow, (4) if the Project is inoperable or can operate only at a reduced capacity on account of construction activities, fire, flood, adverse weather conditions, labor disputes, or other causes beyond PSG's control; or (5) during the first ninety (90) days of PSG's operations under this Agreement.

C.2 In the event any one of the Project Influent characteristics, suspended solids, BOD5, or flow, exceeds the design parameters stated above, PSG shall return the plant effluent to the characteristics required by the NPDES permit in accordance with the following schedule after Project Influent characteristics return to within design parameters.

Recovery Period	Maximum	Characteristics Exceeding Design Parameters By
5 days	10% or Less	10% or Less
10 days	Above 10% Less than 20%	Above 10% Less than 20%
30 days	20% and Above	20% and Above

Notwithstanding the above schedule, if the failure to meet effluent quality limitations is caused by the presence of Biologically Toxic Substances or the lack of Adequate Nutrients in the Influent, then PSG will have a thirty (30) day recovery period after the Influent is free from said substances or contains Adequate Nutrients.

C.5 Whenever PSG is excused from meeting the requirements of the NPDES permit, it will use its best efforts to meet those requirements.

The above characteristics are the actual twelve (12) months average prior to the date services are first provided under this Agreement. Any change of 10 percent (10%) or more in any of these characteristics, based upon a twelve (12) month moving average, will constitute a change in scope.

<u>WASTEWATER</u>		<u>WATER</u>	
Flow	0.84 Mgd	Flow	1.5 Mgd
BOD	1261 #/day		
TSS	1261 #/day		

C.4 The estimated Costs for services under this Agreement are based upon the following Project characteristics:

C.3 PSG shall not be responsible for fines or legal action as a result of discharge violations within the period that influent exceeds design parameters, does not contain Adequate Nutrients, contains Biologically Toxic substances, or is inoperable in the subsequent recovery period.

Attached to and a part of this Agreement is a listing of all industries discharging into the collection system and monitored under Ordinance number - None.

INDUSTRIAL WASTE DISCHARGERS AND MONITORING PROGRAM

APPENDIX D

ITEM	4/1/87 TO	3/31/88	4/1/87 TO	6/30/88	TOTAL
Labor and Benefits	\$ 230,900	\$ 57,725	\$ 288,625		
Electric	\$ 78,000	\$ 19,500	\$ 97,500		
Chemicals	\$ 23,500	\$ 5,875	\$ 29,375		
Other Utilities	\$ -0-	\$ -0-	\$ -0-		
Maintenance and Repair	\$ 12,000	\$ 3,000	\$ 15,000		
Equipment Rental	\$ 7,200	\$ 1,800	\$ 9,000		
Outside Services	\$ 3,700	\$ 925	\$ 4,625		
All Other	\$ 33,900	\$ 8,475	\$ 42,375		
Labor Overhead	\$ 54,800	\$ 13,700	\$ 68,500		
Total Direct Cost	\$ 444,000	\$ 111,000	\$ 555,000		
Base Fee	\$ 44,500	\$ 11,125	\$ 55,625		
Total	\$ 488,500	\$ 122,125	\$ 610,625		

DIRECT COST

APPENDIX E

In the event that OWNER and PSG are unable to reach an agreement as to the increase and/or decrease in annual Base Fee, estimated total Direct Costs, and/or the Maintenance and Repair Limit, by March 1, 1988 then those issues remaining unresolved shall be submitted to binding arbitration under the following terms, conditions and procedures:

a) Unless specifically provided for herein to the contrary, the rules and procedures of the American Arbitration Association (AAA) as shall, from time to time, be amended shall apply.

b) There shall be a three member Arbitration Board composed of one member selected by the OWNER and one member selected by PSG. Each party shall notify the other of its selection on or before March 15, 1988. The final member of the three member Arbitration Board shall be selected by the initial two members selected within a reasonable time after their appointment.

c) On or before April 10, 1988 each party shall submit to the Arbitration Board its written position on each unresolved issue. Such submission shall include not only the party's proposed resolution; but also, all supporting data and argument. All exhibits intended for introduction at the hearing and a list of witnesses each party intends to call shall be submitted as exhibits to the submission.

d) The Arbitration Board may schedule such pre-hearing conferences as it shall deem advisable.

e) The arbitration hearing shall commence no earlier than April 20, 1988 and no later than April 30, 1988 and shall be concluded no later than ten working days after its commencement.

f) The parties hereby agree and stipulate for purposes of arbitration that the pricing and cost estimates contained in this Agreement or any subsequent modification hereto are fair and reasonable and are not to be a factual issue for determination by the Arbitration Board. The sole question of fact(s)

ARBITRATION PROCEDURES

APPENDIX F

- g) For the Arbitration Board shall be confined to changes (or anticipated future changes) in circumstances between the effective date of this Agreement or any modification(s) hereto (including but not limited to negotiated or arbitrated changes to fees and cost estimates pursuant to this Agreement) and the effect such changed circumstance(s) should have on the then effective fees and/or cost estimates.
- h) Findings of fact and conclusions of law shall not be required of the Arbitration Board unless specifically requested by either party within five working days of the announcement of the Decision and Order.
- i) Unless specifically requested by either party the proceedings shall not be recorded by other than a tape recording device. In the event that either party requests the services of a court reporter or other means of transcription of the proceedings, the requesting party shall bear the cost of recordation and transcription.
- j) The costs of arbitration services shall be borne equally by the parties; provided, however, that in the event that the Arbitration Board makes a specific written finding of fact that one party has prosecuted its case frivolously or in bad faith then the Arbitration Board shall assess the costs of arbitration services to the offending party.
- k) The Decision and Order shall be binding on both parties and shall not be subject to appeal.

Within ten days of the conclusion of the evidentiary phase of the arbitration hearing the Arbitration Board shall announce its decision and award. The possible "decision and award" shall be limited on each individual issue presented to either the position of the OWNER or the position of PSG as set forth in the position submissions described in subsection (c) above.

Each party will provide at least thirty (30) days notice of the cancellation of any policy it is required to maintain under this Agreement. PSG and the OWNER may self-insure reasonable deductible amounts under the policies they are required to maintain. To the extent permitted by law and only if such action does not invalidate the property insurance of either party, PSG and the OWNER, on behalf of themselves and their insurers, waive their rights of subrogation with respect to losses occurring to property of the parties.

1. Property damage insurance for all property including vehicles owned by OWNER and operated by PSG under this Agreement. Any property, including vehicles, not properly or fully insured shall be the financial responsibility of the OWNER.

OWNER SHALL MAINTAIN:

1. Statutory workmen's compensation for all of PSG's employees at the Project as required by the state of Kentucky.
2. Comprehensive general liability insurance in an amount not less than \$1,000,000 combined single limits for bodily injury and/or property damage.

PSG SHALL MAINTAIN:

INSURANCE COVERAGE

APPENDIX G

AMENDMENT NO. 2
TO
AGREEMENT FOR OPERATIONS AND MAINTENANCE SERVICES
FOR
PIKEVILLE, KENTUCKY

This Agreement is made this 28th day of March, 1988 between the City of Pikeville, Kentucky ("Owner") and Professional Services Group, Inc. ("PSG").

WHEREAS, Owner and PSG agreed on the 26th day of March, 1987 for operations and maintenance services for Pikeville, Kentucky; and

WHEREAS, Owner and PSG agreed by letter to amend the Agreement for the initial term only;

NOW, THEREFORE, the parties agree to make the following amendments:

Paragraph 4.6 is amended by striking "\$25,000" and inserting in its place "\$12,500".

Paragraph 7.1 is amended by changing in the second sentence "two (2)" to "one (1)".

Both parties indicate their approval of this Agreement by their signatures below and each party certifies that all corporate or governmental action necessary to bind the parties to the terms of this Agreement has been taken.

Authorized signature:

Michael M. Stump
Michael M. Stump
President
Professional Services Group, Inc.

Date: April 1, 1988
Witness
Katherine B. Brown

Dr. William C. Hambley
Dr. William C. Hambley
Mayor
City of Pikeville, KY

Date: 4/8/88
Witness
Karen Ham

Date: April 8, 1988
Witness

*Agreement For
Operations, Maintenance and Management Services*

THIS AGREEMENT made and effective, the 1st. day of July, 1997, by and between

the City of Pikeville, a political subdivision of the State of Kentucky,
with its principal address at City Hall, 260 Hambley Blvd., Pikeville,
Kentucky 41501 (hereinafter "CITY")

and

Professional Services Group, Inc., with its principal address at
14950 Heathrow Forest Parkway, Suite 200, Houston, Texas
77032-3842 (hereinafter "PSG").

WHEREAS, by Agreement for Operation and Maintenance Services for Pikeville, Kentucky, dated March 27, 1987, (as restated by document of the same name executed by the CITY on June 19, 1989, and by PSG on June 27, 1989) and amended by Amendment to the Agreement for Operation and Maintenance Services for Pikeville, Kentucky dated June 27, 1989, (hereinafter the "Existing Contract Documents") the CITY retained the services of PSG to provide management, operations, maintenance and repairs to CITY's wastewater treatment plant, water treatment plant, sewer collection system, lift stations and siphons, potable water storage and distribution system, natural gas distribution system, streets (including signs), sidewalks, storm drains, public works office, shop and baseyard, sanitation service, transfer station and water and gas meter reading, all as more particularly described in Appendix B (hereinafter collectively the "Project"); and,

WHEREAS, CITY and PSG desire to renew the contractual relationship between the parties, in accordance with terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, CITY and PSG agree as follows:

I General

1.1 Definitions of words and phrases used in this Agreement and the attachments are contained in Appendix A.

1.2 All land, buildings, facilities, easements, licenses, rights-of-way, equipment and vehicles presently or hereinafter acquired or owned by CITY shall remain the

exclusive property of CITY unless specifically provided for otherwise in this Agreement.

1.3 This Agreement shall be governed by and interpreted in accordance with the laws of the State of Kentucky.

1.4 This Agreement shall be binding upon the successors and assigns of each of the parties, but neither party shall assign this Agreement without the prior written consent of the other party.

1.5 All notices shall be in writing and transmitted to the party's address stated above. All notices shall be deemed effectively given

* when delivered, if delivered personally or by courier mail service, i.e.,

Federal Express or DHL;

* when delivered when such notice has been deposited in the United States

mail postage prepaid, if mailed certified or registered U.S. mail, return

* receipt requested; or

* when received by the party for which notice is intended if given in any other manner.

1.6 This Agreement, including Appendices, is the entire Agreement between the parties. Wherever used, the terms "PSG" and "CITY" shall include the respective officers, agents, directors, elected or appointed officials and employees and, where appropriate, subcontractors.

1.7 If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

1.8 It is understood that the relationship of PSG to CITY is that of independent contractor. The services provided under this Agreement are of a professional nature and shall be performed in accordance with good and accepted industry practices for contract operators similarly situated. However, such services should not be confused with engineering services and nothing herein is intended to imply that PSG is to supply professional engineering services to CITY unless specifically stated in this Agreement to the contrary.

1.9 Nothing herein is intended by the parties to amend, modify or otherwise change any legal obligation owed by one party to the other which has heretofore matured or

vested under the Existing Contract Documents, including, but not limited to, fees owed for services rendered, rebates owed by PSG to CITY, indemnification obligations, and/or insurance coverage requirements.

1.10 Nothing in this Agreement shall be construed to create in any third party or in favor of any third party any right(s), license(s), power(s) or privilege(s).

1.11 Each party shall designate in writing an employee or other representative of the designating party who shall have full authority to approve changes in the Scope of Work and compensation therefore, execute written Change Orders reflecting such changes, render decisions promptly, and furnish information expeditiously to the other party when necessary.

2 PSG's Services - General

2.1 PSG will staff the Project with employees who have met appropriate licensing and certification requirements of the State of Kentucky.

2.2 PSG shall comply with all Federal and State employment laws.

2.3 PSG shall maintain all records and documents concerning the operation of the Project such that they may be inspected by CITY upon reasonable notice.

2.4 Visits may be made at any time by CITY's employees so designated by CITY's representative. Keys for the Project shall be provided to CITY by PSG for such visits. All visitors to the Project shall comply with PSG's operating and safety procedures.

2.5 PSG will implement and maintain an employee safety program in compliance with applicable laws, rules and regulations and make recommendations to CITY regarding the need, if any, for CITY to rehabilitate, expand or modify the Project to comply with governmental safety regulations applicable to PSG's operations hereunder and Federal regulations promulgated pursuant to the Americans With Disability Act. Nothing herein shall be construed to place upon PSG a duty to find violations of either the safety laws or the ADA at the Facility.

2.6 Subject to the availability of funds in the Maintenance and Repair Limit, PSG shall maintain and repair only the motor vehicles and equipment solely used in support of the Project (whether owned by CITY or PSG).

2.7 In any emergency affecting the safety of persons or property, PSG may act outside the scope of this Agreement without written amendment or change order to prevent threatened damage, injury or loss. PSG shall be compensated by CITY for any such

emergency work notwithstanding the lack of a written amendment. Such compensation shall include PSG's direct costs for the emergency work plus a mark-up for overhead. Nothing contained in this section shall impose upon PSG a duty to perform any emergency work absent a change order and failure to perform any such emergency work shall not impose upon PSG any liability for errors and omissions.

2.8 Services which are the subject of this Agreement are budgeted as 4,320 actual straight time man-hours per payroll period (consisting of a two (2) successive week period) and 216 overtime man-hours per payroll period. Overtime hours in excess of those budgeted cause by abnormal excessive natural events, including but not limited to an act of God, excessive snowfall, tornado or flood, shall be billed to the CITY on a monthly basis with mark-up including additional taxes, fees or insurance resulting from the extra money paid, i.e., FICA, unemployment insurance, workers compensation. An "actual straight time man-hour" shall mean an actual hour of labor by one person unbundled by vacation, holiday or other leave allowances.

2.9 As required by law, permit or court order, PSG will prepare Federal and State permit plant performance reports and submit them to CITY for signature and transmittal to appropriate authorities.

2.10 PSG shall perform all laboratory testing and sampling presently required by plant performance portions of the NPDES permit, the Clean Water Act, the Safe Drinking Water Act, and/or any Federal, State or local rules and regulations, statutes or ordinances, permit or license requirements or judicial and regulatory orders and decrees, including, but not limited to required testing and sampling for the gas system, sanitation collection and storm water management.

2.11 PSG will provide for the collection and hauling of screenings, grit, sludge and scum to the Pike County landfill and/or the Chaparral Coal landfill. It shall be the sole right and responsibility of CITY to designate, approve or select landfill facilities to be used by PSG for CITY's waste materials. All waste and/or byproduct collected, treated and/or generated during PSG's performance of services is and shall remain the sole and exclusive property of CITY. All manifests or other documentation required for disposal of sludge shall be signed by or in the name of the CITY.

3 PSG's Scope of Services - Wastewater

3.1 This Article shall apply to PSG's Operations, Maintenance, & Management services for the CITY's wastewater treatment system.

3.2 Within the design capacity and capabilities of the Waste Treatment Plant described in Appendix B, PSG will manage, operate and maintain the Plant so that effluent

discharged from the Plant meets the requirements specified in Appendix C-1.

3.3 PSG shall manage, operate and maintain the wastewater treatment plants, lift stations and sludge removal program.

3.4 PSG shall operate the wastewater treatment plant and collection system such as to minimize the hydrogen sulfide odor in the atmosphere. Hydrogen sulfide leaving the wastewater plant shall not be increased above the level entering the wastewater plant from the collection system.

3.5 Subject to the availability of funds within the Maintenance and Repair Limit, PSG will perform all Maintenance and Repairs for the Wastewater Treatment Plant and lift stations, and submit a monthly accounting to CITY.

3.6 Subject to Section 8.9, PSG will pay all Costs incurred in normal operations and maintenance of the Wastewater Treatment Plant (including sludge disposal) and lift stations.

4 PSG' Scope of Services - Water

4.1 This Article shall apply to PSG's Operations, Maintenance, & Management services for the CITY's drinking water treatment system.

4.2 Within the design capacity and capabilities of the Water Treatment Plant described in Appendix B, PSG will manage, operate and maintain the Plant so that water produced from the Plant meets the requirements specified in Appendix C-2.

4.3 Subject to Section 7.9, PSG will pay all Costs incurred in normal operations and maintenance of the potable Water Treatment Plant, water tanks and pumps.

4.4 Subject to the availability of funds within the Maintenance and Repair Limit, PSG will perform all Maintenance and Repairs for the Water portion of the Project, and submit a monthly accounting to CITY.

5 PSG's Scope of Services - Wastewater Collection System, Water Distribution System, Natural Gas Distribution System, Storm water Drains and System, Roadways, Sidewalks, Signs, and Public Works Building & Baseyard.

5.1 This Article shall apply to PSG's maintenance and repair services for the CITY's wastewater collection system, drinking water distribution system, natural gas distribution system, storm water drains and system, roadways, sidewalks, signs, and Public Works office and baseyard .

5.2 The scope of PSG's services for the management, maintenance and repair of the collection system, the water distribution system and the natural gas distribution system are set forth in Appendices C-3, C-4 and C-5, respectively. Said Appendices additionally describe the battery limits of the respective systems.

5.3 The scope of PSG's services for the management, maintenance and repair of the storm water drains and system is attached as Appendix C-6.

5.4 The scope of PSG's services for the management, maintenance and repair of the roadways, sidewalks and signs is attached as C-7.

5.5 The scope of PSG's services for the management, maintenance and repair of the Public Works building (office) and baseyard is attached as Appendix C-8.

5.6 Special trash collection and cleanup will be provided by PSG for Hillbilly Days as directed by the CITY.

5.7 Costs (other than labor) associated with the services described in this Article shall be charged to the Maintenance and Repair Limit.

6 PSG Scope - Meter Reading (Water & Gas); Refuse Collection

6.1 This Article shall apply to PSG's meter reading operations services for the water and gas meters described in Appendix B and the garbage pick-up and collection service.

6.2 At least once each calendar month (12 times per calendar year), PSG shall collect from each residential and commercial consumer of water and/or gas the usage of water or gas (as reported by the meter) during the period since the last reading of the meter. This information shall be reported in a timely manner to the CITY for billing purposes in a form as shall from time to time be approved by the CITY.

6.3 PSG shall operate existing residential and commercial garbage collection according to the existing schedule and customer base. The parties acknowledge that current garbage collection consists of two pick-ups per week per household or commercial outlet. Any increase or decrease of 10% in customer base and/or frequency of pick-up shall result in a Change in Scope pursuant to Section 10.1.2. The parties further acknowledge that garbage and refuse currently collected is deposited in the Pike County landfill because of needed repairs to the transfer station. All costs, methods and expenses resulting from alternative disposal sites, other than the CITY transfer station, the County landfill and the Chaparral Coal pit, shall be the responsibility of CITY.

6.3.1 Annual fee is based on residential accounts of 1,800 and commercial accounts of 250.

6.4 In the event that the CITY transfer station is repaired and made operational, PSG shall utilize the transfer station without a Change in Scope.

7 City's Duties

7.1 The CITY shall fund all necessary Capital Expenditures. Priority shall be given to safety and the ADA related expenses described in Section 2.5. Any loss, damage, or injury resulting from CITY's failure to provide capital improvements and/or funds in excess of the Maintenance and Repair Limit when reasonably requested by PSG shall be the sole responsibility of CITY.

7.2 The CITY shall keep in force all Project warranties, guarantees, easements and licenses that have been granted to CITY and are not transferred to PSG under this Agreement.

7.3 The CITY shall pay all sales, excise, excise, *ad valorem*, property, franchise, occupational and disposal taxes, or other taxes associated with the Project other than taxes imposed upon PSG's net income and/or payroll taxes for PSG employees, as set forth in Section 2.8, taxes imposed on PSG owned equipment and/or sales taxes on items purchased by PSG for the project.

7.4 The CITY shall provide PSG, within a reasonable time after request and on an "as available" basis, with the temporary use of any piece of CITY's heavy equipment that is available so that PSG may discharge its obligations under this Agreement in the most cost-effective manner.

7.5 CITY shall pay all tipping fees and similar charges for the use of both the County landfill and the Chaparral Coal pit for the deposit of garbage, refuse, sludge and other waste.

7.6 CITY shall provide all registrations and licenses for CITY's vehicles used in connection with the Project.

7.7 CITY shall provide for PSG's exclusive use of all vehicles and equipment presently in full time use at the Project and any replacements if necessary.

7.8 CITY shall provide the Project with appropriate security personnel and/or devices to protect against any losses resulting from the theft, damage, or unauthorized use of

- 9.5 CITY shall pay interest at an annual rate equal to the Pikeville National Bank's prime rate up to sixty (60) days from the due date and prime rate plus one and one half percent (1.5%), said rate of interest not to exceed any limitation provided by law, on payments due PSG thereafter, such interest being calculated from sixty (60) days from
- 9.4 Any additional overtime hours in excess of those budgeted which are payable pursuant to Section 3.8 will be paid to PSG within thirty (30) days.
- 9.3 Any monies payable pursuant to Section 8.2 will be paid within sixty (60) calendar days after the end of each Agreement year.
- 9.2 All other compensation to PSG is due upon receipt of PSG's invoice and payable within thirty (30) days.
- 9.1 One-twelfth (1/12) of the Annual Fee for the current year shall be due and payable on the first of the month for each month that services are provided.

9 Payment of Compensation

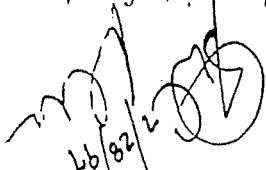
- 8.3 The Annual Fee shall be negotiated each year at least four (4) months prior to the anniversary of this Agreement's effective date. Should CITY and PSG fail to agree, the Annual Fee will be determined by the application of the procedures in Appendix D. The Maintenance and Repair Limit shall increase or decrease by a percentage equal to the change in the Annual Fee.
- 8.2 If actual Maintenance and Repair expenditures are less than the Maintenance and Repair Limit for any Agreement year, PSG will rebate the entire difference to CITY in accordance with Section 9.3. If actual Maintenance and Repair expenditures exceed the Maintenance and Repair Limit, CITY will pay the excess to PSG in accordance with Section 9.3. PSG will notify CITY when actual Maintenance and Repair expenditures equal eighty percent (80%) of Maintenance and Repair Limit.
- 8.1 PSG's compensation under this Agreement shall consist of an Annual Fee. For the first year of this Agreement, PSG's Annual Fee is \$3,300,884. The Maintenance and Repair Limit included in the Annual Fee is \$389,358.

8 Compensation

- 7.9 The CITY shall pay all Costs for water, sewer user fees, road salt, natural gas deodorizers and natural gas for the Project.

property owned by CITY and shall accept liability for such losses.

4/29/97

- property owned by CITY and shall accept liability for such losses.
- 7.9 The CITY shall pay all Costs for water, sewer user fees, road salt, natural gas deodorizers and natural gas for the Project.
- 
- 8 Compensation
 - 8.1 PSG's compensation under this Agreement shall consist of an Annual Fee. For the first year of this Agreement, PSG's Annual Fee is \$3,300,884. The Maintenance and Repair Limit included in the Annual Fee is \$389,358.
 - 8.2 If actual Maintenance and Repair expenditures are less than the Maintenance and Repair Limit for any Agreement year, PSG will rebate the entire difference to CITY in accordance with Section 9.3. If actual Maintenance and Repair expenditures exceed the Maintenance and Repair Limit, CITY will pay the excess to PSG in accordance with Section 9.3. PSG will notify CITY when actual Maintenance and Repair expenditures equal eighty percent (80%) of Maintenance and Repair Limit.
 - 8.3 The Annual Fee shall be negotiated each year at least four (4) months prior to the anniversary of this Agreement's effective date. Should CITY and PSG fail to agree, the Annual Fee will be determined by the application of the procedures in Appendix D. The Maintenance and Repair Limit shall increase or decrease by a percentage equal to the change in the Annual Fee.
-
- 9 Payment of Compensation
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 - 9.2 All other compensation to PSG is due upon receipt of PSG's invoice and payable within thirty (30) days.
 - 9.3 Any monies payable pursuant to Section 8.2 will be paid within sixty (60) calendar days after the end of each Agreement year.
 - 9.4 Any additional overtime hours in excess of those budgeted which are payable pursuant to Section 3.8 will be paid to PSG within thirty (30) days.
 - 9.5 CITY shall pay interest at an annual rate equal to the Pikeville National Bank's prime rate up to sixty (60) days from the due date and prime rate plus one and one half percent (1.5%), said rate of interest not to exceed any limitation provided by law, on payments due PSG thereafter, such interest being calculated from sixty (60) days from

property owned by CITY and shall accept liability for such losses.

7.9 The CITY shall pay all Costs for water, sewer user fees, road salt, natural gas deodorizers and natural gas for the Project.

8 Compensation

8.1 PSG's compensation under this Agreement shall consist of an Annual Fee. For the first year of this Agreement, PSG's Annual Fee is \$2,911,526. The Maintenance and Repair Limit included in the Annual Fee is \$389,358.

8.2 If actual Maintenance and Repair expenditures are less than the Maintenance and Repair Limit for any Agreement year, PSG will rebate the entire difference to CITY in accordance with Section 9.3. If actual Maintenance and Repair expenditures exceed the Maintenance and Repair Limit, CITY will pay the excess to PSG in accordance with Section 9.3. PSG will notify CITY when actual Maintenance and Repair expenditures equal eighty percent (80%) of Maintenance and Repair Limit.

8.3 The Annual Fee shall be negotiated each year at least four (4) months prior to the anniversary of this Agreement's effective date. Should CITY and PSG fail to agree, the Annual Fee will be determined by the application of the procedures in Appendix D. The Maintenance and Repair Limit shall increase or decrease by a percentage equal to the change in the Annual Fee.

9 Payment of Compensation

9.1 One-twelfth (1/12) of the Annual Fee for the current year shall be due and payable on the first of the month for each month that services are provided.

9.2 All other compensation to PSG is due upon receipt of PSG's invoice and payable within thirty (30) days.

9.3 Any monies payable pursuant to Section 8.2 will be paid within sixty (60) calendar days after the end of each Agreement year.

9.4 Any additional overtime hours in excess of those budgeted which are payable pursuant to Section 3.8 will be paid to PSG within thirty (30) days.

9.5 CITY shall pay interest at an annual rate equal to the Pikeville National Bank's prime rate up to sixty (60) days from the due date and prime rate plus one and one half percent (1.5%), said rate of interest not to exceed any limitation provided by law, on payments due PSG thereafter, such interest being calculated from sixty (60) days from

the due date of the payment. In the event the charges hereunder might exceed any limitation provided by law, such charges shall be reduced to the highest rate or amount within such limitation.

10 Scope Changes

10.1 A Change in Scope of services shall occur when and as PSG's costs of providing services under this Agreement change as a result of

10.1.1 any change in Project operations, personnel qualifications or staffing or other cost which is mandated or otherwise required, by a change in law, rule or regulation or an action or forbearance of any governmental body having jurisdiction to order, dictate or require such change;

10.1.2 increases or decreases of ten percent (10%) in the user base;

10.1.3 increases or decreases of not less than ten percent (10%) in the influent flow or loadings as demonstrated by a twelve month floating average compared to the twelve month period ending on the effective date of this Agreement (baseline flow and loading information is located in Appendix C); and/or,

10.1.4 increases or decreases in rates or other related charges (including taxes) imposed upon PSG by a utility provider (see Section 10.4 below) or taxing authority - excluding taxes based on PSG's net income;

10.1.5 CITY's request of PSG and PSG's consent to provide additional services.

10.2 For Changes in Scope described in Sections 10.1.1 through, and including, 10.1.3, the Annual Fee shall be increased (or decreased) by an amount equal to PSG's additional (reduced) Cost associated with the Change in Scope plus ten percent (10%). Modifications of the Annual Fee as a result of conditions described in Section 10.1.3 shall be retroactive to the beginning of the twelve month comparison period.

10.3 For Changes in Scope described in Section 10.1.4, the Annual Fee shall be increased (or decreased) by an amount equal to PSG's additional (reduced) Cost associated with the Change in Scope.

10.4 CITY and PSG shall negotiate any increase or decrease in PSG's Annual Fee for Changes in Scope based on Section 10.1.5.

10.5 Utility Rates

hereto in favor of a party hereto.

Nothing in this Article or any other section, paragraph or article of this Agreement shall be construed to subject either party to liability for indirect, punitive or consequential damages and none shall be awarded by any tribunal against a party

11.5

CITY shall be liable for those fines or civil penalties imposed by any regulatory or enforcement agencies on CITY and/or PSG that are not a result of PSG's negligence or are otherwise directly related to the ownership of the Project and shall indemnify and hold PSG harmless from the payment of any such fines and/or penalties.

11.4

PSG shall be liable for those fines or civil penalties imposed by a regulatory or enforcement agency for violations of the effluent quality requirements provided for in Appendices C-1 and C-2 that are a result of PSG's negligence. CITY will assist PSG to contest any such fines in administrative proceedings and/or in court prior to any payment by PSG. PSG shall pay the cost of any such contest.

11.3

CITY agrees to indemnify, defend and hold PSG harmless from any liability, claims, demands, losses, damages and expenses, including reasonable attorneys fees, court cost, and expert witness fees, for damages to property of the CITY, PSG, or third parties, or bodily injury (including death) of any person, including third parties, which may arise from CITY's negligence or willful misconduct under this Agreement; provided, CITY shall be liable for that percentage of total damages that corresponds to its percentage of total negligence or fault.

11.2

PSG agrees to indemnify, defend and hold CITY harmless from any liability, claims, demands, losses, damages and expenses, including reasonable attorneys fees, court cost, and expert witness fees, for damages to property of the CITY, PSG or third parties, or bodily injury (including death) of any person, including third parties, which may arise from PSG's negligence or willful misconduct under this Agreement; provided, PSG shall be liable for that percentage of total damages that corresponds to its percentage of total negligence or fault.

11.1

11 Indemnity, Liability and Insurance

* PSG will rebate one hundred percent (100%) of any decrease in Electrical Cost Plant caused by Average Electrical Rate Plant decreases, subject to the above KWH cap.

* CITY will pay as additional compensation to PSG any increases in Electrical Cost Plant that are a result of Average Electrical Rate Plant increases that occur during any Agreement year. The additional compensation will be calculated based upon 5,313,513 KWH of energy per year.

- 13 Disputes and Force Majeure
- 13.1 In the event activities by employee groups or unions cause a disruption in PSG's ability to perform at the Project, CITY, with PSG's assistance or PSG at its own
- 12.5 Upon termination of this Agreement and all renewals and extensions of it, PSG will return the Project to CITY in the same condition as it was upon the effective date of this Agreement, ordinary wear and tear excepted. Equipment and other personal property purchased by PSG for use in the operation or maintenance of the Project shall remain the property of PSG upon termination of this Agreement unless the property was directly paid for by CITY or CITY specifically reimbursed PSG for the cost incurred to purchase the property or this Agreement provides to the contrary.
- 12.4 Upon termination of this Agreement, PSG will provide CITY with the same quantity of chemicals (or equivalent) as indicated on the physical inventory of chemicals on hand when PSG began services under the Existing Contract Documents.
- 12.3 Upon notice of termination by CITY, PSG shall assist CITY in assuming operation of the Project. If additional Cost is incurred by PSG at request of CITY, CITY shall pay PSG such Cost within thirty (30) days of invoice receipt.
- 12.2 A party may terminate this Agreement only for a material breach of the Agreement by the other party, only after giving written notice of breach, and, except in case of a breach by CITY for non-payment of PSG's invoices, in which case termination may be immediate by PSG, only after allowing the other party thirty (30) days to cure or commence taking reasonable steps to cure the breach.
- 12.1 The initial term of this Agreement shall commence on July 1, 1997 and shall continue thereafter for an initial term of sixty (60) months until June 30, 2002. Thereafter, this Agreement shall be automatically renewed for successive terms of two (2) years each unless canceled in writing by either party no less than one hundred and twenty (120) days prior to expiration.
- 12 Term, Termination and Default
- 11.7 Each party shall obtain and maintain insurance coverage of a type and in the amounts described in Appendix E. Each party shall provide the other party with satisfactory proof of insurance.
- 11.6 Indemnity agreements provided for in this Agreement shall survive the termination of the Agreement.

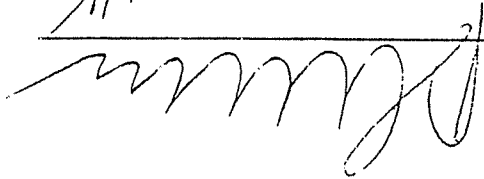
option, may seek appropriate injunctive court orders. During any such disruption, PSG shall operate the facilities on a best-efforts basis until any such disruptions cease.

13.2 Neither party shall be liable for its failure to perform its obligations under this Agreement if such failure is due to any Unforeseen Circumstances beyond its reasonable control or force majeure. However, this Section may not be used by either party to avoid, delay or otherwise affect any payments due to the other party.

[End of text this page.]

Both parties indicate their approval of this Agreement by their signatures below, and each party warrants that all corporate or governmental action necessary to bind the parties to the terms of this Agreement has been and will be taken.

PROFESSIONAL SERVICES GROUP, INC.

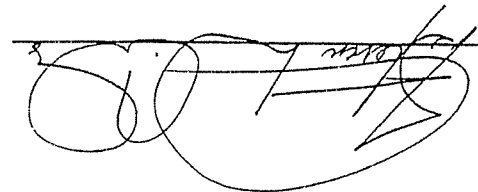
By: 

Name: Patrick L. McMahon, P.E.

Title: President and CEO

Date: 4/9/97

CITY OF PIKEVILLE

By: 

Name: Stephen D. Combs

Title: Mayor

Date: 6/3/97

City of Pikeville
4/23/97

APPENDIX A
DEFINITIONS

- A.1 "Adequate Nutrients" means plant influent nitrogen, phosphorus and iron contents proportional to BOD₅ in the ratio of five (5) parts nitrogen, one (1) part phosphorus, and one-half (0.5) part iron for each one hundred (100) parts BOD₅.
- A.2 "Annual Fee" means a predetermined, fixed sum for PSG's services. The Annual Fee includes Cost and profit.
- A.3 "Average Electrical Rate Plant" means the average cost per kilowatt hour as calculated by dividing the total kilowatt hours of energy consumed by the plant into the total dollars of plant electric cost for the twelve (12) month period ending three (3) months prior to the end of the current agreement year. The Average Electrical Rate Plant for the period March, 1996 to March, 1997 is 0.04 cents per KWH.
- A.4 "Biologically Toxic Substances" means any substance or combination of substances contained in the plant influent in sufficiently high concentration so as to interfere with the biological processes necessary for the removal of the organic and chemical constituents of the wastewater required to meet the discharge requirements of CITY's NPDES permit. Biologically toxic substances include, but are not limited to, heavy metals, phenols, cyanides, pesticides and herbicides.
- A.5 "Capital Expenditures" means any expenditures for (1) the purchase of new equipment or facility items that cost more than Two Thousand Dollars (\$2,000); or (2) major repairs which significantly extend equipment or facility service life and cost more than Two Thousand Dollars (\$2,000) or (3) expenditures that are planned, non-routine and budgeted by CITY.
- A.6 "Cost" means all Direct Cost and Indirect Cost determined on an accrual basis in accordance with generally accepted accounting principles.
- A.7 "Direct Cost" means the actual cost incurred for the direct benefit of the Project including, but not limited to, expenditures for project management and labor, employee benefits, chemicals, lab supplies, repair parts, maintenance parts, safety supplies, gasoline, oil, equipment rental, legal and professional services, quality assurance, travel, office supplies, other supplies, uniforms, postage, utilities, tools, memberships and training supplies.
- A.8 "Electrical Cost Plant" means the total electricity cost as calculated by multiplying the Average Electrical Rate Plant by 4,133,538 KWH.

- A.9 "Maintenance" means those routine and/or repetitive activities required or recommended by the equipment or facility manufacturer or by PSG to maximize the service life of the equipment, sewer, vehicles and facilities.
- A.10 "Maintenance and Repair Limit" means the total Maintenance and Repair expenditures that PSG has included in the Annual Fee. With the exception of Article 6, expenditures exclude any labor costs for PSG's staff assigned to the Project. PSG's specialized maintenance personnel, not assigned at the Project, who provide such specialized services such as, but not limited to, vibration, thermographic and electrical analyses, instrumentation maintenance and repair will be charged to the Maintenance and Repair Limit.
- A.11 The "Project" means all equipment, vehicles, grounds, rights of way, sewers and facilities described in Appendix B and, where appropriate, the management, operations and maintenance of such.
- A.12 "Repairs" means those non-routine/non-repetitive activities required for operational continuity, safety and performance generally due to failure or to avert a failure of the equipment, sewer, vehicles or facilities or some component thereof.
- A.13 "Unforeseen Circumstances" shall mean any event or condition which has an effect on the rights or obligations of the parties under this Agreement, or upon the Project, which is beyond the reasonable control of the party relying thereon and constitutes a justification for a delay in or non-performance of action required by this Agreement, including but not limited to (i) an act of God, landslide, lightning, earthquake, tornado, fire, explosion, flood, failure to possess sufficient property rights, acts of the public enemy, war, blockade, sabotage, insurrection, riot or civil disturbance, (ii) preliminary or final order of any local, state or federal court, administrative agency or governmental body of competent jurisdiction, (iii) any change in law, regulation, rule, requirement, interpretation or statute adopted, promulgated, issued or otherwise specifically modified or changed by any local, Federal and State governmental body, (iv) labor disputes, strikes, work slowdowns or work stoppages, but excluding labor disputes, strikes, work slowdowns or work stoppages by employees of PSG; and (v) loss of or inability to obtain service from a utility necessary to furnish power for the operation and maintenance of the Project.

APPENDIX B

DESCRIPTION OF PROJECT

PSG agrees to provide the services necessary for the management, operation and maintenance of the following:

- a. All equipment, vehicles, grounds and facilities now existing within the present property boundaries of or being used to operate CITY'S Utility and Public Works Departments located at:

Wastewater Plant at Thompson Road
 Water Plant at Marion Branch Road
 Public Works at 737 Island Creek

- b. All equipment, grounds and facilities now existing within the present property boundaries of the water tanks and water pumping stations are described as follows:

<u>Pump Stations</u>	<u>Tanks</u>
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Toler	Toler
-------	-------

Cedar Gap	Cedar Gap
-----------	-----------

Bob Amos	Bob Amos
----------	----------

Northmonte	Northmonte
------------	------------

Quail Ridge	Quail Ridge
-------------	-------------

Ratliffs	Ratliffs
----------	----------

Town Mountain	Road Fork 1
---------------	-------------

Peach Orchard	Road Fork 2
---------------	-------------

Harolds Branch	Smith Hill 1
----------------	--------------

Chloe Gap	Smith Hill 2
-----------	--------------

Foxcroft	Peach Orchard
----------	---------------

Chloe Ridge	Harolds Branch
-------------	----------------

Foxcroft	Lovers Leap
----------	-------------

- c. Thirty-one (31) miles of gravity sewers and five (5) miles of force mains, along with all manholes in service on the effective date of this Agreement.

- d. Sixty-five (65) miles of water line valves, hydrants and 2,600 customer connections in service on the effective date of this Agreement.

e. All equipment, grounds and facilities now existing with in the present property of the sewer lift stations.

Lift Stations

- Huffman
- Fletcher & Hall
- Poor Farm
- Keel Add.
- Pauley Add
- Lake Joann
- Layne Hollow
- South Mayo 1
- South Mayo 2

f. Thirty-eight (38) miles of steel and plastic gas line and 1,500 meters in service on the effective date of this Agreement.

Gas Wells & Purchase Points

- Columbia Fuel
- Clark Ferrel
- Dye
- Edmonds
- Cox
- Huffman & Blackburn
- Sewer Plant
- Dairy Hollow
- Powder House
- Layne Hollow
- Bob Amos
- Freewill Baptist
- Bill Syck
- City Park
- Peach Orchard
- R. T. Greer
- Sunshine Hollow

APPENDIX C-1

NPDES PERMIT AND
PROJECT CHARACTERISTICS

C.1 PSG will operate so that effluent will meet the requirement of NPDES permit No. KY0025291 (issued on July 1995) a full and complete copy of which is adopted by reference herein as of the date hereof. PSG shall be responsible for meeting the effluent quality requirements of CITY's NPDES permit unless one or more of the following occurs: (1) the Project influent does not contain Adequate Nutrients to support operation of Project biological processes and/or contains Biologically Toxic Substances which cannot be removed by the existing process and facilities; (2) dischargers into CITY's sewer system violate any or all regulations as stated in CITY's Industrial Water and Sewer Ordinance(s) or as required by law; (3) the flow or influent BOD₅ and/or suspended solids exceeds the Project design parameters which are two (2) million gallons of flow per day, 3,403 pounds of BOD₅ per day, 4003 pounds of suspended solids and a daily peaking factor of 2.5 times flow; (4) if the Project is inoperable or can operate only at a reduced capacity on account of construction activities, fire, flood, adverse weather conditions, labor disputes or other causes beyond PSG's control.

C.2 In the event any one of the Project influent characteristics, suspended solids, BOD₅ or flow, exceeds the design parameters stated above, PSG shall return the plant effluent to the characteristics required by the NPDES permit in accordance with the following schedule after Project influent characteristics return to within design parameters.

Characteristics Exceeding Design Parameters By	Recovery Period Maximum
10% or Less	5 days
Above 10% Less than 20%	10 days
20% and Above	30 days

Notwithstanding the above schedule, if the failure to meet effluent quality limitations is caused by the presence of Biologically Toxic Substances or the lack of Adequate Nutrients in the influent, then PSG will have a thirty (30) day recovery period after the influent is free from said substances or contains Adequate Nutrients.

C.3 PSG shall not be responsible for fines or legal action as a result of discharge violations within the period that influent exceeds design parameters, does not contain Adequate Nutrients, contains Biologically Toxic Substances or is inoperable, and the subsequent recovery period.

C.4 The Annual Fee for services under this Agreement is based upon the following:

(a) Project influent characteristics:

Flow	0.5941 million gallons per day
BOD ₅	1,123 pounds per day
TSS	2,017 pounds per day

The above characteristics are the actual twelve (12) months' average for the period ended March, 1997. Any change of 10 percent (10%) or more in any of these characteristics, based upon a twelve (12) month moving average, will constitute a change in scope. [See Section 10.1]

(b) Solids disposal characteristics:

PSG's expenses for hauling by truck and disposing of water plant sludge is based on the Chapperal Coal facility which is approximately four (4) road miles from the Project. Any change in costs shall give rise to a change in scope and the additional costs shall be added to the Annual Fee.

PSG does not haul sludge from the wastewater plant. The CITY has arrangements with the County for trucking.

APPENDIX C-2

PROJECT CHARACTERISTICS

C.1 The Project has the following design characteristics:
 A capacity of 6-MGD of finished water production with an ability for chemical additions, flocculation, sedimentation and filtration based on 2.9 gallons per minute per square foot of filter area. The Project has the capability for post treatment by chlorination and fluoridation.

C.2 PSG will operate the Project so that water treated will meet the current Federal and State Drinking Water Standards. PSG's Annual Fee includes all costs for treating an average daily flow of 3.4 MGD of raw water per day to the standards specified below.

Turbidity	<0.5 NTU
Iron	<0.3 mg/l
Manganese	<0.05 mg/l
Fluoride	0.8 average mg/l
pH	≥ 7.0
Color	<15 color units
Corrosivity	Non-corrosive
Odor	<3.0 TON
E. Coli	Negative
Chlorine	≥ 0.2 mg/l

C.3 If any of the following contaminants in the raw water causes the finished water to exceed the Maximum Contaminant Levels (MCL) established for finished water quality, PSG will treat the raw water to reduce said contaminant to an acceptable MCL. The cost of any specific treatment will be in addition to the Annual Fee for the treatment required by this Article C.3.

<u>Radionuclides</u>	
Radium	5.0 PC/L
Gross Alpha	15.0 PC/L
<u>MCL</u>	

Contaminant	MCL (mg/l)
Alachlor	0.002
Aldicarb	0.003
Aldicarb Sulfone	0.002
Aldicarb Sulfoxide	0.004
Atrazine	0.003
Benzene	0.005
Carbofuran	0.04
Carbon Tetrachloride	0.005
Chlordane	0.002
2,4-D	0.07
Dibromochloropropane (DBCP)	0.0002
o-Dichlorobenzene	0.6
p-Dichlorobenzene	0.075
1,2-Dichloroethane	0.005
1,1-Dichloroethylene	0.007
cis-1,2-Dichloroethylene	0.07
trans-1,2-Dichloroethylene	0.1
1,2-Dichloropropane	0.005
Endrin	0.002
Ethylbenzene	0.7
Ethylene Dibromide (EDB)	0.00005
Heptachlor	0.0004
Heptachlor Epoxide	0.0002
Lindane	0.0002
Methoxychlor	0.04
Monochlorobenzene	0.1
Pentachlorophenol	0.001
Polychlorinated Biphenyls (PCB)	0.0005
Styrene	0.1
Tetrachloroethylene	0.005
Toluene	1
Toxaphene	0.003
2,4,5-TP (Silvex)	0.05
1,1,1-Trichloroethane	0.02
Trichloroethylene	0.005
Total Trihalomethanes	0.1
Vinyl Chloride	0.002
Xylenes (Total)	10

Organic Chemicals

Contaminant	MCL (mg/l)
Arsenic	0.05
Asbestos	7 (million fibers/liter)
Barium	2
Cadmium	0.005
Chromium	0.1
Fluoride	4
Mercury	0.002
Nitrate	10 (as nitrogen)
Nitrite	1 (as nitrogen)
Total Nitrate Nitrite	10
Selenium	0.05
Chloride	300
Copper	1.0
Fluoride	2.0
Silver	0.10
Sulfate	300
Total dissolved solids (TDS)	1,000
Zinc	5

C.4 PSG will provide laboratory services for monitoring only the following contaminants on an as-requested basis. These contaminants do not have an established MCL.

- Aldrin
- Benzo(a)pyrene
- Butachlor
- Carbayl
- Dalapon
- Di(2-ethylhexyl) adipate
- Di(2-ethylhexyl)phthalate
- Didamba
- DichloromethaneDieldrin
- Dinoseb
- Diquat
- Entodhall
- Glyphosate
- 1,1,2-Trichloroethane
- Hexachlorobenzene
- Hexachlorocyclopentadiene
- 3-Hydroxycarbofuran
- Methomyl
- Metolachlor
- Metribuzin
- Oxyamyl (vydate)
- Pictoram
- Propachlor
- Simazine
- 2,3,7,8-TCDD (Dioxin)
- 1,2,4-Trichlorobenzene

APPENDIX C-3

WASTEWATER COLLECTION SYSTEM
Scope of Service

- The system is composed of thirty-one (31) miles of gravity sewer lines, 911 manholes, five (5) miles of force mains (including Chloe and Harold's Branch CDBG project). Nine (9) lift stations and two (2) syphons are described in Appendix B and is governed by Article 3.
1. Within the capabilities of the existing system, manage, operate and maintain the CITY owned facilities so that wastewater collection services are provided throughout the CITY.
 2. PSG will continue a service call-out program to repair immediate problems; and conduct inspection and effect planned preventive and corrective maintenance of the facilities.
 3. PSG will provide as-built information as alterations and/or renovations are performed by PSG forces, for the CITY's use in updating the utilities master plan files.
 4. PSG will effect the connections to the CITY's utility system, or closely surveil the connections made by qualified firms, to ensure long-lived quality workmanship is accepted into the CITY's system.

APPENDIX C-4

DRINKING WATER DISTRIBUTION SYSTEM
Scope of Services

The system is composed of approximately 65 miles of water mains, valves, hydrants and 2,735 meters, fourteen (14) water tanks and twelve (12) pumps are described in Appendix B and is governed by Article 4.

1. Within the capabilities of the existing system, operate and maintain the CITY owned facilities so that water is provided to the CITY, its residents, and the Water Districts who have contracted with the CITY for water.
2. Continue a serviceman call-out program to correct immediate problems; continue to inspect and effect planned preventive and corrective maintenance, in accordance with standard maintenance programs now in use.
3. PSG will continue the preventive and corrective maintenance program in effect on the system, its mains and the pump stations, to protect the CITY's capital resources.
4. PSG will provide "as built" information as modifications and/or renovations are performed by PSG forces, for the CITY's use in updating utility master plan files. PSG may rely on information contained in the CITY's utility master plan files.
5. PSG will effect taps on the CITY utility system, or closely surveil the connections made by qualified firms, to ensure the continued safe drinking water quality and long-lived facility improvements.
6. Obtain on a daily basis, and provide in summary format on a monthly basis, the levels of water in each of the CITY water tanks.
7. Continue to assist the Fire Department with the hydrant flushing and testing program on an annual basis.

APPENDIX C-5
NATURAL GAS DISTRIBUTION SYSTEM
Scope of Services

The system is composed of approximately 38 miles of steel and plastic line and 1,394 meters obtaining gas from sixteen (16) purchase points.

1. Within the capabilities of the existing system, operate and maintain the CITY owned facilities so that gas is provided to the CITY's residents, as well as CITY customers outside the CITY limits.

2. Continue to perform recurring daily operations & preventive and corrective maintenance on a programmed basis, utilizing the locally developed O&M plans developed during the initial phase of the contract and approved by the Public Service Commission.

3. Continue the serviceman call-out program to correct immediate problems.

4. Continue toward completion of the meter change out program for the gas division.

5. Continue to host the Commonwealth of Kentucky's Public Service Commission visits and inspections of the system from a safety compliance standpoint and effect any remedial actions needed to ensure a safe utility operation.

6. PSG will provide "as built" information as modifications and/or renovations are performed by PSG forces, for the CITY's use in updating utility master plan files.

7. PSG will effect taps on the CITY utility system, or closely surveil the connections made by qualified firms, to ensure the continued safety of the populace and long-lived facility improvements.

8. PSG will read the vendor meters at approximately the same time as the suppliers and the information will be provided to the CITY to ensure checks and balances in the invoicing.

1. Inspect all culverts, catch basins, and streams within CITY limits at least twice a year.
2. Inspect and test flood gates at Pikeville Pond twice a year.
3. Perform maintenance and repairs as indicated by inspections.
4. Assist Fire Department in operating manual north flood gate and south flood gate.
5. Operate electric gates at the Pikeville Pond.

STORMWATER SYSTEM
Scope of Services

APPENDIX C-6

APPENDIX C-7

ROADWAYS, SIDEWALKS AND SIGNS
Scope of Services

Nothing in this Agreement shall be construed to place upon PSG any responsibility or liability for traffic engineering or safety engineering related to roads, sidewalks or signs.

C.1	Roads:	<ul style="list-style-type: none"> * Conduct monthly inspection of roads and streets for potholes, missing signs, and general condition. * Repair potholes upon complaint by police or citizens. * Minor painting, including, but not limited to curbs and handicapped parking in public owed parking facilities. * Sweeping (street sweeper): All streets accessible by sweeper (approximately 85% of roadways) 12 times per year each. Downtown streets and Hambley Blvd at least 50 times per year. Per current schedule dated January, 1997. (Exclude State roads and highways). * Annual leaf pick-up. * Via work order from CITY, remove non-hazardous waste (dead animals, etc.) * Salting and snow removal, at the request of police and/or CITY. * Mow, as needed, shoulder of CITY owned right of ways (maximum 15 feet from paved roadway) and medial strips. * Minor street repairs as directed by CITY.
C.2	Sidewalks:	<ul style="list-style-type: none"> * Upon request of CITY, PSG will provide labor for replacement (material to be charged to the R&M Limit). * Sweep as needed where CITY is fronting land owner.
C.3	Signs:	<ul style="list-style-type: none"> * Only upon request of Police or CITY, purchase, install or replace traffic control signs. * Purchase, install or replace directional and street (name) signs. * Electric traffic control signs are the responsibility of the State.

APPENDIX C-8
PUBLIC WORKS BUILDING (OFFICE) AND BASEYARD
Scope of Services

- C.1 Janitorial service
- C.2 Minor maintenance & repairs:
 - * Repair broken windows & screens
 - * Patch leaking roof
 - * Minor plumbing repairs
 - * Touch-up painting

APPENDIX C-9

CUSTOMER SERVICES AND ADMINISTRATION/MANAGEMENT SCOPE
 Scope of Services

Customer Services

1. PSG will continue to provide the CITY with accurate meter reading functions, enabling the CITY to bill its customers on a monthly basis. At the time of contract renewal, the number of customer accounts is:

Water	2,735
Gas	1,394

2. PSG employees will continue to deliver the cut-off notices to the premises of delinquent accounts, to effect the cut-off/lock-out of water or gas service during the normal work day.

3. Meter read-in and turn-on of gas and/or water for new service/restored service will likewise be effected during normal working hours, no later than the next working day after authorization notice from the CITY.

4. PSG will provide a central point of contact for the CITY's residents to phone in for any types of trouble or service requests related to the Project's services. This central point will be open during the normal work day, and though after-hours requests are called into the Police Dispatcher, the documented results of requests will be retained by the Customer Services desk.

5. This division will be the focal point of utilities financial operations between the CITY and PSG and will maintain/update all utility and service account numbers with the CITY Finance Office on a continuous basis.

6. PSG will continue to provide the CITY with monthly Maintenance and Repair budget reports in the format currently provided to the CITY.

Administration/Management Services

1. PSG will continue to pay all costs incurred in normal project Operations, as they are defined in the contract glossary. Payment of electric bills will be for the Public Works

facilities and buildings, whose meter numbers and account numbers are attached as an annex to this appendix.

2. PSG will pay all costs incurred from vendors' invoices for parts/materials used during normal project maintenance and non-capital repairs.

These costs over ten percent (10%) of the monthly budget targets will be billed to the CITY for reimbursement on a monthly basis, with the information provided to account for the additional maintenance/repair cost.

SOLID WASTE COLLECTION SCOPE
Scope of Services

APPENDIX C-10

1. Within the vehicles capabilities provided by the CITY, PSG will operate, maintain and manage the equipment so that solid waste service is continued to all customers on a regular, periodic basis, and in conformance with the Commonwealth of Kentucky rules and regulations.
2. At the time of contract renewal, collection of 2,297 residential accounts will be twice a week and 200 commercial accounts, with dumpsters of various sizes up to six (6) yards, will be collected at various intervals.
3. PSG will continue to operate and manage the periodic residential bulk trash collection and removal functions to ensure the customers continue to have adequate collection on a regular basis. At the time of renewal, this bulk trash functions is collected on a weekly, call-in basis.
4. PSG will make available to CITY the copies of the receipts for disposal at the landfill, for use by the CITY in validating the tipping fee charges invoiced by the County on a monthly basis. The financial functions currently in force for the paid pickups of bulk trash will be continued in effect.
5. The CITY will be responsible for the payment of tipping fees at the landfill for all the solid waste materials collected in the CITY and delivered there by PSG.
6. Special events that are covered in the PSG quoted cost of operations include the Hillbilly Days festival.
7. At the time of contract renewal, the CITY Transfer Station is not open for normal use. It is only being used for the night time crew to empty, in readiness for the daytime crew to begin with an empty truck. The Station is not structurally safe for recurring daytime or commercial operations.
8. The fee quoted from PSG for the renewal, includes the manpower and fuel charges necessary for the collection vehicles to transport the refuse directly to the Landfill.

APPENDIX C-11
VEHICLE MAINTENANCE
Scope of Services

1. PSG will continue the operation of the existing vehicle maintenance facility behind the Public Works Administrative building. Included in this function will be the management of the vehicles and spare parts inventories and the maintenance of the equipment site assigned to Public Works, within the capacity of the facility and capability of its support equipment.
2. PSG will continue to be allowed to utilize the garage facility to maintain the PSG leased vehicle and equipment fleet, with maintenance chargeable to the repair and maintenance account.
3. PSG will report significant maintenance management indicators as to manhours and cost of materials in the Monthly Operations Report.
4. PSG will continue operation of the CITY owned underground fuel tanks and refueling facility, adjacent to the Administration building. PSG will ensure the tanks are tested in accordance with the Commonwealth of Kentucky regulations.

APPENDIX D
ANNUAL FEE ADJUSTMENT FORMULA

$$AAP = Apo (C/Co)$$

Where:

$$AAP = \text{Adjusted Annual Fee}$$

$$Apo = \$ \frac{\quad}{\quad}$$

$$Co = \text{Consumer Price Index for All Urban Consumers (U.S. City Average) as published by the U.S. Department of Labor, Bureau of Labor Statistics in the CPI Detailed Report for the month three (3) months prior to PSG beginning service under this Restated Agreement.}$$

$$C = \text{Consumer Price Index for All Urban Consumers (U.S. City Average) as published by the U.S. Department of Labor, Bureau of Labor Statistics in the CPI Detailed Report for the month three (3) months prior to the beginning of the period for which an adjusted base fee is being calculated.}$$

APPENDIX E

INSURANCE COVERAGE

PSG SHALL MAINTAIN:

1. Statutory workers compensation for all of PSG's employees at the Project as required by the State of Kentucky.
2. Comprehensive general liability insurance, insuring PSG's negligence, in an amount not less than \$3,000,000 combined single limits for bodily injury and/or property damage.

CITY SHALL MAINTAIN:

1. Statutory workers compensation for all of CITY's employees associated with the Project as required by the State of Kentucky.
2. Property damage insurance for all property including vehicles owned by CITY and operated by PSG under this Agreement. Any property, including vehicles, not properly or fully insured shall be the financial responsibility of the CITY.

PSG will provide at least thirty (30) days notice of the cancellation of any policy it is required to maintain under this Agreement. PSG may self-insure reasonable deductible amounts under the policies it is required to maintain to the extent permitted by law but only if such action does not invalidate the property insurance of CITY. PSG and the CITY, on behalf of themselves and their insurers, waive their rights of subrogation with respect to losses occurring to property of the parties. The CITY shall be included as an Additional Insured, but solely with respect to claims arising out of the negligence of PSG.

COPY

Amendment One
to the
Agreement
for
Operations, Maintenance and management Services

THIS AMENDMENT to the Agreement is entered into on the 11th day of May, 1999 by and between:

The City of Pikeville, a political subdivision of the State of Kentucky,
with its principal address at City Hall, 260 Hambley Boulevard, Pikeville,
Kentucky 41051 (hereinafter "CITY");

and

Professional Services Group, Inc., with its principal address at 14950 Heathrow
Forest Parkway, Suite 200, Houston, Texas 77032 (hereinafter "PSG").

WHEREAS, CITY and PSG entered into that certain Agreement for Operations, Maintenance
and Management Services dated July 1, 1997 ("Agreement"); and,

WHEREAS, the parties now desire to modify and amend selective portions of the Agreement, all
as set forth herein;

NOW, THEREFORE, in mutual consideration herein described and other good and valuable
consideration, receipt of which is hereby acknowledged, the parties agree to amend the
Agreement as follows:

1. Article 2, a new Section 2.12 shall be added to read as follows:

PSG shall make available to the CITY a fund of \$500,000 (the "PSG Capital Improvement
Fund") to be used by the CITY specifically and solely for the construction, installation or
procurement of equipment in conjunction with capital improvements to the Project. PSG will
fund the Capital Improvement Fund by a single payment to be made at the CITY's request,
upon thirty (30) days' notice, during the Third Agreement Year.

2. Article 8, Compensation, Section 8.1, shall be amended in its entirety to read as follows:

PSG's compensation under this Agreement shall consist of an Annual Fee. For the third
Agreement Year, (July 1, 1999 to June 30, 2000) PSG's Annual Fee is \$3,469,497. The
Maintenance and Repair Limit for the Third Agreement Year included in the Annual fee is
\$401,037, which is only for parts and specialized maintenance services.

3. Article 12, Term, Termination and Default, Section 12.1 shall be amended in its entirety to
read as follows, to wit:

DEFERRED COSTS AMORTIZATION

PIKEVILLE	KY01	PROJECT	C9279A	THRU Jun-07
RAW WATER INTAKE	500,000.00	62,499.96	Annually	5,208.33
Begin Date:	-	7/1/99	Monthly	6/30/07
End Date:	500,000.00	0.00%	0.00%	
INTEREST RATE	9.50%	7,455.44	5,208.33	
PAYMENT	489,583.34	2,247.11	5,208.33	
PERIOD	96	2,247.11	5,208.33	
TOT. OF PMTS	715,722.59	2,247.11	5,208.33	
AMT. ATTRIB. TO INT	215,722.59	2,247.11	5,208.33	

MONTH

MONTH	BEG.	PAYMENT	INT	REDUC.	PRINCIPAL	BALANCE (A)
1	500,000.00	-7,455.44	2,247.11	5,208.33	494,791.67	494,791.67
2	494,791.67	7,455.44	2,247.11	5,208.33	489,583.34	489,583.34
3	489,583.34	7,455.44	2,247.11	5,208.33	484,375.01	484,375.01
4	484,375.01	7,455.44	2,247.11	5,208.33	479,166.68	479,166.68
5	479,166.68	7,455.44	2,247.11	5,208.33	473,958.35	473,958.35
6	473,958.35	7,455.44	2,247.11	5,208.33	468,750.02	468,750.02
7	468,750.02	5,208.33		5,208.33	463,541.69	463,541.69
8	463,541.69	5,208.33		5,208.33	458,333.36	458,333.36
9	458,333.36	5,208.33		5,208.33	453,125.03	453,125.03
10	453,125.03	5,208.33		5,208.33	447,916.70	447,916.70
11	447,916.70	5,208.33		5,208.33	442,708.37	442,708.37
12	442,708.37	5,208.33		5,208.33	437,500.04	437,500.04
13	437,500.04	5,208.33		5,208.33	432,291.71	432,291.71
14	432,291.71	5,208.33		5,208.33	427,083.38	427,083.38
15	427,083.38	5,208.33		5,208.33	421,875.05	421,875.05
16	421,875.05	5,208.33		5,208.33	416,666.72	416,666.72
17	416,666.72	5,208.33		5,208.33	411,458.39	411,458.39
18	411,458.39	5,208.33		5,208.33	406,250.06	406,250.06
19	406,250.06	5,208.33		5,208.33	401,041.73	401,041.73
20	401,041.73	5,208.33		5,208.33	395,833.40	395,833.40
21	395,833.40	5,208.33		5,208.33	390,625.07	390,625.07
22	390,625.07	5,208.33		5,208.33	385,416.74	385,416.74
23	385,416.74	5,208.33		5,208.33	380,208.41	380,208.41
24	380,208.41	5,208.33		5,208.33	375,000.08	375,000.08
25	375,000.08	5,208.33		5,208.33	369,791.75	369,791.75
26	369,791.75	5,208.33		5,208.33	364,583.42	364,583.42
27	364,583.42	5,208.33		5,208.33	359,375.09	359,375.09
28	359,375.09	5,208.33		5,208.33	354,166.76	354,166.76
29	354,166.76	5,208.33		5,208.33	348,958.43	348,958.43
30	348,958.43	5,208.33		5,208.33	343,750.10	343,750.10
31	343,750.10	5,208.33		5,208.33	338,541.77	338,541.77
32	338,541.77	5,208.33		5,208.33	333,333.44	333,333.44
33	333,333.44	5,208.33		5,208.33	328,125.11	328,125.11
34	328,125.11	5,208.33		5,208.33	322,916.78	322,916.78
35	322,916.78	5,208.33		5,208.33	317,708.45	317,708.45
36	317,708.45	5,208.33		5,208.33	312,500.12	312,500.12
37	312,500.12	5,208.33		5,208.33	307,291.79	307,291.79
38	307,291.79	5,208.33		5,208.33	302,083.46	302,083.46
39	302,083.46	5,208.33		5,208.33	296,875.13	296,875.13
40	296,875.13	5,208.33		5,208.33		291,666.80

MONTH	BEG	PAYMENT	INT	PRINCIPAL	PRINCIPAL	BALANCE (A)
41	291,666.80	5,208.33	5,208.33	5,208.33	286,458.47	286,458.47
42	286,458.47	5,208.33	5,208.33	5,208.33	281,250.14	281,250.14
43	281,250.14	5,208.33	5,208.33	5,208.33	276,041.81	276,041.81
44	276,041.81	5,208.33	5,208.33	5,208.33	270,833.48	270,833.48
45	270,833.48	5,208.33	5,208.33	5,208.33	265,625.15	265,625.15
46	265,625.15	5,208.33	5,208.33	5,208.33	260,416.82	260,416.82
47	260,416.82	5,208.33	5,208.33	5,208.33	255,208.49	255,208.49
48	255,208.49	5,208.33	5,208.33	5,208.33	250,000.16	250,000.16
49	250,000.16	5,208.33	5,208.33	5,208.33	244,791.83	244,791.83
50	244,791.83	5,208.33	5,208.33	5,208.33	239,583.50	239,583.50
51	239,583.50	5,208.33	5,208.33	5,208.33	234,375.17	234,375.17
52	234,375.17	5,208.33	5,208.33	5,208.33	229,166.84	229,166.84
53	229,166.84	5,208.33	5,208.33	5,208.33	223,958.51	223,958.51
54	223,958.51	5,208.33	5,208.33	5,208.33	218,750.18	218,750.18
55	218,750.18	5,208.33	5,208.33	5,208.33	213,541.85	213,541.85
56	213,541.85	5,208.33	5,208.33	5,208.33	208,333.52	208,333.52
57	208,333.52	5,208.33	5,208.33	5,208.33	203,125.19	203,125.19
58	203,125.19	5,208.33	5,208.33	5,208.33	197,916.86	197,916.86
59	197,916.86	5,208.33	5,208.33	5,208.33	192,708.53	192,708.53
60	192,708.53	5,208.33	5,208.33	5,208.33	187,500.20	187,500.20
61	187,500.20	5,208.33	5,208.33	5,208.33	182,291.87	182,291.87
62	182,291.87	5,208.33	5,208.33	5,208.33	177,083.54	177,083.54
63	177,083.54	5,208.33	5,208.33	5,208.33	171,875.21	171,875.21
64	171,875.21	5,208.33	5,208.33	5,208.33	166,666.88	166,666.88
65	166,666.88	5,208.33	5,208.33	5,208.33	161,458.55	161,458.55
66	161,458.55	5,208.33	5,208.33	5,208.33	156,250.22	156,250.22
67	156,250.22	5,208.33	5,208.33	5,208.33	151,041.89	151,041.89
68	151,041.89	5,208.33	5,208.33	5,208.33	145,833.56	145,833.56
69	145,833.56	5,208.33	5,208.33	5,208.33	140,625.23	140,625.23
70	140,625.23	5,208.33	5,208.33	5,208.33	135,416.90	135,416.90
71	135,416.90	5,208.33	5,208.33	5,208.33	130,208.57	130,208.57
72	130,208.57	5,208.33	5,208.33	5,208.33	125,000.24	125,000.24
73	125,000.24	5,208.33	5,208.33	5,208.33	119,791.91	119,791.91
74	119,791.91	5,208.33	5,208.33	5,208.33	114,583.58	114,583.58
75	114,583.58	5,208.33	5,208.33	5,208.33	109,375.25	109,375.25
76	109,375.25	5,208.33	5,208.33	5,208.33	104,166.92	104,166.92
77	104,166.92	5,208.33	5,208.33	5,208.33	98,958.59	98,958.59
78	98,958.59	5,208.33	5,208.33	5,208.33	93,750.26	93,750.26
79	93,750.26	5,208.33	5,208.33	5,208.33	88,541.93	88,541.93
80	88,541.93	5,208.33	5,208.33	5,208.33	83,333.60	83,333.60
81	83,333.60	5,208.33	5,208.33	5,208.33	78,125.27	78,125.27
82	78,125.27	5,208.33	5,208.33	5,208.33	72,916.94	72,916.94
83	72,916.94	5,208.33	5,208.33	5,208.33	67,708.61	67,708.61
84	67,708.61	5,208.33	5,208.33	5,208.33	62,500.28	62,500.28
85	62,500.28	5,208.33	5,208.33	5,208.33	57,291.95	57,291.95
86	57,291.95	5,208.33	5,208.33	5,208.33	52,083.62	52,083.62
87	52,083.62	5,208.33	5,208.33	5,208.33	46,875.29	46,875.29
88	46,875.29	5,208.33	5,208.33	5,208.33	41,666.96	41,666.96
89	41,666.96	5,208.33	5,208.33	5,208.33	36,458.63	36,458.63
90	36,458.63	5,208.33	5,208.33	5,208.33	31,250.30	31,250.30
91	31,250.30	5,208.33	5,208.33	5,208.33	26,041.97	26,041.97
92	26,041.97	5,208.33	5,208.33	5,208.33	20,833.64	20,833.64

MONTH	BEG.	PAYMENT	INT	PRINCIPAL REDUC.	PRINCIPAL BALANCE (A)
93	Mar-07	5,208.33	5,208.33	5,208.33	15,625.31
94	Apr-07	5,208.33	5,208.33	5,208.33	10,416.98
95	May-07	5,208.33	5,208.33	5,208.33	5,208.65
96	Jun-07	5,208.65	5,208.33	5,208.33	0.32
					513,482.34
					13,482.66
					499,999.68

The initial term of this Agreement will commence on July 1, 1997 and shall continue thereafter for a term of one hundred and twenty months until June 30, 2007. Thereafter, this Agreement shall be automatically renewed for successive terms of two (2) years each unless canceled in writing by either party no less than one hundred and twenty (120) days prior to expiration.

4. Article 12, Term, Termination and Default, Section 12.6 shall be added in its entirety to read as follows, to-wit:

In the event that this Agreement is terminated by the CITY for a material breach of the Agreement by PSG prior to the June 30, 2007 termination date identified in Section 12.1, CITY shall pay PSG a termination fee equal to the unpaid balance of the PSG Capital Improvement Fund indicated in the balance column for the month following termination, as set forth in Appendix G. In the event that this Agreement is terminated by PSG, for a material breach of the Agreement by CITY prior to the June 30, 2007 termination date identified in Section 12.1, CITY shall pay PSG a termination fee equal to the unpaid balance of the PSG Capital Improvement Fund indicated in the balance column for the month following termination, as set forth in Appendix G. In the event that this Agreement is terminated by the CITY for a material breach of the Agreement by PSG, as set forth in Appendix F.

5. Appendix F and Appendix G are added in their entirety, as attached.

6. This Amendment shall take effect upon the date entered unless otherwise provided for herein.

7. All terms of the Agreement not specifically amended or modified by this instrument shall remain unmodified and in full force and effect.

WHEREFORE, both parties indicate their approval of this Amendment by their signature below and each party warrants that all action necessary to bind the parties to the terms of this Agreement has been taken.

City of Pikeville

By: Frank Morris

Print Name: FRANK MORRIS

Title: Mayor

Date: 5/11/99

Professional Services Group, Inc.

By: Michael A. Stomvasssy

Print Name: Michael A. Stomvasssy

Title: Chief Oper. Officer

Date: 5/11/99

PRIORITY

PRIORITY

Amendment Two
to the

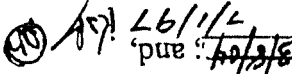
Agreement for Operation, Maintenance and Management Services between
the City of Pikeville, KY and Professional Service Group, Inc.

THIS AMENDMENT to the Agreement is entered into on this 15th day of March 2004,
by and between:

The City of Pikeville, KY, with its principal address at 118 College
Street, Pikeville, KY 41501 (hereinafter "CITY");

and

Professional Services Group, Inc., a Delaware corporation ("PSG")
with offices at 14950 Heathrow Forest Parkway, Houston, TX 77032.

WHEREAS, CITY and PSG entered into that certain Agreement for Operation, Maintenance and
Management Services dated 3/5/04; and, 2/11/97 ;

WHEREAS, the parties now desire to modify selective portions of the Agreement, all as set forth
herein;

NOW, THEREFORE, in mutual consideration herein described and other good and valuable
consideration, receipt of which is hereby acknowledged, the parties agree as follows:

1. PSG shall assume operation and maintenance responsibilities of the Landscaping and
Parks departments. The activities of the departments include:
 - a. Bob Amos Park including the track, athletic fields, overlook and picnic areas
 - b. the Downtown City park
 - c. the two City cemeteries
 - d. the City softball fields
 - e. the City football field
 - f. the City baseball field and affiliated grounds
 - g. the City pool (maintenance only)
 - h. The flower boxes and planting boxes located downtown and act entrances to the
City.

2. PSG shall coordinate the use of the parks and sports fields with the general public, non profit
sports leagues, the City Schools and Pikeville College. This activity will include
maintaining schedules of events for the facilities.
3. PSG shall cut grass on a weekly schedule for use of the parks and facilities depending upon
weather conditions. This activity will include the appropriate seeding, watering, fertilize
application and plugging. The athletic fields will include appropriate maintenance of the
dirt surfaces and lining.

4. PSG shall (once in the spring and once in the summer) plant flowers in the downtown containers, mount hanging baskets downtown, mulch and weed planters. The containers and landscaping areas will be watered as needed during the summer to assure growth and survival.

5. Subject to the availability of funds within the Maintenance and Repair Limit, PSG will perform all Maintenance and Repairs for the Parks, Landscaping and Pool departments, and submit a monthly accounting to CITY, along with a detailed invoice, if Maintenance and Repair expenditures exceed the Maintenance and Repair Limit defined in the fee. The cost of flowers and bedding material is included in the Maintenance and Repair Limit.

6. PSG shall offer employment to the qualified existing employees (6 full time), who currently work from the CITY's designated Landscaping and Parks departments. PSG agrees to provide these employees with a combination of salaries and benefits comparable to those offered by CITY. PSG, at its sole discretion, reserves the right to make changes in its corporate benefits program at any time before or after the date of this Amendment. PSG retains all management rights with regards to the staff transferred to PSG hereunder, including without limitation, hiring, termination or any other appropriate action that is consistent with the interests of the CITY, PSG and the tasks assigned to PSG hereunder.

Handwritten initials/signature

7. The CITY will amend the existing contract raising the fee \$32,882 per month ending June 30, 2004 when the total contract fee of utilities and public works will be amended. The increased fee includes a maintenance limit of \$6,500 per month.

8. This Amendment shall take effect March 15, 2004 and run through the remainder of the current contract which is 40 months. The CITY does reserve the right to terminate the Landscaping and Parks department scope of work annually each July starting in 2005.

9. All terms of the Agreement not specifically amended or modified by this instrument shall remain unmodified and in full force and effect.

WHEREFORE, both parties indicate their approval of this Amendment by their signature below and each party warrants that all action necessary to bind the parties to the terms of this Agreement has been taken.

City: _____
By: *[Signature]*
Print Name: Frank J. ...
Title: Mayor
Date: 3-11-04

PSG, Inc. _____
By: *[Signature]*
Print Name: Rick Richards
Title: V.P.
Date: 3-18-04

Street maintenance is vital to the growth and aesthetic appeal to any city. Pikeville is the county seat of Pike County, geographically the largest county in Kentucky. This means a city with a night time population of 6,300 must provide services and street maintenance for a day time population of nearly 20,000 people. Pikeville's system of streets and roads therefore must be maintained at a level to sustain the volume of traffic associated with being the business center of Southeastern Kentucky.

In July of 1989, Kentucky added another dimension to contract operations of city services by becoming one of only a few cities in the country to contract out the operations and management of its public works department. Through several key operational, maintenance, and management modifications and capital investments, the contract operator has helped the city improve services, increase utility revenues, and support growth. Professional Services Group, Inc. (PSG) is now responsible for the city's water and wastewater treatment facilities (since 1987), water and natural gas distribution, sanitary sewer system, meter reading, refuse collection, customer service and street maintenance. The city maintains responsibility for capital improvements, setting utility rates, customer billing and making long-term planning decisions.

The municipality still owns the facilities and equipment, but the contractor hires the municipal employees and assumes responsibility for the complete operation of the contracted services. Besides labor, supervision and management, the O&M firm is also responsible for paying all operating costs, including laboratory services, power, fuel, chemicals, supplies, materials, repairs and other costs that may be necessary to ensure the proper day-to-day operation of the facilities.

A growing number of communities around the country are turning over the operations, maintenance and management functions of their public services and facilities to private operations and maintenance firms under contract operations agreements. Contract O&M means that a private firm contracts to operate a municipality's services and guarantees compliance with all applicable state and federal regulations.

STREET MAINTENANCE CONTRACT OPERATIONS
PIKEVILLE, KENTUCKY



PSG is responsible for street maintenance of forty (40) miles of streets and roads and includes; snow removal, maintenance of way, signage, sidewalks, street cleaning, fleet maintenance, surface repair and minor paving projects, pavement striping and painting, litter control and coordination with the City Engineer (Summit Engineering) regarding planned capital street improvements and new construction.

PSG began contract O&M of street maintenance for the same amount budgeted by the city prior to contract operation, approximately \$9,000 per mile. The contract O&M option is providing the city with a pre-set cost for street maintenance and can result in cost reduction through operating improvements and innovative operating procedures. Economies-of-scale, plus technical specialization, can allow PSG to continue to efficiently operate and maintain the city's street system at the same cost level and at the same time provide improved services.

To hold down costs, PSG has implemented detailed cost accounting for all public works functions. This detailed record-keeping includes a work order tracking system; costs for street and fleet maintenance and gasoline cost tracking. Preventive maintenance is now an integral part of the day-to-day activities. Regular and continuous maintenance scheduling is keeping premature replacement costs to a minimum and helps preserve Pikeville's equipment and street infrastructure.

PSG has computerized the department's maintenance program at no additional cost to the city. This system allows more comprehensive and cost efficient planning and scheduling for preventive and demand maintenance. With this system, PSG can easily track the repair histories of the various components of street maintenance.

There are also areas where PSG has helped the city realize savings in capital improvements and finance equipment the city could not otherwise obtain. For example, the State of Kentucky provided a grant to the city for curb, gutter and sidewalk construction in the amount of \$200,000. The city solicited bids for the project and the lowest bid returned was approximately \$300,000. This meant the city would have to provide the difference if the project was to be implemented. PSG asked the city to consider doing the project "in house" and proposed to complete the sidewalk project for a cost of \$250,000. The city and state agreed this would be a cost effective alternative and the project was started. The city would now have to provide \$50,000 for 2.2 miles curb, gutter and sidewalk versus \$300,000 if the project was bid out as originally planned.

Street cleaning in Pikeville prior to contract operation was very labor intensive. Four employees used brooms and shovels working at night to keep the downtown area clean. PSG purchased a new street sweeper/vacuum truck as a capital item that is being charged back to the city through a capitalization program over the life of the contract. With this type of private sector financing, PSG provides the city with the funding needed to acquire the means to lower long term labor costs.

Successful contract operations is, in effect, a partnership between the city and an experienced, competent contract operations firm. The city's goal is for public services to be properly maintained, operated within regulations and budget. The goal of the contract operator is to satisfy the goals of the city and to ensure its continued high quality service to the community.

Mr. John Johnson, Pikeville's City Manager comments "A growing number of local governments across the country are utilizing contract operations agreements with private firms as a means to provide improved service, ensure environmental compliance, and reduce costs. Because the private sector has unique advantages available to it that are not available to local governments, public officials have the opportunity to capitalize on situations that can result in savings for the community".

Mr. Johnson further states "While I contend that a public agency ought to be able to perform services just as well as a contractor, the reality is that in certain cases, because of local factors, technological expertise and economies of scale, we've found that a contractor can deliver certain services more efficiently and effectively. Better efficiency and quicker response are two major benefits I see from contracting out public works services, particularly street maintenance".

The fear of losing control of the facilities is a concern commonly expressed by city officials when considering the contract operations option. However, if a city first investigates a firm's reputation, carefully analyzes its plan for infrastructure improvement, structures the contract carefully, and establishes regular reporting mechanisms, it will still retain effective control over the timely and cost-effective provision of the service while getting rid of many of its headaches.

Contracting out the duties of public works has afforded the city the benefit of operation improvements, preventive maintenance, technical specialization, and cost control for a fixed rate. Being able to count on the efficient operations of the street maintenance department by the contract operator has allowed Pikeville's officials to concentrate on enhancing other city services and on commercial development.

COPY

Amendment One
to the
Agreement
for
Operations, Maintenance and management Services

THIS AMENDMENT to the Agreement is entered into on the 11th day of May, 1999 by and between:

The City of Pikeville, a political subdivision of the State of Kentucky,
with its principal address at City Hall, 260 Hambley Boulevard, Pikeville,
Kentucky 41051 (hereinafter "CITY");

and

Professional Services Group, Inc., with its principal address at 14950 Heathrow
Forest Parkway, Suite 200, Houston, Texas 77032 (hereinafter "PSG").

WHEREAS, CITY and PSG entered into that certain Agreement for Operations, Maintenance
and Management Services dated July 1, 1997 ("Agreement"); and,

WHEREAS, the parties now desire to modify and amend selective portions of the Agreement, all
as set forth herein;

NOW, THEREFORE, in mutual consideration herein described and other good and valuable
consideration, receipt of which is hereby acknowledged, the parties agree to amend the
Agreement as follows:

1. Article 2, a new Section 2.12 shall be added to read as follows:

PSG shall make available to the CITY a fund of \$500,000 (the "PSG Capital Improvement
Fund") to be used by the CITY specifically and solely for the construction, installation or
procurement of equipment in conjunction with capital improvements to the Project. PSG will
fund the Capital Improvement Fund by a single payment to be made at the CITY's request,
upon thirty (30) days' notice, during the Third Agreement Year.

2. Article 8, Compensation, Section 8.1, shall be amended in its entirety to read as follows:

PSG's compensation under this Agreement shall consist of an Annual Fee. For the third
Agreement Year, (July 1, 1999 to June 30, 2000) PSG's Annual Fee is \$3,469,497. The
Maintenance and Repair Limit for the Third Agreement Year included in the Annual fee is
\$401,037, which is only for parts and specialized maintenance services.

3. Article 12, Term, Termination and Default, Section 12.1 shall be amended in its entirety to
read as follows, to wit:

DEFERRED COSTS AMORTIZATION

PIKEVILLE KY01 PROJECT C9279A THRU Jun-07

RAW WATER INTAKE 500,000.00 Annually 62,499.96 Monthly 5,208.33

Begin Date: 7/1/99

End Date: 6/30/07

INTEREST RATE 9.50% 0.00%

PAYMENT 7,455.44 5,208.33

PERIOD 96 96

TOT. OF PMTS 715,722.59 500,000.00

AMT. ATTRIB. TO INT 215,722.59 500,000.00

MONTH	BEG. PRINCIPAL	PAYMENT	INT	PRINCIPAL REDUC.	PRINCIPAL BALANCE (A)
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1	500,000.00	-7,455.44	2,247.11	5,208.33	494,791.67
2	494,791.67	7,455.44	2,247.11	5,208.33	489,583.34
3	489,583.34	7,455.44	2,247.11	5,208.33	484,375.01
4	484,375.01	7,455.44	2,247.11	5,208.33	479,166.68
5	479,166.68	7,455.44	2,247.11	5,208.33	473,958.35
6	473,958.35	7,455.44	2,247.11	5,208.33	468,750.02
7	468,750.02	5,208.33		5,208.33	463,541.69
8	463,541.69	5,208.33		5,208.33	458,333.36
9	458,333.36	5,208.33		5,208.33	453,125.03
10	453,125.03	5,208.33		5,208.33	447,916.70
11	447,916.70	5,208.33		5,208.33	442,708.37
12	442,708.37	5,208.33		5,208.33	437,500.04
13	437,500.04	5,208.33		5,208.33	432,291.71
14	432,291.71	5,208.33		5,208.33	427,083.38
15	427,083.38	5,208.33		5,208.33	421,875.05
16	421,875.05	5,208.33		5,208.33	416,666.72
17	416,666.72	5,208.33		5,208.33	411,458.39
18	411,458.39	5,208.33		5,208.33	406,250.06
19	406,250.06	5,208.33		5,208.33	401,041.73
20	401,041.73	5,208.33		5,208.33	395,833.40
21	395,833.40	5,208.33		5,208.33	390,625.07
22	390,625.07	5,208.33		5,208.33	385,416.74
23	385,416.74	5,208.33		5,208.33	380,208.41
24	380,208.41	5,208.33		5,208.33	375,000.08
25	375,000.08	5,208.33		5,208.33	369,791.75
26	369,791.75	5,208.33		5,208.33	364,583.42
27	364,583.42	5,208.33		5,208.33	359,375.09
28	359,375.09	5,208.33		5,208.33	354,166.76
29	354,166.76	5,208.33		5,208.33	348,958.43
30	348,958.43	5,208.33		5,208.33	343,750.10
31	343,750.10	5,208.33		5,208.33	338,541.77
32	338,541.77	5,208.33		5,208.33	333,333.44
33	333,333.44	5,208.33		5,208.33	328,125.11
34	328,125.11	5,208.33		5,208.33	322,916.78
35	322,916.78	5,208.33		5,208.33	317,708.45
36	317,708.45	5,208.33		5,208.33	312,500.12
37	312,500.12	5,208.33		5,208.33	307,291.79
38	307,291.79	5,208.33		5,208.33	302,083.46
39	302,083.46	5,208.33		5,208.33	296,875.13
40	296,875.13	5,208.33		5,208.33	291,666.80

MONTH	BEG.	PAYMENT	INT	PRINCIPAL REDUC.	PRINCIPAL BALANCE (A)
Nov-02	291,666.80	5,208.33	5,208.33	5,208.33	286,458.47
Dec-02	286,458.47	5,208.33	5,208.33	5,208.33	281,250.14
Jan-03	281,250.14	5,208.33	5,208.33	5,208.33	276,041.81
Feb-03	276,041.81	5,208.33	5,208.33	5,208.33	270,833.48
Mar-03	270,833.48	5,208.33	5,208.33	5,208.33	265,625.15
Apr-03	265,625.15	5,208.33	5,208.33	5,208.33	260,416.82
May-03	260,416.82	5,208.33	5,208.33	5,208.33	255,208.49
Jun-03	255,208.49	5,208.33	5,208.33	5,208.33	250,000.16
Jul-03	250,000.16	5,208.33	5,208.33	5,208.33	244,791.83
Aug-03	244,791.83	5,208.33	5,208.33	5,208.33	239,583.50
Sep-03	239,583.50	5,208.33	5,208.33	5,208.33	234,375.17
Oct-03	234,375.17	5,208.33	5,208.33	5,208.33	229,166.84
Nov-03	229,166.84	5,208.33	5,208.33	5,208.33	223,958.51
Dec-03	223,958.51	5,208.33	5,208.33	5,208.33	218,750.18
Jan-04	218,750.18	5,208.33	5,208.33	5,208.33	213,541.85
Feb-04	213,541.85	5,208.33	5,208.33	5,208.33	208,333.52
Mar-04	208,333.52	5,208.33	5,208.33	5,208.33	203,125.19
Apr-04	203,125.19	5,208.33	5,208.33	5,208.33	197,916.86
May-04	197,916.86	5,208.33	5,208.33	5,208.33	192,708.53
Jun-04	192,708.53	5,208.33	5,208.33	5,208.33	187,500.20
Jul-04	187,500.20	5,208.33	5,208.33	5,208.33	182,291.87
Aug-04	182,291.87	5,208.33	5,208.33	5,208.33	177,083.54
Sep-04	177,083.54	5,208.33	5,208.33	5,208.33	171,875.21
Oct-04	171,875.21	5,208.33	5,208.33	5,208.33	166,666.88
Nov-04	166,666.88	5,208.33	5,208.33	5,208.33	161,458.55
Dec-04	161,458.55	5,208.33	5,208.33	5,208.33	156,250.22
Jan-05	156,250.22	5,208.33	5,208.33	5,208.33	151,041.89
Feb-05	151,041.89	5,208.33	5,208.33	5,208.33	145,833.56
Mar-05	145,833.56	5,208.33	5,208.33	5,208.33	140,625.23
Apr-05	140,625.23	5,208.33	5,208.33	5,208.33	135,416.90
May-05	135,416.90	5,208.33	5,208.33	5,208.33	130,208.57
Jun-05	130,208.57	5,208.33	5,208.33	5,208.33	125,000.24
Jul-05	125,000.24	5,208.33	5,208.33	5,208.33	119,791.91
Aug-05	119,791.91	5,208.33	5,208.33	5,208.33	114,583.58
Sep-05	114,583.58	5,208.33	5,208.33	5,208.33	109,375.25
Oct-05	109,375.25	5,208.33	5,208.33	5,208.33	104,166.92
Nov-05	104,166.92	5,208.33	5,208.33	5,208.33	98,958.59
Dec-05	98,958.59	5,208.33	5,208.33	5,208.33	93,750.26
Jan-06	93,750.26	5,208.33	5,208.33	5,208.33	88,541.93
Feb-06	88,541.93	5,208.33	5,208.33	5,208.33	83,333.60
Mar-06	83,333.60	5,208.33	5,208.33	5,208.33	78,125.27
Apr-06	78,125.27	5,208.33	5,208.33	5,208.33	72,916.94
May-06	72,916.94	5,208.33	5,208.33	5,208.33	67,708.61
Jun-06	67,708.61	5,208.33	5,208.33	5,208.33	62,500.28
Jul-06	62,500.28	5,208.33	5,208.33	5,208.33	57,291.95
Aug-06	57,291.95	5,208.33	5,208.33	5,208.33	52,083.62
Sep-06	52,083.62	5,208.33	5,208.33	5,208.33	46,875.29
Oct-06	46,875.29	5,208.33	5,208.33	5,208.33	41,666.96
Nov-06	41,666.96	5,208.33	5,208.33	5,208.33	36,458.63
Dec-06	36,458.63	5,208.33	5,208.33	5,208.33	31,250.30
Jan-07	31,250.30	5,208.33	5,208.33	5,208.33	26,041.97
Feb-07	26,041.97	5,208.33	5,208.33	5,208.33	20,833.64

MONTH	BEG	PRINCIPAL	PAYMENT	INT	PRINCIPAL	REDOC.	PRINCIPAL	BALANCE (A)
93	Mar-07	20,833.64	5,208.33	5,208.33	5,208.33		15,625.31	
94	Apr-07	15,625.31	5,208.33	5,208.33	5,208.33		10,416.98	
95	May-07	10,416.98	5,208.33	5,208.33	5,208.33		5,208.65	
96	Jun-07	5,208.65	5,208.33	5,208.33	5,208.33		0.32	
		513,482.34		13,482.66	499,999.68			

The initial term of this Agreement will commence on July 1, 1997 and shall continue thereafter for a term of one hundred and twenty months until June 30, 2007. Thereafter, this Agreement shall be automatically renewed for successive terms of two (2) years each unless canceled in writing by either party no less than one hundred and twenty (120) days prior to expiration.

4. Article 12, Term, Termination and Default, Section 12.6 shall be added in its entirety to read as follows, to-wit:

In the event that this Agreement is terminated by the CITY for a material breach of the Agreement by PSG prior to the June 30, 2007 termination date identified in Section 12.1, CITY shall pay PSG a termination fee equal to the unpaid balance of the PSG Capital Improvement Fund indicated in the balance column for the month set forth in Appendix G. In the event that this Agreement is terminated by PSG, for a material breach of the Agreement by CITY prior to the June 30, 2007 termination date identified in Section 12.1, CITY shall pay PSG a termination fee equal to the unpaid balance of the PSG Capital Improvement Fund indicated in the balance column for the month following termination, as set forth in Appendix F.

5. Appendix F and Appendix G are added in their entirety, as attached.

6. This Amendment shall take affect upon the date entered unless otherwise provided for herein.

7. All terms of the Agreement not specifically amended or modified by this instrument shall remain unmodified and in full force and effect.

WHEREFORE, both parties indicate their approval of this Amendment by their signature below and each party warrants that all action necessary to bind the parties to the terms of this Agreement has been taken.

City of Pikeville

Professional Services Group, Inc.

By: Frank Morris
Print Name: FRANK MORRIS
Title: Mayor
Date: 5/11/99

By: Michael A. Stomwsky
Print Name: MICHAEL A. STOMWSKY
Title: Chief Oper. Officer
Date: 5/19/99

**CONSENT TO ASSIGN, MUTUAL RELEASE
AND SETTLEMENT AGREEMENT**

THIS AGREEMENT is made and entered into as of this 22nd of September 2006, by and between the City of Pikeville, a political subdivision of the State of Kentucky, with offices at City Hall 118, College Street, Pikeville, Kentucky 41501 (the "CITY") and Professional Services Group, Inc., with offices at 14950 Headrow Forest Parkway, Suite 200, Houston, Texas 77032 ("PSG").

WHEREAS, CITY and PSG entered into an Agreement for Operations, Maintenance and Management dated July 1, 1997, as amended by Amendment One dated May 11, 1999, and Amendment Two dated March 15, 2004 (the "OM&M Agreement"), pursuant to which PSG agreed to manage, operate and maintain the CITY's utility, public works and parks facilities (the "Facilities"); and

WHEREAS, CITY and PSG acknowledge and agree that PSG has properly managed, operated and maintained the CITY's Facilities under the OM&M Agreement and has met or exceeded all of the contractual and legal requirements arising under or in connection with the OM&M Agreement; and

WHEREAS, the parties hereto desire to assign and delegate all of PSG's rights, duties, obligations and payments under the OM&M Agreement to Utility Management Group, LLC (UMG) and to sever all legal ties between the parties as described below and the CITY desires to consent to said assignment and delegation.

WHEREAS, UMG has agreed to fully accept and assume all such rights, duties, obligations and payments under the OM&M Agreement and to fully perform and satisfy all of the terms and conditions, duties and obligations contained therein. **NOW, THEREFORE,** for and in consideration of their mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, CITY and PSG mutually agree as follows:

1. CITY and PSG agree that the OM&M Agreement shall be assigned and delegated to UMG by PSG effective at 5:00 p.m. on September 23, 2006 (the "Assignment Date") and the CITY hereby consents to the assignment and delegation of the OM&M Agreement to UMG. CITY acknowledges and agrees that PSG's transfer, assignment and delegation of the OM&M Agreement to UMG is in full novation and release of the obligations, duties and liabilities of PSG from and after the Assignment Date. All payment to be made by the CITY to PSG under the OM&M Agreement shall be provided between PSG and UMG as of the Assignment Date. CITY shall pay PSG's final invoice for services performed and costs incurred by PSG through the Assignment Date by September 30, 2006.

7. Upon Execution of this Mutual Release and Settlement Agreement, CITY agrees to indemnify, defend and hold PSG harmless from all claims, demands and causes of action, including attorneys fees and expenses of defense, for personal injury, disease or death, and loss or damage of property, arising out of or in any manner connected with or

6. Each party agrees to keep confidential and not to disclose to third parties, except as required by law, the terms of this Release and Settlement Agreement, including the amount of the consideration paid.

5. This Agreement includes, but is not expressly limited to a FULL, FINAL and COMPLETE SETTLEMENT AND RELEASE of any and all claims, demands and/or causes of action which could be asserted by CITY or PSG in connection with the O&M Agreement, and/or the Facilities.

4. This Agreement is mutual settlement and release of all claims, rights, obligations and liabilities arising under or in connection with the O&M Agreement, and/or the Facilities and is not a confession or admission of liability or any legal fault on the part of either CITY or PSG and shall not be held or construed as a confession or admission in any suit or proceeding, no matter by whom that may be brought.

3. CITY has and does hereby, fully and forever release, acquit and discharge PSG and its current and former, parent companies, affiliates, subsidiaries, successors, assigns, servants, agents, officers, employees, and any and all other persons, firms and/or corporations, and insurance carriers, in privity with PSG (the "PSG ENTITIES"), from any and all liability now accrued or hereafter accruing on account of all claims, demands and/or causes of action which CITY, or anyone claiming by, through or under CITY may now have, or may hereafter have against such PSG ENTITIES and all such other persons, firms and/or corporations whomsoever, in any way arising from, growing out of or in any way connected with the O&M Agreement, the Facilities, and/or any damages or liabilities, whether under contract, tort or other law, allegedly sustained by any party as a result of or in connection with PSG's services under the O&M Agreement.

2. PSG has and does hereby, fully and forever release, acquit and discharge CITY and its current and former, parent companies, affiliates, subsidiaries, successors, assigns, servants, agents, officers, employees, and any and all other persons, firms and/or corporations, and insurance carriers, in privity with CITY (the "CITY ENTITIES"), from any and all liability now accrued or hereafter accruing on account of all claims, demands and/or causes of action which PSG, or anyone claiming by, through or under PSG may now have, or may hereafter have against the CITY ENTITIES and all such other persons, firms and/or corporations whomsoever, in any way arising from, growing out of or in any way connected with the O&M Agreement, the Facilities, and/or any damages or liabilities, whether under contract, tort or other law, allegedly sustained by any party as a result of or in connection with PSG's services under the O&M Agreement.

000 111 1.00

P. 4

By: *Steven Kruger*
Name: Steven Kruger
Title: V.P. of Operations

By: *[Signature]*
Name: *[Name]*
Title: *[Title]*

PROFESSIONAL SERVICES GROUP, INC.

CITY OF REVELLE

IN WITNESS WHEREOF, this Agreement is executed as of the day and year first written above.
released to the facturer except where such injury, loss or damage was determined in a final judgment to have been caused by the sole negligence or willful misconduct of PSC.

ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT is made and entered into as of this 22nd day of September 2006 by and between Professional Services Group, Inc. ("PSG"), with offices at 14950 Heathrow Forest Parkway, Suite 200, Houston, Texas 77032 and Utility Management Group, LLC (UMG) of 158 Town Mountain Road, Pikeville, KY 41501.

WHEREAS, the City of Pikeville and PSG entered into an agreement for operations, maintenance and management dated July 1, 1997, as amended by Amendment One dated May 11, 1997, and Amendment Two dated March 15, 2004 (the "OM&M Agreement"), pursuant to which PSG agreed to manage, operate and maintain the City of Pikeville's utility, public works and parks facilities (the "Facilities"); and

WHEREAS, PSG desires to assign and delegate the rights, obligations and duties under said OM&M Agreement to UMG and UMG desires to accept the same as described below; and

WHEREAS, by separate agreement the City of Pikeville has consented to said assignment and delegation to UMG by PSG, and has fully released and discharged PSG from any further liability under the OM&M Agreement;

NOW, THEREFORE, for and in consideration of their mutual covenants contained herein and other good and valuable consideration, PSG and UMG agree as

follows:
1.

Effective September 23, 2006, at 5:00 p.m., PSG does hereby fully and completely transfer, convey, delegate and assign all of its rights, duties, obligations and payments pursuant to the OM&M Agreement to UMG, and UMG does hereby fully accept and assume all such rights, duties, obligations and payments under the OM&M Agreement. UMG agrees to hereafter fully perform and satisfy all of the terms and conditions, duties and obligations contained therein and shall hereafter be fully, completely

2

PROFESSIONAL SERVICES GROUP, INC.
 By: *[Signature]*
 vs. *STEVEN J. KUGER*
U.P. of Operations

above written

IN WITNESS WHEREOF, this Agreement is executed as of the day and year first

5. UMG agrees to indemnify, defend and hold PSG harmless from all liability, duties and obligations arising under or in connection with the Omaha Agreement subsequent to the effective date of this Assignment.

4. The parties agree that payments due from the City of Pileville under the Omaha Agreement shall be processed between the parties based upon the date of assignment hereunder and said processed payments shall be issued directly to the parties.

3. UMG agrees to purchase from PSG the equipment, vehicles and other items listed in Exhibit "A" attached hereto for the sum of \$49,500 to be delivered to PSG upon receipt by UMG of documents of title master conveying good title to said equipment, vehicles and other items free of all claims, liens or encumbrances. PSG warrants that it is the owner of said equipment, vehicles and other items with the sole exception of a 2005 Chevy Silverado 1500 pickup that is leased by PSG from ARL PSG hereby sells, transfers and assigns all of its right, title and interest in said items described in Exhibit "A" to UMG "as is", where is "and with no warranty other than a warranty of title.

2. UMG shall pay to PSG the sum of Three Hundred and Fifty Thousand Dollars (\$350,000.00) by cashier's check or certified funds.

and solely obligated to the City of Pileville for performance of said terms and conditions, duties and obligations. UMG acknowledges and agrees, and by separate agreement, the CITY acknowledges and agrees, that PSG's transfer, assignment and delegation of the Omaha Agreement to UMG is in full novation and release of the obligations, duties and liabilities of PSG from and after the effective date of this assignment.

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Ms. Chief Operating Officer

BY: *Meg May*

UTILITY MANAGEMENT GROUP, LLC

EXHIBIT A

Vehicles Leased From ARI That UMG Will Purchase

2005 Chevy Silverado 1500 Pick Up

Vehicles Owned by PSG That UMG Will Purchase

1992 Dodge Grand Caravan

1994 Chevy 2500 Pick Up

1991 Chevy 1500

1995 Ford Ranger

1995 Ford F150 Pick Up

1998 Ford F150 Pick Up

1999 Ford F150

1995 Chevy 1500

1999 Ford F150 Pick Up

1999 Utility Trailer

F150 from Williamson

Miscellaneous Small Equipment PSG Will Sell To UMG

Office Furniture, Files, Machines and Desks

Computers (without software licensed to PSG)

Small Hand Tools, Fire Extinguishers and Tool Boxes

Lab Equipment

Vehicles and Equipment Not Included in Sale

BBO Trailer and Associated Equipment

BBO Preparation Trailer and Associated Equipment

TV Inspection Trailer

Correlate Leak Detector

Plate and Frame Press

Business, Personnel and Accounting Files

Software Licensed to PSG

- 1.1 Definitions of words and phrases used in this Agreement and the attachments are contained in Appendix A.
- 1.2 All land, buildings, facilities, easements, licenses, rights-of-way, equipment and vehicles presently or hereinafter acquired or owned by CITY shall remain the exclusive property of CITY unless specifically provided for otherwise in this Agreement.
- 1.3 This Agreement shall be governed by and interpreted in accordance with the laws of the State of Kentucky.
- 1.4 This Agreement shall be binding upon the successors and assigns of each of the parties. UMG shall not assign, sublet or transfer all

1 General

WHEREAS, CITY and UMG desire to enter into an agreement, the contractual relationship between the parties, in accordance with terms and conditions set forth herein; NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, CITY and UMG agree as follows:

WHEREAS, the CITY owns and provides for the operation of the public works systems which includes: the CITY's wastewater treatment plant, water treatment plant, sewer collection system, lift stations and siphons, potable water storage and distribution system, natural gas distribution system, streets (including signs), sidewalks, storm drains, public works office, shop and baseyard, sanitation service, transfer station and water and gas meter reading, city parks all as more particularly described in Appendix B (hereinafter collectively the "Project"); and,

Utility Management Group, LLC, with its principal address at 158 Town Mt. Road, Suite 101, Pikeville, Kentucky 41501 (hereinafter "UMG").

And

The City of Pikeville, a political subdivision of the State of Kentucky, with its principal address at City Hall, 118 College Street, Pikeville, Kentucky 41501 (hereinafter "CITY")

THIS AGREEMENT made and effective, the 1st day of July, 2007, by and between

Agreement For
Operations, Maintenance and Management Services

ORIGINAL
DOCUMENT

or any portion of this agreement without the prior written consent of the CITY. UMG shall not transfer ownership of more than 10% of its ownership without the prior written consent of the CITY.

1.5 All notices shall be in writing and transmitted to the party's address stated above. All notices shall be deemed effectively given

- when delivered, if delivered personally or by courier mail services, i.e., Federal Express or DHL;
- when delivered when such notice has been deposited in the United States mail postage prepaid, if mailed certified or registered U.S. mail, return receipt requested; or
- when received by the party for which notice is intended if given in any other manner.

1.6 This Agreement, including Appendices, is the entire Agreement between the parties. This Agreement may be modified only by written agreement signed by both parties. Wherever used, the terms "UMG" and "CITY" shall include the respective officers, agents, directors, elected or appointed officials and employees and, where appropriate, subcontractors. Only the Commission of the CITY has the authority to modify this agreement upon a vote at a public meeting.

1.7 If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

1.8 It is understood that the relationship of UMG to CITY is that of independent contractor. The services provided under this Agreement are of a professional nature and shall be performed in accordance with good and accepted industry practices for contract operators similarly situated. However, such services should not be confused with engineering services and nothing herein is intended to imply that UMG is to supply professional engineering services to CITY unless specifically stated in this Agreement to the contrary.

1.9 Nothing herein is intended by the parties to amend, modify or otherwise change any legal obligation owed by one party to the other which has heretofore matured or vested under the Existing Contract Documents, including, but not limited to, fees owed for

services rendered, rebates owed by UMG to CITY, indemnification obligations, and/or insurance coverage requirements.

1.10 Nothing in this Agreement shall be construed to create in any third party or in favor of any third party any right(s), license(s), or privilege(s).

1.11 Each party shall designate in writing an employee or other representative of the designating party who shall have full authority to render decisions promptly and furnish information expeditiously to the other party when necessary.

1.12 CITY shall have the right to waive the requirement of a two million dollar performance bond or letter of credit and if the CITY elects not to waive this requirement, the annual fee provided for in paragraph 8.1 shall be increased by twenty thousand (\$20,000.00) dollars.

1.13 The CITY shall have the right to request UMG provide the additional position of Governmental Liaison at a per year expense of \$74,289.00, pro rated monthly. In the event of this election, the CITY shall have the right to approve the person hired for this position and shall in its sole discretion have the right to terminate this position on sixty (60) days notice to UMG.

1.14 UMG guarantees as part of this agreement that it shall produce an additional \$100,000 revenue in wholesale water sales to the CITY thru master meter management during the first year of the agreement. The baseline for the wholesale sales would be the sales between July 2004 to July, 2005 or \$386,000.00. In the event of UMG's failure to achieve the \$100,000 in additional revenue, UMG shall pay to the CITY within 30 day from the end of the first year of this agreement the difference between the actual increase in wholesale water revenue of \$386,000.00 and the \$100,000 guarantee. If in any subsequent year end during the term or renewal term of this agreement wholesale water sales fall below the "guarantee sales revenue" (July 2004 - July 2005 revenue plus \$100,000), UMG shall pay to the CITY within 30 days of year end the difference in the actual water revenue received from wholesale water sales and the "guarantee sales revenue" not to exceed \$100,000. The Parties agree to negotiate this guarantee if UMG loses the ability to manage the sales from the master meters.

1.15 The CITY may elect hereunder to request that UMG make a capital improvement on behalf of the CITY by purchasing and installing variable frequency drives on certain electric motors at a total cost of \$174,460.00. In the event of this election, the annual fee

provided for in paragraph 8.1 shall be increased by the sum of \$34,892 for a period of five (5) years.

UMG's Services-General

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2.1 UMG will offer employment to all personnel of Veolia Water assigned full-time to the Project as of the effective date of this Agreement up to 60 full time employees, if they take and successfully pass a drug screen test to be administered by UMG. UMG will provide said employees with a wage and benefits package comparable to the wage and benefits package provided by UMG. UMG will continue to provide employment to all personnel who accept employment with UMG so long as their positions are necessary to UMG's performance under this Agreement and they continue to perform their duties in a satisfactory manner. UMG shall comply with all Federal and State employment laws.

2.2 UMG will staff the Project with employees who have met appropriate licensing and certification requirement of the State of Kentucky.

2.3 UMG will provide ongoing training and education for appropriate personnel in all necessary areas of modern public works, water and/or wastewater process control, maintenance, safety, and supervisory skills.

2.4 UMG shall develop and/or supply and utilize computerized programs for maintenance, process control, cost accounting, and laboratory Quality Assurance/Quality Control.

2.5 Within thirty (30) days after UMG begins service under this Agreement, UMG will provide a physical inventory of CITY'S vehicles and equipment in use at the Project and a general statement as to the condition of each vehicle or piece of equipment.

2.6 UMG will provide CITY with a physical inventory of chemicals and other consumables on hand when UMG begins services under this Agreement. UMG will provide CITY with the same quantity of chemicals and other consumables, or equivalent, upon termination of this Agreement.

2.7 UMG shall be responsible for maintaining all manufacturers' warranties on new equipment purchased by CITY and assist CITY in enforcing existing equipment warranties and guarantees.

- 2.8 UMG shall provide the CITY with full documentation that preventative maintenance is being performed on equipment owned by CITY in accordance with manufacturer's recommendations at intervals and in sufficient detail as suggested by UMG and approved by the CITY. Such a maintenance program must include documentation of corrective and preventive maintenance.
- 2.9 UMG shall operate, maintain and/or monitor the Project on a 24-hour per day, seven days per week schedule.
- 2.10 Visits may be made at any reasonable time by CITY's officers and employees. CITY shall at all times have keys to the Project. All visitors to the Project shall comply with UMG's operating and safety procedures.
- 2.11 UMG will implement and maintain an employee safety program in compliance with applicable laws, rules and regulations and make recommendations to CITY regarding the need, if any, for CITY to rehabilitate, expand or modify the Project to comply with governmental safety regulations applicable to UMG's operations hereunder and federal regulations promulgated pursuant to the Americans With Disability Act ("ADA"). Nothing herein shall be construed to place upon UMG a duty to find and report violations of either the safety laws or the ADA at the Facility to any federal or state agency.
- 2.12 UMG may modify the process and/or facilities to achieve the objectives of this Agreement and charge the Costs to the Maintenance and Repair Limit; provided, however, no modification shall be without CITY's prior written approval if the complete modification Cost shall be in excess of Two Thousand Dollars (\$2,000.00) or if the cost of such modification would cause the total aggregate amount of expenditures for that Agreement Year to exceed the Maintenance and Repair Limit for such year.
- 2.13 In an emergency affecting the safety of persons or property, UMG may act without written authorization of a Change of Scope, at UMG's discretion, to prevent threatened damage, injury or loss. CITY shall compensate UMG for any such emergency work notwithstanding the lack of a written authorization. Such compensation shall include UMG's non-labor direct Cost for the emergency work. Nothing contained in this Section shall impose upon UMG a duty to perform any emergency work absent a modification of the Scope of Work approved by the CITY and failure to perform any such emergency work shall not impose upon UMG any liability for errors and omissions.

2.18 Services that are the subject of this Agreement are budgeted as 4,800 actual straight time man-hours per payroll period (consisting of a two (2) successive week period) and 236 overtime man-hours per payroll period. Overtime hours in excess of those budgeted caused by abnormal excessive natural events, including but not

2.17 Upon request of CITY or as it shall deem necessary, UMG will provide a listing of recommended capital improvements required for the Project. UMG will not be relieved of its responsibility to perform if the recommendations are not implemented; provided, however, the failure to meet effluent requirements (or other damage or injury) resulting from the failure to make recommended capital improvements necessary to meet federal, state or local laws, rules or regulations for the safety of persons in or about the facilities and to meet ADA requirements shall not be optional for the CITY. If approved, the CITY will make arrangements for the design and construction of said improvements.

2.16 UMG will provide for the collection and hauling of screenings, grit, sludge and scum to the Pike County landfill and/or the Chaparral Coal landfill. It shall be the sole right and responsibility of CITY to designate, approve or select landfill facilities to be used by UMG for CITY's waste materials. All waste and/or byproduct collected, treated and/or generated during UMG's performance of services is and shall remain the sole and exclusive property of CITY. All manifests or other documentation required for disposal of sludge shall be signed by or in the name of the CITY.

2.15 UMG will provide laboratory testing and sampling presently required by plant performance portions of the NPDES permit, the Clean Water Act, the Safe Drinking Water Act, and/or any federal, state or local rules and regulations, statutes or ordinances, permit or license requirements or judicial and regulatory orders and decrees, including, but not limited to, required testing and sampling for the gas system, sanitation collection and storm water management. Any change in testing requirements by regulatory agencies in the above systems will result in a scope change.

2.14 As required by law, permit or court order, UMG will prepare all necessary reports related to performance of the Public Works System and submit them to CITY for signature and transmittal to appropriate authorities. UMG will assist the CITY with the timely application for all necessary environmental permits and extensions of environmental permits for the operation of the Public Works system including the Water and Sewer System.

- 3.5 Subject to the availability of funds within the Maintenance and Repair Limit, UMG will perform all Maintenance and Repairs for the Wastewater Treatment Plant and lift stations, and submit a monthly accounting to CITY.
- 3.4 UMG shall operate the wastewater treatment plant and collection system such as to minimize the hydrogen sulfide odor in the atmosphere. Hydrogen sulfide leaving the wastewater plant shall not be increased above the level entering the wastewater plant from the collection system.
- 3.3 UMG shall manage, operate and maintain the wastewater plants, lift stations and sludge removal program.
- 3.2 Within the design capacity and capabilities of the Waste Treatment Plant described in Appendix B, UMG will manage, operate and maintain the Plant so that effluent discharged from the Plant meets the requirements specified in Appendix C-1.
- 3.1 This Article shall apply to UMG's Operations, Maintenance, & Management services for the CITY's wastewater treatment system.

UMG's Scope of Services-Wastewater

3

- 2.20 UMG shall maintain all records and documents required specifically herein and such other documents concerning the operation of the CITY's Public Works Department such that they maybe inspected by the CITY upon reasonable notice.
 - 2.19 Subject to the availability of funds in the Maintenance and Repair Limit, UMG shall maintain and repair only the motor vehicles and equipment solely used in support of the Project (whether owned by CITY or UMG).
- limited to an act of God, excessive snowfall, tornado or flood, shall be billed to the CITY on a monthly basis with mark-up including additional taxes, fees or insurance resulting from the extra money paid, i.e., FICA, unemployment insurance, workers compensation. An "actual straight time man-hour" shall mean an actual hour of labor by one person unburdened by vacation, holiday or other leave allowances.

3.6 Subject to Section 3.9, UMG will pay all Costs incurred in normal operations and maintenance of the Wastewater Treatment Plant (including sludge disposal) and lift stations.

4 UMG Scope of Services-Water

4.1 This Article shall apply to UMG's Operations, Maintenance, & Management services for the CITY's drinking water treatment system.

4.2 Within the design capacity and capabilities of the Water Treatment Plant described in Appendix B, UMG will manage, operate and maintain the Plant so that water produced from the Plant meets the requirements specified in Appendix C-2.

4.3 Subject to Section 7.9, UMG will pay all Costs incurred in normal operations and maintenance of the potable Water Treatment Plant, water tanks and pumps.

4.4 Subject to the availability of funds within the Maintenance and Repair Limit, UMG will perform all Maintenance and Repairs for the Water portion of the Project, and submit a monthly accounting to CITY.

5 UMG's Scope of Services-Wastewater Collection System, Water and System, Roadways, Sidewalks, Signs, City Parks and Public Works Building & Baseyard.

5.1 This Article shall apply to UMG's maintenance and repair services for the CITY's wastewater collection system, drinking water distribution system, natural gas distribution system, storm water drains and system, streets, roadways, sidewalks, signs, city parks, athletic fields, landscaping program, designated street lighting, parking structure and Public Works office and baseyard.

5.2 The scope of UMG's services for the management, maintenance and repair of the collection system, the water distribution system and the natural gas distribution system are set forth in Appendices C-3, C-4 and C-5, respectively. Said Appendices additionally describe the battery limits of the respective systems.

- 5.3 The scope of UMG's services for the management, maintenance and repair of the storm water drains and system is attached as Appendix C-6.
 - 5.4 The scope of UMG's services for the management, maintenance and repair of the roadways, sidewalks and signs are attached as C-7.
 - 5.5 The scope of UMG's services for the management, maintenance and repair of the Public Works building (office) and baseyard are attached as Appendix C-8.
 - 5.6 The scope of UMG's services for the management, maintenance and repair of City Parks, athletic fields and Landscaping are attached as Appendix C-12.
 - 5.7 The scope of UMG's services for Mowing/Clearing of designated area on an attached aerial map in Appendix C-13, using tractor mounted mowers, small lawn tractors and hand-held string mowing equipment, as appropriate.
 - 5.8 Special trash collection and cleanup will be provided by UMG for Hillbilly Days and Hatfield McCoy Festival as directed by the CITY.
 - 5.9 The scope of UMG's service for the field service division shall be as designated in Appendix-14.
 - 5.10 Costs (other than labor) associated with the services described in this Article shall be charged to the Maintenance and Repair Limit.
- UMG Scope-Meter Reading (Water & Gas); Refuse Collection
- 6.1 This Article shall apply to UMG's meter reading operations services for the water and gas meters described in Appendix B and the garbage pick-up and collection service.
 - 6.2 At least once each calendar month (12 times per calendar year), UMG shall collect from each residential and commercial consumer of water and/or gas the usage of water or gas (as reported by the meter) during the period since the last reading of the meter. This information shall be reported in a timely manner to the CITY for billing purposes in a form as shall from time to time be approved by the CITY.

7.4 The CITY shall provide UMG, within a reasonable time after request and on an "as available" basis, with the temporary use of any piece of CITY's heavy equipment that is available so that UMG may discharge its obligations under this Agreement in the most cost-effective manner.

7.3 The CITY shall pay all sales, excise, ad valorem, property, franchise, occupational and disposal taxes, or other taxes associated with the Project other than taxes imposed upon UMG's net income and/or payroll taxes for UMG employees, as set forth in Section 2.8, taxes imposed on UMG owned equipment and/or sales taxes on items purchased by UMG for the project.

7.2 The CITY shall keep in force all Project warranties, guarantees, easements and licenses that have been granted to CITY and are not transferred to UMG under this Agreement.

7.1 The CITY shall fund all necessary Capital Expenditures. Priority shall be given to safety and the ADA related expenses described in Section 211. Any loss, damage, or injury resulting from CITY's failure to provide capital improvements and/or funds in excess of the Maintenance and Repair Limit when reasonably requested by UMG shall be the sole responsibility of CITY.

City's Duties

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6.4 In the event that the CITY transfer station is not used and/or operational a Change in Scope will be necessary.

6.3.1 Annual fee is based on residential accounts of 1,863, commercial accounts of 367, public authority account for 149 and multi-family accounts of 168.

6.3 UMG shall operate existing residential and commercial garbage collection according to the existing schedule and customer base. The parties acknowledge that current garbage collection consists of two pick-ups per week per household or commercial outlet. Any increase or decrease of 10% in customer base and/or frequency of pick-up shall result in a Change in Scope pursuant to Section 10.1.2. The parties further acknowledge that garbage and refuse currently collected at the CITY's transfer station. All costs, methods and expenses resulting from alternative disposal sites, other than the CITY transfer station and the Chaparral Coal pit, shall be the responsibility of CITY.

- 7.5 CITY shall pay all tipping fees and similar charges for the use of both the County landfill and the Chaparral Coal pit for the deposit of garbage, refuse, sludge and other waste.
 - 7.6 CITY shall provide all registrations and licenses for CITY's vehicles used in connection with the Project.
 - 7.7 CITY shall provide for UMG's exclusive use of all vehicles and equipment presently in full time use at the Project and any replacement if necessary.
 - 7.8 CITY shall provide the Project with appropriate security personnel and/or devices to protect against any losses resulting from the theft, damage, or unauthorized use of property owned by CITY and shall accept liability for such losses.
 - 7.9 The CITY shall pay all Costs for water, sewer user fees, road salt, natural gas deodorizers and natural gas for the Project.
 - 7.10 The CITY shall provide for UMG access to all easements, right-of-ways, and access to discharge UMG's obligation under this Agreement.
- Compensation
- 8.1 UMG's compensation under this Agreement shall consist of an Annual Fee. For the first year of this Agreement, UMG's Annual Fee is \$4,026,174.00. The Maintenance and Repair Limit included in the Annual Fee is \$494,904.00.
 - 8.2 If actual Maintenance and Repair expenditures are less than the Maintenance and Repair Limit for any Agreement year, UMG will rebate the entire difference to CITY in accordance with Section 9.3. If actual Maintenance and Repair expenditures exceed the Maintenance and Repair Limit, CITY will pay the excess to UMG in accordance with Section 9.3. UMG will notify CITY when actual Maintenance and Repair expenditures equal eighty percent (80%) of Maintenance and Repair Limit.
 - 8.3 The Annual Fee shall be negotiated each year at least four (4) months prior to the anniversary of this Agreement's effective date. Should CITY and UMG fail to agree, the Annual Fee will be determined by the application of the procedures in Appendix D. The Maintenance and Repair Limit shall increase or decrease by a percentage equal to the change in the Annual Fee.

9.1 One-twelfth (1/12) of the Annual Fee for the current year shall be due and payable on the first of the month for each month that services are provided.

9.2 All other compensation to UMG is due upon receipt of UMG's invoice and payable within thirty (30) days.

9.3 Any monies payable pursuant to Section 8.2 will be paid within sixty (60) calendar days after the end of each Agreement year and/or if the costs are over ten percent (10) of the monthly budget targets they will be billed to the CITY for reimbursement on a monthly basis, with the information provided to account for the additional maintenance/repair cost.

9.4 Any additional overtime hours in excess of those budgeted that are payable pursuant to Section 3.8 will be paid to UMG within thirty (30) days.

9.5 CITY shall pay interest at an annual rate equal to the Community Trust Bank's prime rate up to sixty (60) days from the due date and prime rate plus one and one half percent (1.5%), said rate of interest not to exceed any limitation provided by law, on payments due UMG thereafter, such interest being calculated from sixty (60) days from the due date of the payment. In the event the charges hereunder might exceed any limitation provided by law, such charges shall be reduced to the highest rate or amount within such limitation.

Scope Changes

10.1 A Change in Scope of services shall occur when and as UMG's costs of providing services under this Agreement change as a result of

10.1.1 any change in Project operations, personnel qualifications or staffing or other cost which is mandated or otherwise required, by a change in law, rule or regulation or an action or forbearance of any governmental body having jurisdiction to order, dictate or require such change;

10.1.2 increases or decreases of ten percent (10%) in the user bases;

- 10.1.3 increases or decreases of not less than ten percent (10%) in the influent flow or loadings as demonstrated by a twelve month floating average compared to the twelve month period ending on the effective date of this Agreement (baseline flow and loading information is located in Appendix C); and/or
- 10.1.4 increases or decreases in rates or other related charges (including taxes) imposed upon UMG by a utility provider (see Section 10.4 below) or taxing authority-excluding taxes based on UMG's net income;
- 10.1.5 CITY's request of UMG and UMG's consent to provide additional services.
- 10.2 For Changes in Scope described in Sections 10.1.1 through, and including, 10.1.3, the Annual Fee shall be increased (or decreased) by an amount equal to UMG's additional (reduced) Cost associated with the Change in Scope plus ten percent (10%) Modifications of the Annual Fee as a result of conditions described in Section 10.1.3 shall be retroactive to the beginning of the twelve-month comparison period.
- 10.3 For Change in Scope described in Section 10.1.4, the Annual Fee shall be increased (or decreased) by an amount equal to UMG's additional (reduced) Cost associated with the Change in Scope.
- 10.4 CITY and UMG shall negotiate any increase or decrease in UMG's Annual Fee for Changes in Scope based on Section 10.1.5.
- 10.5 Utility Rates
 - CITY will pay as additional compensation to UMG any increases in Electrical Cost Plant that are a result of Average Electrical Rate Plant increases that occur during any Agreement year. The additional compensation will be calculated based upon 5,313,513 KWH of energy per year.
 - UMG will rebate one hundred percent (100%) of any decrease in Electrical Cost Plant caused by Average Electrical Rate Plant decreases, based upon 5,313,513 KWH of energy per year.

11.1 UMG agrees to indemnify, defend and hold CITY harmless from any liability, claims, demands, losses, damages and expenses, including reasonable attorneys fees, court cost, and expert witness fees, for damages to property of the CITY, UMG, or third parties, or bodily injury (including death) of any person, including third parties, which may arise from UMG's sole negligence or willful misconduct under this Agreement.

11.2 CITY agrees to indemnify, defend and hold UMG harmless from any liability, claims, demands, losses, damages and expenses, including reasonable attorneys fees, court cost, and expert witness fees, for damages to property of the CITY, UMG, or third parties, or bodily injury (including death) of any person, including third parties, which may arise from CITY's sole negligence or willful misconduct under this Agreement.

11.3 UMG shall be liable for those fines or civil penalties imposed by a regulatory or enforcement agency for violations of the effluent quality requirements provided for in Appendices C-1 and C-2 that are a result of UMG's negligence. CITY will assist UMG to contest any such fines in administrative proceedings and/or in court prior to any payment by UMG. UMG shall pay the cost of any such contest.

11.4 CITY shall be liable for those fines or civil penalties imposed by any regulatory or enforcement agencies on CITY and/or UMG that are not a result of UMG's negligence or are otherwise directly related to the ownership of the Project and shall indemnify and hold UMG harmless from the payment of any such fines and/or penalties.

11.5 Nothing in this Article or any other section, paragraph or article of this Agreement shall be construed to subject either party to liability or indirect, punitive or consequential damages and none shall be awarded by any tribunal against a party hereto in favor of a party hereto.

11.6 Indemnity agreements provided for in this Agreement shall survive the termination of this Agreement.

12.6 In the event that this Agreement is terminated for any reason prior to the expiration of the initial term, the CITY shall pay to UMG a mutually agreed termination fee based upon the remaining

12.5 Upon termination of this Agreement and all renewals and extensions of it, UMG will return the Project to CITY in the same condition as it was upon the effective date of this Agreement, ordinary wear and tear excepted. Equipment and other personal property purchased by UMG for use in the operation or maintenance of the Project shall remain the property of UMG upon termination of this Agreement unless the property was directly paid for by CITY or CITY specifically reimbursed UMG for the cost incurred to purchase the property or this Agreement provides to the contrary.

12.4 Upon termination of this Agreement, UMG will provide CITY with the same quantity of chemicals on hand when UMG began services under the Existing Contract Documents.

12.3 Upon notice of termination by CITY, UMG shall assist CITY in assuming operation of the Project. If additional Cost is incurred by UMG at request of CITY, CITY shall pay UMG such Cost within thirty (30) days of invoice receipt.

12.2 During the initial five (5) years of this Agreement either party may terminate this Agreement only for a material breach of the Agreement by the other party; only after giving written notice of breach; and, except in case of a breach by CITY for non-payment of UMG's invoices, in which case termination may be immediate by UMG, only after allowing the other party thirty (30) days to cure or commence taking reasonable steps to cure the breach and proved adequate proof of such steps.

12.1 The initial term of this Agreement shall commence on July 1, 2007 and shall continue thereafter for an initial term of sixty (60) months until June 30, 2012. Thereafter, the CITY shall have the sole option to elect to renew this agreement for successive terms of two (3) years each by giving written notice no less than one hundred and twenty (120) days prior to expiration of the original term or the first renewal term.

12 Term, Termination and Default

11.7 Each party shall obtain and maintain insurance coverage of a type and in the amounts described in Appendix E. Each party shall provide the other party with satisfactory proof of insurance.

unamortized balance of capital improvement cost incurred pursuant to section 1.15.

13

Disputes and Force Majeure

13.1 In the event activities by employee groups or unions cause a disruption in UMG's ability to perform at the Project, CITY, with UMG's assistance or UMG at its own options, may seek appropriate injunctive court orders. During any such disruption, UMG shall operate the facilities on a best-efforts basis until any such disruptions cease.

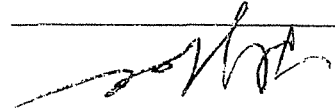
13.2 Neither party shall be liable for its failure to perform its obligations under this Agreement if such failure is due to any Unforeseen Circumstances beyond its reasonable control or force majeure. However, this Section may not be used by either party to avoid, delay or otherwise affect any payments due to the other party.

13.3 If a claim or a dispute arises between the parties under this Agreement or the performances of any obligations set forth herein, the parties agree to endeavor in good faith to resolve such claim or dispute equitably through negotiation. If such negotiation fails, either party may request non-binding mediation to resolve such claim or dispute, under the rules of the American Arbitration Association, before having recourse to the courts. The non-requesting party may decline such request in its sole discretion. Notwithstanding the foregoing, prior to or during negotiation or non-binding mediation, either party may initiate a legal proceeding to resolve any claim or dispute arising under this Agreement or the performance of any obligations set forth herein.

Both parties indicate their approval of this Agreement by their signatures below, and each party warrants that all corporate or governmental action necessary to bind the parties to the terms of this Agreement has been and will be taken.

CITY OF PIKEVILLE

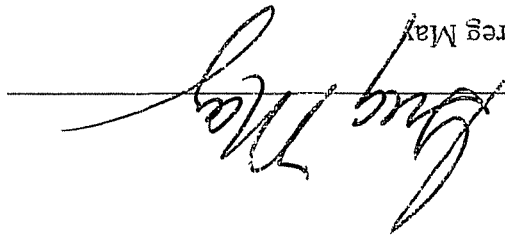
UTILITY MANAGEMENT GROUP, LLC

By: 

Name: Frank Justice

Title: Mayor

Date: 6/27/06

By: 

Name: Greg May

Title: Chief Operating Officer

Date: 6/27/06

DEFINITIONS

APPENDIX A

- A.1 "Adequate Nutrients" means plant influent nitrogen, phosphorus and iron contents proportional to BOD₅, in the ration of five (5) parts nitrogen, one (1) part phosphorus, and one-half (0.5) part iron for each one hundred (100) parts BOD₅.
- A.2 "Annual Fee" means a predetermined, fixed sum for UMG's services. The Annual Fee includes Cost and profit.
- A.3 "Average Electrical Rate Plant" means the average cost per kilowatt hour as calculated by dividing the total kilowatt hours of energy consumed by the plant into the total dollars of plant electric cost for the twelve (12) month period ending three (3) months prior to the end of the current agreement year. The Average Electrical Rate Plant for the period month, year to month, year is 5.00cents per KWH.
- A.4 "Biological Toxic Substances" means any substance or combination of substances contained in the plant influent in sufficiently high concentration so as to interfere with the biological processes necessary for the removal of the organic and chemical constituents of the wastewater required to meet the discharge requirements of CITY's NPDES permit. Biological toxic substances include, but are not limited to, heavy metals, phenols, cyanides, pesticides and herbicides.
- A.5 "Capital Expenditures" means any expenditures for (1) the purchase of new equipment or facility items that cost more than Two Thousand Dollars (\$2000); or (2) major repairs which significantly extend equipment or facility service life and cost more than Two Thousand Dollars (\$2000) or (3) expenditures that are planned, non-routine and budgeted by CITY.
- A.6 "Cost" means all Direct Cost and Indirect Cost Determined on an accrual basis in accordance with generally accepted accounting principles.
- A.7 "Direct Cost" means the actual cost incurred for the direct benefit of the Project including, but not limited to, expenditures for project management and labor, employee benefits, chemicals, lab supplies, repair parts, maintenance parts, safety supplies, gasoline, oil, equipment rental, legal and professional services, quality assurance, travel, office supplies, other supplies, uniforms, telephone, postage, utilities, tools, memberships and training supplies.
- A.8 "Maintenance" means those routine and/or repetitive activities required or recommended by the equipment or facility manufacturer or by UMG to maximize the service life of the equipment, sewer, vehicles and facilities.

- A.9 "Maintenance and Repair Limit" means the total Maintenance and Repair expenditures that UMG has included in the Annual Fee. With the exception of Article 6, expenditures exclude any labor costs for UMG's staff assigned to the Project, UMG's specialized maintenance personnel not assigned at the Project, who provide such specialized services such as, but not limited to, vibration, thermo graphic and electrical analyses, instrumentation maintenance and repair will be charged to the Maintenance and Repair Limit.
- A.10 The "Project" means all equipment, vehicles, grounds, right of way, sewer and facilities described in Appendix B and, where appropriate, the management, operations and maintenance of such.
- A.11 "Repairs" means those non-routine/non-repetitive activities required for operational continuity, safety and performance generally due to failure or to avert a failure of the equipment, sewer, vehicles or facilities or some component thereof.
- A.12 "Unforeseen Circumstances" shall mean any event or condition which has an effect on the rights or obligations of the parties under this Agreement, or upon the Project, which is beyond the reasonable control of the party relying thereon and constitutes a justification for a delay in or non-performance of action required by the Agreement, including but not limited to (i) an act of God, landslide, lightning, earthquake, tornado, fire, explosion, flood, failure to possess sufficient property rights, acts of the public enemy, war, blockade, sabotage, insurrection, riot or civil disturbance, (ii) preliminary or final order of any local state or federal court, administrative agency or governmental body of competent jurisdiction, (iii) any change in law, regulation, rule, requirement, interpretation or statute adopted, promulgated, issued or otherwise specifically modified or changed by any local, Federal and State governmental body, (iv) labor disputes, strikes, work slowdowns or work stoppages by employees of UMG; and (v) loss of or inability to obtain service from a utility necessary to furnish power for the operation and maintenance of the Project.

APPENDIX B

DESCRIPTION OF PROJECT

UMG agrees to provide the services necessary for the management, operation and maintenance of the following:

- a. All equipment, vehicles, grounds and facilities now existing within the present property boundaries of or being used to operate CITY's Utility and Public Works Departments located at:

Wastewater Plant at Thompson Road
 Water Plant at Marions Branch Road
 Public Works at 306 Island Creek

- b. All equipment, grounds and facilities now existing within the present property boundaries of the water tanks and water pumping stations are described as follows:

<u>Pump Stations</u>	<u>Tanks</u>
Toler	Toler
Cedar Gap	Cedar Gap
Bob Amos	Bob Amos
Northmonte	Northmonte
Quail Ridge	Quail Ridge
Ratliffs Creek	Ratliffs Creek
Town Mountain	Road Fork 1
Peach Orchard	Road Fork 2
Harold Branch	Smith Hill 1
Chloe Gap	Smith Hill 2
Foxcroft	Peach Orchard
Chloe Ridge	Harolds Branch
	Foxcroft
	Lovers Leap

- c. Thirty-one (33) miles of gravity sewers and five (5) miles of force mains, along with all manholes in service on the effective date of this Agreement.
- d. Sixty-five (65) miles of water line valves, hydrants and 2,600 customer connections in service on the effective date of this Agreement.

e. All equipment, grounds and facilities now existing with in the present property of the sewer lift stations.

Lift Stations

Huffman
Fletcher & Hall
Poor Farm
Keel Add.
Pauley Add.
Lake Joann
Layne Hollow
South Mayo 1
South Mayo 2

f. Thirty-eight (38) miles of steel and plastic gas line and 1,500 meters in service on the effective date of this Agreement.

Gas Wells & Purchase Points

Columbia Fuel North & South
Clark Ferrel
Dye
Edmonds
Cox
Huffman & Blackburn
Dairy Hollow
City Park
Peach Orchard
R.T. Greer
Collins at DOT Office

APPENDIX C-1

WASTEWATER TREATMENT PLANT
 NPDES PERMIT AND
 PROJECT CHARACTERISTICS

C.1 UMG will operate so that effluent will meet the requirement of NPDES permit No. KY0025291 (issued on July 1995) a full and complete copy of which is adopted by reference herein as of the date hereof. UMG shall be responsible for meeting the effluent quality requirements of CITY's NPDES permit unless one or more of the following occurs: (1) the Project influent does not contain Adequate Nutrients to support operation of Project biological processes and/or contains Biological Toxic Substances which cannot be removed by the existing process and facilities; (2) dischargers into CITY's sewer system violate any or all regulations as stated in CITY's Industrial Water and Sewer Ordinance(s) or as required by law; (3) the flow or influent BODs and/or suspended solids exceeds the Project design parameters which are two (2) million gallons of flow per day, 3,403 pounds of BODs per day, 4003 pounds of suspended solids and a daily peaking factor of 2.5 times flow; (4) if the Project is inoperable or can operate only at a reduced capacity on account of construction activities, fire, flood, adverse weather conditions, labor disputes or other causes beyond UMG's control.

C.2 In the event any one of the Project influent characteristics, suspended solids, BODs or flow, exceeds the design parameters stated above, UMG shall return the plant effluent to the characteristics required by the NPDES permit in accordance with the following schedule after Project influent characteristics return to within design parameters.

Characteristics Exceeding Design Parameters By	Recovery Period Maximum
10% or Less	5 days
Above 10% Less than 20%	10 days
20% and Above	30 days

Notwithstanding the above schedule, if the failure to meet effluent quality limitations is caused by the presence of Biologically Toxic Substances or the lack of Adequate Nutrients in the influent, then UMG will have thirty (30) day recovery period after the influent is free from said substances or contains Adequate Nutrients.

a. UMG's expenses for hauling wastewater sludge to approved disposal site at the Combs property near the Pikeville -- Pike County Airport . Any change in location of disposal will constitute a Change in Scope.

(b) Solids disposal characteristics:

The above characteristics are the actual twelve (12) months' average for the period ended December, 2005. Any change of 10 percent (10%) or more in any of these characteristics, based upon a twelve (12) month moving average, will constitute a change in scope. [See Section 10.1]

Flow 0.876 million gallons per day
 BODs 2,080 pounds per day
 TSS 3,286pounds per day

(a) Project influent characteristics:

- C.3 UMG shall not be responsible for fines or legal action as a result of discharge violations within the period that influent exceeds design parameters, does not contain Adequate Nutrients, contains Biologically Toxic substances or is imperable, and the subsequent recovery period.
- C.4 The Annual Fee for services under this Agreement is based upon the following:

APPENDIX C-2

WATER TREATMENT PLANT
PROJECT CHARACTERISTICS

- C.1 The Project has the following design characteristics:
- A capacity of 6-MGD of finished water production with an ability for chemical additions, flocculation, sedimentation and filtration based on 2.9 gallons per minute per square foot of filter area. The Project has the capability for post treatment by chlorination and fluoridation.
- C.2 UMG will operate the Project so that water treated will meet the current Federal and State Drinking Water Standards. UMG's Annual Fee includes all costs for treating an average daily flow of 3.24 MGD (2005 yearly average) of raw water per day to the standards specified below.

Turbidity	<0.3 NTU
Iron	<0.3 mg/l
Manganese	<0.05 mg/l
Fluoride	0.1-1 average mg/l
pH	≥7.0
Color	<15 color units
Corrosivity	Non-corrosive
Odor	<3.0 TON
E. Coli	Negative
Chlorine	≥0.2 mg/l

- C.3 If any of the following contaminants in the raw water causes the finished water to exceed the Maximum Contaminant Levels (MCL) established for finished water quality, UMG will treat the raw water to reduce said contaminant to an acceptable MCL. The cost of any specific treatment will be in addition to the Annual Fee for the treatment required by this Article C.3.

- C.4 If any contaminants is found in finished (treated) water, not related to raw water quality, Contractor shall be responsible through operational procedure to correct source. If modifications in treatment procedure cannot effect the elimination of the contaminants and capitol cost is incurred as may be required to eliminate the contaminate, such cost shall be born by the city.

- C.5 UMG's expenses for hauling by truck and disposing of water plant sludge is based on the Chapperal Coal Facility that is approximately four (4) road miles from the Project. Any change in costs shall give rise to a Change in Scope and the additional costs shall be added to the Annual Fee. If contractor cannot dispose of sludge at pond alternate means of disposal will have to be installed and new disposal site secured. All cost will be added to contract.
- C.6 UMG is responsible to perform or have performed all water quality tests require by Federal and/or State agencies.

APPENDIX C-3

WASTEWATER COLLECTION SYSTEM

Scope of Services

The system is composed of thirty-one (33) miles of gravity sewer lines, 982 manholes, twenty seven (27) miles of force mains (including the Indian Hills Extension). There are also fourteen (14) lift stations and two (2) siphons. And two (2) siphons are described in Appendix B and are governed by Article 3.

1. Within the capabilities of the existing system, manage, operate and maintain the CITY owned facilities so that wastewater collection services are provided throughout the City's service area..
2. UMG will continue a service call-out program to repair immediate problems; and conduct inspection and effect planned preventive and corrective maintenance of the facilities.
3. UMG will provide as-built information, digital photos and GPS location data as alterations and/or renovations are performed by Contractor, for the CITY's use in updating the utilities master plan files and to incorporate same in the city's comprehensive GIS mapping system ,

4. UMG will install/construct connections to the CITY's utility system, or be on-site and inspect connections made by qualified firms as authorized by the city to ensure long-lived quality workmanship is accepted into the CITY's system.
5. Contractor will continue to identify and remove any/all storm water from sewage collection system in keeping with the city's ongoing elimination of combined sewer overflow program. Any cost of remove storm water from the wastewater system will be charged to repair and maintenance.

6. Contractor will use smoke testing and other methods to systematically determine sources of inflow and infiltration into the CITY's sewage collection system, recording and reporting same to the customer/occupant and to the City Manager.

APPENDIX C-4

DRINKING WATER DISTRIBUTION SYSTEM

Scope of Services

The system is composed of approximately 82 miles of water mains, valves, hydrants and 2,827 meters, sixteen (16) water tanks and fourteen (14) pumps are described in Appendix B and is governed by Article 4.

1. Within the capabilities of the existing system, operate and maintain the CITY owned facilities so that water is provided to the CITY, its residents, and the wholesale users who have contracted with the CITY for water.
2. Continue a serviceman call-out program to correct immediate problems; continue to inspect and effect planned preventive and corrective maintenance, in accordance with standard maintenance programs now in use.
3. UMG will continue the preventive and corrective maintenance program in effect on the system, its mains and the pump stations, to protect the CITY's capital resources.
4. UMG will provide "as built" information including digital photos and GPS/GIS mapping as modifications and/or renovations are performed by UMG forces, for the CITY's use in updating utility master plan files. UMG may rely on information contained in the CITY's utility master plan files.
5. UMG will install taps on the CITY utility system, or closely survey the connections made by qualified firms, to ensure the continued safe drinking water quality and long-lived facility improvements.
6. Monitor and maintain telemetry on a daily basis, and provide in summary format on a monthly basis, the levels of Water in each of the CITY water tanks.
7. Continue to assist the Fire Department with the hydrant flushing and testing program on an annual basis.
8. Consult with the Fire Department as regards conditions and location of existing and new hydrants.

9. Monitor all fire – call cuts and communicate with Fire Chief or designee to assure adequate water supply during an emergency event.
10. Continue water meter change out program to improve overall accuracy; upgrade meters to touch-read and radio read capability.
11. Will provide and maintain water taps for vendors during special events such as Hillbilly days, Hatfield & McCoy Festival and Relay for Life. (but not limited to those events mentioned).

NATURAL GAS DISTRIBUTION SYSTEM
Scope of Service

APPENDIX C-5

The system is composed of approximately 68 miles of steel and plastic line and 1,742 meters obtaining gas from sixteen (13) purchase points.

1. Within the capabilities of the existing system, operate and maintain the CITY owned facilities so that gas is provided to the CITY's residents, as well as CITY customers outside the CITY limits.
2. Continue to perform recurring daily operations & preventive and corrective maintenance on a programmed basis, utilizing the locally developed O&M plans developed during the initial phase of the contract and approved by the Kentucky Public Service Commission.
3. Continue the serviceman call-out program to correct immediate problems.
4. Continue toward completion of the meter change out program for the gas division.
5. Continue to host the Commonwealth of Kentucky's Public Service Commission visits and inspections of the system from a safety compliance standpoint and effect any remedial actions needed to ensure a safe utility operation.
6. UMG will provide "as built" information GPS/GIS and Photos as modifications and/or renovations are performed by UMG forces, for the CITY's use in updating utility master plan files.
7. UMG will install taps on the CITY utility system, or closely survey the connections made by qualified firms, to ensure the continued safety of the populace and long-lived facility improvements.
8. UMG will read the gas vendor and customer meters at approximately the same day each month to ensure proper vendor invoicing and customer billing and the information will be provided to the CITY for billing.
9. Contractor will continue with active participation in all KGA gas programs to assure that personnel has up to date information on all programs and remain fully qualified to perform service.

APPENDIX C-6

STORMWATER SYSTEM

Scope of Services

Perform periodic inspection of all culverts pond, catch basins and steams within CITY limits and Pikeville Pond at least twice a year. Assist Fire Department in annual practice drill and emergency operation of manual north and south flood gate. Contractor will continue to separate stormwater from sewer.

APPENDIX C-7

ROADWAYS, SIDEWALKS AND SIGNAGE
Scope of Services

Nothing in this Agreement shall be construed to place upon UMG any responsibility or liability for traffic engineering or safety engineering related to roads, sidewalks or signs.

C.1 Roads:

- Conduct monthly inspection of roads and streets for potholes, missing signs, and general condition.
- Repair potholes upon complaint by City Manager, police or citizens and tracked by specific work order.
- Minor painting, including, but not limited to curbs and handicapped parking in public owned parking facilities.
- Sweeping (street sweeper): All streets accessible by sweeper (approximately 85% of roadways) 12 times per year each. Sweep downtown streets and Hambley Blvd. daily.
- Including East Kentucky Expo Center and Technical College on river fill. Annual leaf pick-up weekly during the season at the curb.
- remove non-hazardous waste (dead animals, etc.)
- Salting and snow removal.
- Mow, as needed, shoulder of CITY owned right of ways (maximum 15 feet from paved roadway) and medial strips as illustrated on attached aerial map.
- Minor street, pavement repairs as directed on work order.

C.2 Sidewalks:

- Upon request of CITY, UMG will provide labor for replacement (material to be charged to the R&M Limit).
- Use blower or street tenant daily in downtown area or as directed by work order to clean sidewalks.

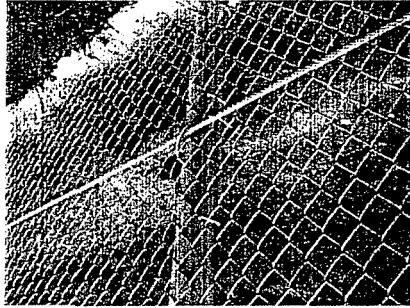
C.3 Signs:

- As directed by City work order, purchase, install or replace traffic control signs
- Purchase, install or replace directional and street (name) signs. Electric traffic control signs are the responsibility of the State.

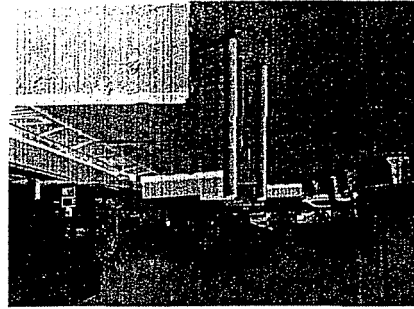
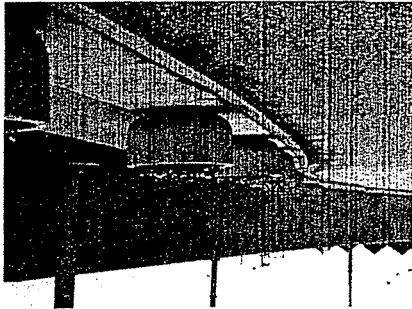
STRICTLY CONFIDENTIAL
THIS MAY NOT BE DUPLICATED OR FURTHER DISTRIBUTED
UNAUTHORIZED DISTRIBUTION IS A VIOLATION OF FEDERAL LAW

34

An alternative to concrete barriers is the use of vehicle arrestor cable. This cable is anchored to a reinforced concrete filled trench. The pictured cable is designed to stop a semi-tractor trailer.



Within this report we have recommended the installation of vehicle barriers. The objective of these barriers is to prevent the damage or destruction of key system assets using the force of a collision or from an improvised explosive device. Ideally these barriers are arranged as part of an integrated system of physical security components. The planters serve as the first line of defense in front of the blast wall. The concrete barriers shown below are arranged in a serpentine to ensure vehicles approaching the gate do not gain speed and momentum.



Barrier Technologies

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National Director of Security Initiatives
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EMERGENCY PLAN



This Is A Restricted Document
For Use By Authorized Personnel Only

Prepared by



Security Group
1220 Waterway Boulevard
P.O. Box 1220
Indianapolis, Indiana 46202
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The plan is composed of three parts, part one being the background, situations and assumptions, and explanations of how the document should be used. Part two is strategic checklists, which set forth action steps, which must be taken to resolve the problem by the functional groups. These checklists are designed to interface with the municipal emergency plans of the communities served by the utility and to employ incident command methodology. The third part of the plan is a resource directory consisting of telephone and emergency contact information for employees and key vendors, contractors, and suppliers – tools to manage the emergency.

PLAN COMPONENTS

This plan assumes that there are four basic functional groups within the utility. These groups are comprised of multiple operating departments with similar functions. The groups are production, comprised of pumping and purification, distribution, comprised of customer service and distribution; engineering, comprised of inside and outside engineering; and administration, comprised of remaining administrative and support departments.

Among the goals of this plan is to increase awareness among departments and employees of the threats that the utility can face and the resources available to respond to those threats.

This plan will consider responses to events which threaten raw water impounding and transporting structures, events which cause systemic interruptions, events which compromise plant operation, events which threaten water purity, and events which compromise the business operation.

This plan assumes that line supervisors will use available resources from all departments within and without the utility to respond to the emergency. As this is a strategic document, it will provide checklists of tasks that must be performed, but will leave decisions as to specific methodology used in performing those tasks to the incident commander or supervisor responsible for the emergency.

This plan will consider responses to events which threaten raw water impounding and transporting structures, events which cause systemic interruptions, events which compromise plant operation, events which threaten water purity, and events which compromise the business operation.

This plan is a strategic document designed to facilitate mitigation of identified risks, rapid identification of emergencies, prompt restoration of interrupted services, and return to normalcy as quickly as possible.

This plan assumes that line supervisors will use available resources from all departments within and without the utility to respond to the emergency. As this is a strategic document, it will provide checklists of tasks that must be performed, but will leave decisions as to specific methodology used in performing those tasks to the incident commander or supervisor responsible for the emergency.

HOW TO USE THIS DOCUMENT

The staff and leadership of this utility are committed to producing safe and reliable supplies of water and dependable wastewater services for the customers they serve. An integral part of this commitment is preparation for foreseen and unforeseen emergencies.

The over-riding objective is to prevent harm, preserve uninterrupted service, minimize damage and to maintain or return to normalcy.

Emergencies are inherently stressful. They are often associated with damage, and may also include the potential for, if not actual, injury or death. Emergencies produce predictable consequences, many of which can be prepared for in advance.

Fortunately, emergencies do not occur very often. This produces two problems, lack of proficiency managing them, and lack of familiarity with emergency procedures.

ABOUT EMERGENCIES

COMMUNICATIONS

There are a variety of media that can be used for communication. These include electronic mail, various radio devices, facsimile, and face-to-face communications. This plan assumes that some of these systems may not function properly, or at full capacity, if at all. It is imperative that personnel confirm both the receipt and understanding of critical communications. This is particularly important for electronic mail and voicemail systems. It is also important for one-way (outbound) paging.

This plan consciously avoids the use of acronyms as they can add dimensions of confusion, particularly to assisting organizations that may not be familiar with the meaning of the acronym, or may associate a different meaning with the acronym.

EMERGENCY ACTION STEPS

Specific strategic action items are set forth in checklist form, however the checklists generally will conform to the following action steps:

1. Recognize problem exists
2. Call for help
3. Identify specifics of problem
4. Take protective actions (including personal protective measures and evacuation)
5. Assess situation
6. Evaluate action options
7. Secure assets
8. Initiate best course of action
9. Notify concerned parties (including employees, executives, public, and regulators)
10. Initiate investigation
11. Restore normal operations

THIS IS A CONSEQUENCE MANAGEMENT PLAN

This is an emergency response plan, which is designed to effectively address the consequences of various emergencies—regardless of cause. Though it contains elements of notifications and security, those functions are covered thoroughly in separate documents maintained by those responsible for those functions.

EMERGENCY DEFINED

Though the utility considers any customer outage to be an emergency requiring immediate action, an emergency for the purposes of this plan will be defined as a circumstance, incident, or event whether natural or man-caused, which interferes with a critical operation or infrastructure that may impact the ability to serve a customer or customers.

MAJOR EMERGENCIES

A major emergency is one that affects a major portion of the system and renders it inoperative thereby interrupting service for an extended period of time, or which renders a critical utility facility inoperative for an extended period of time.

• **TECHNOLOGICAL:** Hazardous Materials Release, Loss of Utilities, Computer or Control Failure.

• **MAN-CAUSED:** Bombing/Terrorism, Civil Disturbance, Political Demonstration, Transportation accident, Sniping, Fire, etc.

• **NATURAL:** Tornadoes, Storms, Strong Winds, Lightning, Earthquakes, Extreme Temperature.

The source of a major emergency can be from four primary hazard types:

HAZARDS GENERALLY

Does this incident have the potential to escalate?

How long will it take to restore normal operation?

Is there an impact on the environment?

Is water quality affected?

How many customers are affected?

How much damage is there?

Is anyone injured?

EVALUATION MATRIX FOR EMERGENCIES

A minor emergency is one that affects a small portion of the system for a short period of time.

MINOR EMERGENCIES

- Major institutions include:
- Hospitals, nursing homes, health care facilities key government facilities.
 - Key utility structures and facilities.
 - Major industrial and commercial customers.

A moderate emergency is one that affects a moderate portion of the system and renders it inoperative for a short period of time, which interrupts service to a major institution, which interferes with traffic flow on a major street or highway, or which renders a critical utility facility inoperative for a short period of time.

MODERATE EMERGENCIES

- Critical facilities include:
- Raw water or wastewater impounding and transportation structures.
 - Treatment and pumping facilities.
 - Feeder and major transmission mains.

• **NATIONAL SECURITY:** Terrorism, Jeopardy of Continuity of Government (any level), Paramilitary Action, Enemy Attack, etc.

Any incident involving a primary hazard may cause a cascade of secondary hazards, which may intensify and expand the original incident and complicate response / recovery activities.

EMERGENCY ALERTING AND WARNING

Alerting of customers will to the extent possible be via electronic media.

Alerting of employees will be via digital paging, radio, and internal public address systems.

PLAN ACTIVATION

The statement used and issued to indicate that incident has occurred, or is threatening will be: "Activate the Emergency Plan" with additional information or instructions as may be appropriate.

Personnel will take the following actions:

- Remain calm.
- Report to station and wait for further instructions.
- Do not use your radio or telephone except for emergency or essential messages.
- Observe and report any unusual activity.
- Insure personal safety and act to calm/direct customers or visitors who may be frightened.

RESOURCE COORDINATION

Resource Coordination from all Departments, the City, and contractors, is the goal of this plan.

DOCUMENTATION

Emergencies typically involve investigations by various regulators, insurers, and may also include law enforcement. Thorough documentation, using written, photographic, video, audio, and other recording technologies is critical to both successful emergency management and to successful litigation, which usually follows years after the emergency. Equally important is the completeness of routine operating reports, logs, and records which should, to the extent possible, be completed contemporaneous to the management of the emergency.

THE INCIDENT COMMAND SYSTEM

The Incident Command System, or ICS, is a model organizational plan, which allows the organization to efficiently and effectively manage an incident. The ICS facilitates the command, control, and coordination of the resources and activities of the department as well as allowing for the integration of the resources of other various agencies and organizations if necessary.

The ICS is a nationally recognized and widely used system, which functions as the foundation for an effective, all-risk emergency planning and response system. Federal law requires the use of the ICS for response to HAZMAT incidents. The ICS utilizes a standardized modular command structure to accomplish the protection of life, incident stabilization, and protection of property, while also being conscious of any environmental concerns encountered while responding to an incident. The ICS also utilizes common terminology, integrated communications, unified command structure, consolidated action plans, manageable span of control, designated facilities, and comprehensive resource management.

The modular command structure used in ICS can expand or shrink depending on the magnitude or complexity of an incident. The ICS organizational structure includes five functional areas. The first of these areas is *COMMAND*, which is comprised of the Incident Commander and may also include Safety, Liaison, Legal Advisor, Incident Recorder, and Information officers. The remaining four components of the ICS organizational structure are the Operations Section, Planning Section, Logistics Section, and Finance/Administration Section. These five major components are the foundation upon which the ICS organization develops. In small-scale incidents, the Incident Commander may manage each of these components. Large-scale incidents usually require that each component, or *section*, be set up separately. Each of these *sections* may be further divided up into *branches*, which may be divided into *groups* and then *units* if necessary. This process will be described later in detail, and may become necessary to maintain a manageable *span of control*. It is also necessary to instill *unity of command*, with each person in the organization reporting to a single supervisor to ensure accountability and proper allocation of resources.

All incidents regardless of size or complexity will have an Incident Commander. Initially, the Incident Commander will be the primary officer responding to an incident. This may change as an incident grows in complexity or size, and Incident Command is transferred to a supervisor via established, formal transfer of command procedures, preferably in person. The Incident Commander will base his actions on three priorities. These priorities are Life Safety, Incident Stability, and Property Conservation.

Incident Command expanded to its fullest extent in multi-jurisdictional and multi-agency incidents allows all agencies with geographical, legal, and functional responsibility to maintain their individual responsibility, authority, and accountability.

The Incident Command System shall be utilized at all critical and major incidents requiring the use of resources, both utility and non-utility, in an organized manner to resolve an incident

INCIDENT COMMAND DEFINITIONS

Incident Command System: ICS, an organizational plan, which allows the department to efficiently and effectively manage an incident.

Critical Incident: Emergency situation of short duration (0-8 hours) in a localized area partially affecting the delivery of police services; i.e. hostage situation, barricaded subject, explosive device found, etc.

Major Incident: Emergency situation of an extended duration and/or requiring the partial to full mobilization of Department resources; i.e. large chemical spill, tornado with multiple touchdowns, major riot, city-wide emergency declared, etc.

Incident Commander: The person in overall control of an incident site. The incident commander leads the Incident Command System. The Incident Commander is responsible for overall incident management.

Section: One of the major components of the Incident Command System. (Command, Operations, Logistics, Finance, Planning.)

Branch: A subgroup of one of the major sections of the Incident Command System.

Officer in Charge: OIC, the person designated by the Incident Commander as being in charge of a section or branch within the incident command system (e.g. Operations Officer In Charge)

Incident Action Plan: IAP, the strategic goals, tactical objectives, and support requirements for an incident. May be oral or written on small incidents, must be written in larger scale incidents.

Emergency Operations Plan: EOP, a document describing planned actions which will take place in the event of an incident at pre-determined critical sites within a geographical area or in the event of an incident of a predetermined type within our jurisdiction. The plan outlines specific actions, key personnel and positions, equipment, supply, and resource needs in the event of an incident at these critical sites (e.g. departmental buildings, chemical companies, utility companies, hospitals, etc.) or of the critical nature

Area Commander: The individual officer responsible for oversight of resources and operations at the policy level in the event of multiple incidents occurring simultaneously within a specific geographic area with multiple Incident Commanders.

Incident Command Post: The location at which the primary command functions of an incident are executed.

Emergency Operations Center: EOC, the off-site, pre-designated facility utilized by the Department to coordinate a response and support to an emergency or Special Event. In the event of an incident involving multiple agencies or jurisdictions, representatives from each agency or organization involved may staff this facility.

7. **Designated Incident Facilities:** Specific locations announced as the Command Post, staging areas, and the Emergency Operations Center (EOC) if activated.

6. **Manageable span-of-control:** The number of subordinates that a supervisor can manage effectively. The normal range is from three to seven people (optimally 5) reporting to one supervisor.

5. **Consolidated Action Plans:** Oral or written plans of strategic goals, tactical objectives, and support activities needed to resolve the incident.

4. **Unified Command Structure:** Unified Command is a procedure used at incidents which allows all agencies with geographical, legal, or functional responsibility to establish a common set of incident objectives and strategies, and a single Incident Action Plan. Unified Command procedures assure that organizations and agencies do not lose their individual responsibility, authority, or accountability.

3. **Integrated Communications:** A system using a common communications plan, clear text, common frequencies, and common terminology.

2. **Modular Organization:** This provides for the foundation for developing the line of organizational structure starting with Incident Commander and the command function. During the first phases of the emergency, the Incident Commander is responsible for all functional command areas of an incident. The Incident Commander then delegates duties as the situation develops. This is called "top-down" development. The Incident Command Structure can expand or shrink as the incident escalates or deescalates. The situation should dictate the organizational structure, the organizational structure should not dictate the response to the incident.

1. **Common Terminology:** The incident is titled (ex. College Ave. Incident) to prevent confusion with other incidents. Use common names and terms, plain English.

EIGHT PRINCIPLES OF INCIDENT COMMAND SYSTEM:

Preservation of Life is always paramount.

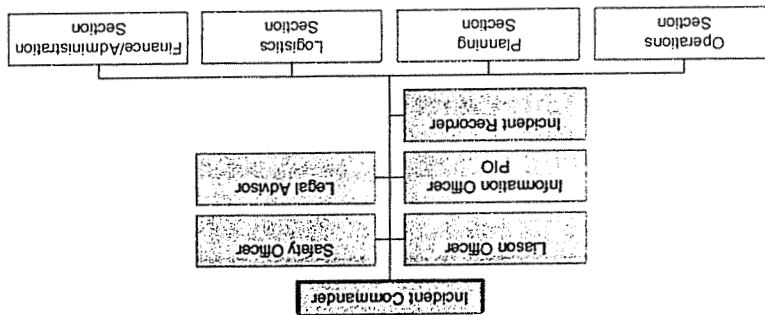
- a. Preservation of Life
- b. Incident Stabilization
- c. Protection of Property

The Incident Command System functions on 3 priorities:

The Incident Command System shall be implemented at the earliest stage of an incident when the primary employee recognizes that the incident would benefit by the organizational management of the Incident Command System. The primary employee on the scene, or an on-scene supervisor if available, may institute this system.

8. **Comprehensive Resource Management:** Organizing, controlling, and maximizing the use of multiple resources. The above-mentioned eight principles are accomplished by the five major functional Sections of the Incident Command System.

1. Command:



The Command Section is responsible for overall command of the Incident. The Command Section is comprised of the Incident Commander and may include the positions of Safety Officer, Liaison Officer, Information Officer, and Legal Advisor. This section may also include a designated Incident Recorder. Command is located at the Command Post.

The Incident Commander shall:

- Formally advise participants of the establishment of Incident Command
- Title the incident
- Give the incident command post location
- Establish inner and outer perimeters
- Give a brief description of the incident
- Request any additional necessary resources or notifications which need to be made
- Give the location of a staging area if necessary

The Safety Officer shall:

- Function as the "right-hand man" of the incident commander
- Monitor and assess the situation to ensure the safety of all personnel
- Ensure officer safety considerations in operational planning

The Liaison Officer shall:

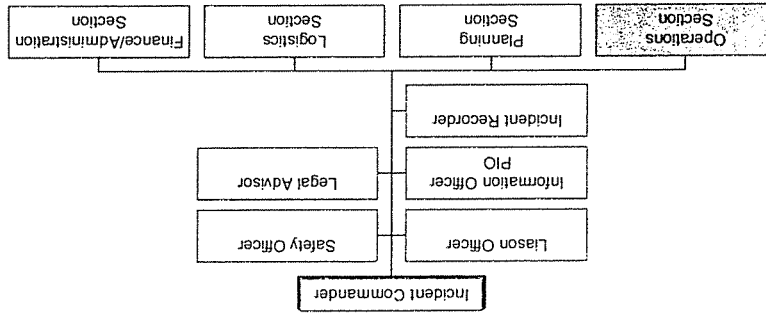
- Act as a point of contact for assisting/coordinating agencies

Information Officer (PIO) shall:

- Interface with the media and other appropriate agencies
- Provide a central point to disseminate information and reduce the risk of transmitting conflicting information
- Coordinate with IC to determine what information to release

- The Legal Advisor shall:
 - Ensure activities and plans developed and implemented by the incident command staff meet legal guidelines and follow utility policy
 - Provide legal interpretations and guidance in operational and investigative actions
 - Assist in preparation of necessary legal forms and reports as requested
- The Incident Recorder shall:
 - Document the incident, action plan, and actions taken during an incident for future reference and review.
- The entire Incident Command Staff is responsible for:
 - Assessing the incident priorities and "sizing up" the incident
 - Determining the strategic goal of the operation
 - Determining the tactical objectives to be achieved to reach the strategic goal of the incident
 - Developing an Incident Plan, whether a simple oral plan by the Incident Commander on a simple incident or a formal written plan developed by the entire command staff on a complex incident
 - Developing and establishing the appropriate organizational structure, delegating authority and duties to ensure an appropriate span of control
 - Managing incident resources, both personnel and equipment and supplies
 - Coordinating overall emergency activities
 - Ensuring Officer safety
 - Coordinating outside agencies
 - Authorizing release of information to the media

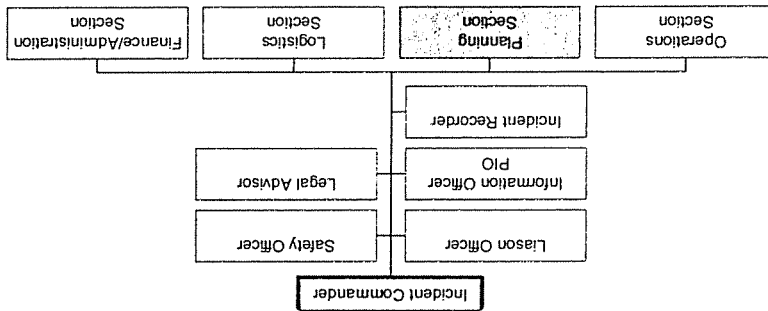
2. Operations:



- The Legal Advisor shall:
 - Ensure activities and plans developed and implemented by the incident command staff meet legal guidelines and follow utility policy
 - Provide legal interpretations and guidance in operational and investigative actions
 - Assist in preparation of necessary legal forms and reports as requested
- The Incident Recorder shall:
 - Document the incident, action plan, and actions taken during an incident for future reference and review.
- The entire Incident Command Staff is responsible for:
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 - Coordinating outside agencies
 - Authorizing release of information to the media

incident. This ensures the accountability for each individual employee throughout the course of an incident.

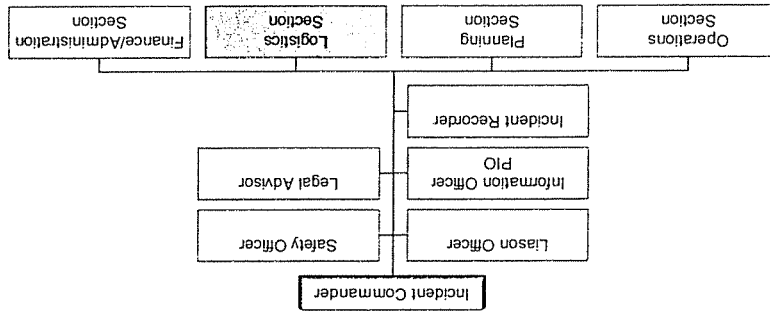
3. Planning:



The Planning Section is responsible for:

- Collection, evaluation, dissemination, and use of information about incident development
- Tracking the status of resources

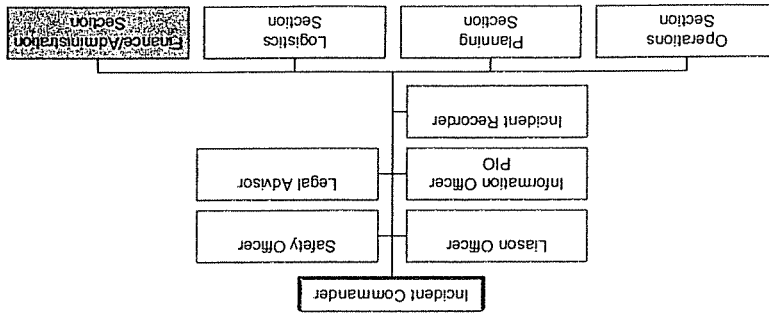
4. Logistics:



The Logistics Section is responsible for:

- Ordering the personnel, equipment, and resources required for incident control and response personnel support. If necessary, this section may be divided into a service branch and support branch.

5. Finance:



In the event of incidents occurring at multiple sites throughout the jurisdiction or a lengthy and complex incident occurring within the city, the establishment and staffing of the Emergency Operations Center may become necessary. The EOC may function in support of multiple incidents or a complex incident, ensuring resources and personnel are available and properly deployed to efficiently respond to the incident or incidents. The EOC will function on the policy level. The EOC may also be activated proactively in response to an alert status to monitor events and prepare for deployment of departmental resources swiftly and efficiently in the event of an incident. The EOC may also be activated to monitor and coordinate resources and responses to a special event within the jurisdiction.

- The person assuming Command shall:
 - Review the current Incident Action Plan
 - Formally advise those involved in the incident of the transfer of command
 - Assume responsibilities of the Incident Commander
- The transfer of command shall occur in person and on scene if at all possible.
- The current Incident Commander shall relay to the incoming Incident Commander:
 - Type of incident
 - Current Incident Action Plan
 - Resources deployed and available
 - Incident objectives met or currently being achieved
 - Incident overview

During the course of an incident, it may also become necessary to transfer command, whether transferring command to a higher-ranking employee or due to other circumstances. This process shall follow the below structured process. (The mere arrival of a higher-ranking employee on scene does not transfer command.)

The transfer of command shall occur in person and on scene if at all possible.

The current Incident Commander shall relay to the incoming Incident Commander:

- Type of incident
- Current Incident Action Plan
- Resources deployed and available
- Incident objectives met or currently being achieved
- Incident overview

Even though the functions of each section are important components to the overall structure of the ICS, they do not all have to be staffed. In small incidents, two or even three sections may be integrated and managed by one additional person or solely by the Incident Commander. Additional sections should be activated when the Incident Commander's effective span of control becomes unmanageable. The modular design of the Incident Command System also allows for the shrinkage of the command structure as an incident deescalates, allowing for officers not needed to return to service and the responsibilities of those positions returning to the Incident Commander.

Tracking all financial considerations for the incident mainly over-time, supplies requisitioned and used, and overall costs associated with an incident.

• The Finance Section is responsible for:
Tracking all financial considerations for the incident mainly over-time, supplies requisitioned and used, and overall costs associated with an incident.

HAZARD ANALYSIS

The geographic size and complexity of the system makes it vulnerable to a number of different hazards. Many events that would not ordinarily be of concern can have exponential impacts on either the system or on customers. The following are considered to be the most serious threats to the system.

1. Severe Weather - *Significant Threat*
 - Flooding
 - Temperature extremes
 - Tornado
 - Straight-line winds
 - Lightning
 - Hail
2. Fire - *Moderate Threat*
 - Vehicle fire(s)
 - Gasoline
 - Building fire in plant or facility.
3. Hazardous Materials Release - *Moderate Threat*
4. Electrical Service interruption - *Moderate Threat*
5. Civil Disturbance - *Moderate Threat*
 - Much of the system is above ground, particularly hydrants, which can be easily vandalized or damaged during such disturbances. Though treatment facilities are locked, there are few physical barriers to entry.
6. Political/Religious/Protest - *Moderate Threat*
 - There have been several pipe bombings at various utilities across the country. Intelligence suggests that these incidents may be linked to fundamentalist religious groups, one of which is known to be present in the area.
7. Terrorist Acts - *Moderate Threat*
 - Water and related systems have been targeted by various groups with acts designed to attract attention or cause disruption or injury. All personnel should be alert for unusual parcels, packages, or containers, or persons exhibiting unusual behavior and should report it to supervisors immediately.
8. Data and Information Systems Unauthorized Entry - *Moderate Threat*
 - Data and information systems are critical to utility operations. The security of gateways, and related computer network architecture, and telephone and voice mail switch gear is vital to the business operation of the utility.
9. Threat of System Contamination - *Significant Threat*
 - Though this is actually a slight threat, media dissemination of such a threat will cause significant panic and unrest in the community. Threats of this type have been used to retaliate against companies, manipulate stock prices, and to threaten communities.
10. Actual System Contamination - *Moderate Threat*
 - Though contamination is difficult it is not impossible. Similarly back-flow has proven difficult for utilities to manage.



11. Labor Unrest - *Moderate Threat*
- The utility enjoys a good relationship with the labor organizations in the area, however insider threats and labor unrest are always a potential problem.



EMERGENCY PLAN



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Prepared by



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020401



Homeland Security Advisory System

HIGH

High Risk of Terrorist Attacks

ELEVATED

Significant Risk of Terrorist Attacks

www.homelandsecurity.gov

ACTIONS AT VARIOUS ALERT LEVELS

HIGH

- Brief Employees
- Lock & Barricade gates
- Establish Communication with City Emergency Operation Center
- Establish Communication with other Utilities

ELEVATED

- Increase Surveillance of Facilities
- Badge employees
- Increase Sampling of Supply and Distribution System

SECURITY GUIDELINES AT CONDITION (ORANGE/THREAT)

PHYSICAL SECURITY:

- Enhance security at all facilities
- Lock all gates and doors
- Require all visitors to sign in and to be escorted
- Restrict visitor access
- Inspect packages and parcels brought into sensitive facilities
- Log off all computers when not in active use
- Keep control room doors locked
- Require solitary employees to check in at regular intervals
- Instruct employees to report suspicious or unusual activity immediately
- Report any unusual odors, powders, or aerosols
- Notify law enforcement when appropriate
- Brief employees about telephone threats and provide information gathering checklists for threats
- Inspect all vital facilities at shift changes
- Inspect other facilities regularly but randomly
- Use existing alarms and security features
- Do not grant access to any unknown person or persons
- Do not engage in "routines"
- Inspect air intakes and immediately report tampering
- Increase sampling and testing of raw and finished supplies to include major government facilities, hospitals, assembly occupancies, etc.

MAIL AND DELIVERIES:

- Restrict deliveries to known shippers and vendors
- Inspect all mail and deliveries in a mailroom prior to delivery
- Bag any suspicious delivery or mail and notify appropriate personnel

VEHICLES:

- Lock all unattended vehicles and equipment
- Keep doors locked while driving
- Do not pick up riders or hitchhikers

IDENTIFICATION:

- Require all personnel to wear identification or uniform
- Require all personnel to immediately report lost or stolen identification
- Require visitors to wear identification and maintain visitor log



TRAVEL:

- Evaluate international travel on a case-by-case basis
- Evaluate domestic travel based on current threat situation, mode, and criticality of mission
- Consider use of changeable/refundable tickets for air
- Copy others on all itineraries and check in regularly
- Do not advertise travel to outsiders

LEAVE AND ABSENCE:

- Rotate employees and stagger shifts to allow coverage for those with dependants
- Facilitate working from home where possible

EMPLOYEE SUPPORT AND COMMUNICATION:

- Provide regular information updates and guidance
- Offer stress management support and guidance
- Support employee emergency preparedness

For more information contact:

Peter S. Beerling, JD

National Director of Security Initiatives

USFilter Operating Services

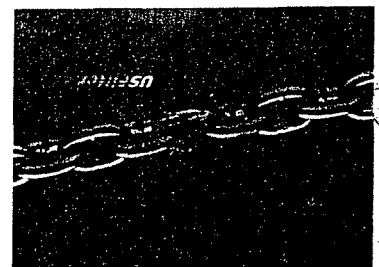
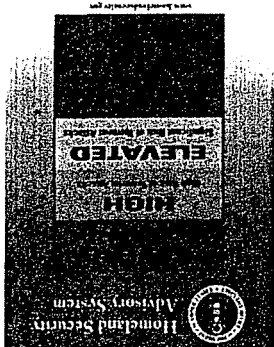
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E-mail: peter.beerling@usfilter.com

**SECURITY GUIDELINES AT CONDITION
RED (SEVERE)**



PHYSICAL SECURITY:

- Place security vehicles at entrances
- Place guards at sensitive entrances
- Barricade gates, entrances, and building perimeters with concrete barriers, dump trucks, or equipment as appropriate.
- Lock all gates and doors at all times
- Require all visitors to sign in and to be escorted
- Restrict visitor access
- Inspect packages and parcels brought into sensitive facilities
- Log off all computers when not in active use
- Keep control room doors locked
- Require solitary employees to check in at regular intervals
- Instruct employees to report suspicious or unusual activity immediately
- Report any unusual odors, powders, or aerosols
- Notify law enforcement when appropriate
- Brief employees about telephone threats and provide information gathering checklists for threats
- Inspect all vital facilities at shift changes
- Inspect dams, impounding structures, and key systemic components daily
- Inspect other facilities regularly but randomly
- Use existing alarms and security features
- Do not grant access to any unknown person or persons
- Do not engage in "routines"
- Inspect air intakes and immediately report tampering
- Increase sampling and testing of raw and finished supplies to include major government facilities, hospitals, assembly occupancies, etc.
- Consider increasing disinfection residual
- Appeal to public to monitor system

MAIL AND DELIVERIES:

- Restrict deliveries to known shippers and vendors
- Inspect all mail and deliveries in a mailroom prior to delivery
- Bag any suspicious delivery or mail and notify appropriate personnel

VEHICLES:

- Lock all unattended vehicles and equipment
- Keep doors locked while driving
- Do not pick up riders or hitchhikers

- IDENTIFICATION:**
- Require all personnel to wear identification (in those facilities that have a program)
 - Require all personnel to immediately report lost or stolen identification
 - Require visitors to wear identification

- TRAVEL:**
- Evaluate international travel on a case-by-case basis
 - Evaluate domestic travel based on current threat situation, mode, and criticality of mission
 - Consider use of changeable/refundable tickets for air
 - Copy others on all itineraries and check in regularly
 - Do not advertise travel to outsiders

- LEAVE AND ABSENCE:**
- Rotate employees and stagger shifts to allow coverage for those with dependants
 - Facilitate working from home where possible

- EMPLOYEE SUPPORT AND COMMUNICATION:**
- Provide regular information updates and guidance
 - Offer stress management support and guidance
 - Support employee emergency preparedness

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 E-mail: peter.beerling@usfilter.com

What is the nature of the threat?

- Bomb
- Chemical
- Biological
- Other

Who or What is the target?
 People Office System Facilities

What is going to happen?

When is this going to happen?

Where is the device?

What does the device look like?

What will cause it to activate?

Did you place the device?

Why?

What is your address?

What is your name?

Write down exactly what the caller said:

Information about the caller: (Check the box that most closely describes the caller)

- Sex: Male Female
 Race: White African American Southern Russian Eastern Oriental Middle Eastern Indian Pakistani Other

Approximate age of caller _____
 Length of call _____
 Number at which call was received: _____
 Number call came from (if known) _____
 Call received by: _____
 Time and date: _____

Caller's voice:

- Calm Nasal Soft Stutter Angry Loud
- Excited Lisp Laughter Slow Rasp Crying
- Rapid Deep Normal Distinct Sturred Whisper
- Ragged Clearing Throat Deep Breathing Cracking Voice Disguised Accent
- Familiar (who did it sound like?)

Background Sounds:

- Street Noises Machinery Traffic Animal Noises Music
- Clear Static PA system
- Local Long distance Cellular
- Motors Office machines Other sounds

SEE ALSO: NOTIFICATIONS

THREAT OF CONTAMINATION	
Customer Service/Distribution	Administrative
<ul style="list-style-type: none"> <input type="checkbox"/> Call Center to reassure/instruct customers as needed <input type="checkbox"/> <input type="checkbox"/> Field staff to assist with system inspection(s) 	<ul style="list-style-type: none"> <input type="checkbox"/> Alert media as necessary <input type="checkbox"/> Assist in damage estimates <input type="checkbox"/> Support or initiate investigation <input type="checkbox"/> Serve as liaison with regulators, municipalities, etc.
<ul style="list-style-type: none"> <input type="checkbox"/> Inspect impounding and conveyance structures <input type="checkbox"/> Secure raw water sources and plants <input type="checkbox"/> Document source and nature of threat <input type="checkbox"/> Notify supervisor, Director, others per protocol <input type="checkbox"/> Notify law enforcement <input type="checkbox"/> Increase system sampling (particularly government buildings, hospitals, and other high risk targets) <input type="checkbox"/> Develop action plan if contamination detected <input type="checkbox"/> Perform lab analyses to determine whether contamination has occurred. <input type="checkbox"/> Determine whether threat is credible <input type="checkbox"/> Coordinate activities with other departments <input type="checkbox"/> Initiate internal investigation <input type="checkbox"/> Support investigations by law enforcement 	<ul style="list-style-type: none"> <input type="checkbox"/> Review design and specifications of involved facility <input type="checkbox"/> Develop action plan if contamination detected <input type="checkbox"/> Determine whether threat is credible <input type="checkbox"/> Coordinate activities with other departments <input type="checkbox"/> Support investigations by law enforcement
Engineering	Administrative

GENERAL EMERGENCY GUIDELINES (Use this if there is no specific checklist)

Customer Service/Distribution

Operations

- Call Center to reassure/instruct customers as needed
- Field staff to assist with system inspection, operation, stabilization, decontamination, or repair

Customer Service Call Center Text:

"We have experienced a problem with the water treatment process. There is no need to take action, but please restrict water and toilet use to essential uses until further notice. Stay tuned to local media for more information."

Assessment Matrix

1. Anyone injured?
2. How much damage?
3. How many customers affected?
4. Is water quality affected?
5. Is there an impact on the environment?
6. How long will it take to restore operation?
7. Does this have the potential to escalate?

- Recognize Emergency
- Evaluate Severity of Situation
- Call For Help
- Determine whether personal protection is needed (When in doubt protect yourself)
- Determine whether protective actions (for others) are needed
- Stabilize or secure plant or involved systems if possible
- Evacuate facilities if appropriate
- Make notifications as appropriate
- Internal
- Municipal
- Media
- Regulatory

- Respond to situation (Stay ahead of the incident)
- Ask for more help and more resources than you think you need
- Evaluate the effectiveness of the response

- Determine extent of system affected
- Assess damage to key structures and facilities
- Coordinate activities with other departments
- Initiate internal investigation and document actions
- Support investigations by law enforcement
- Clean up, Initiate recovery operations
- Restore Normal Operations

Engineering

- Review design and specifications of involved facility
- Develop action plan
- Assist with system management
- Coordinate activities with other departments
- Support investigations by law enforcement

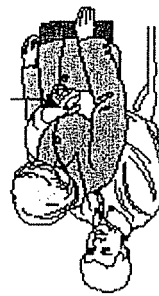
Administrative

- Alert media as necessary
- Determine whether boil order is necessary
- Assist in damage estimates
- Support or initiate investigation
- Serve as liaison with regulators, municipalities, etc.
- Ensure requisite notifications have been timely made

SEE ALSO: NOTIFICATIONS

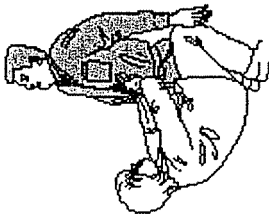
MEDICAL EMERGENCY

Choking Person/Heimlich Maneuver



If the person is sitting or standing, stand behind him or her. Form a fist with one hand and place your fist, thumb side in, just below the person's rib cage in the front. Grab your fist with your other hand. Keeping your arms off the person's rib cage, give four quick inward and upward thrusts. You may have to repeat this several times until the obstructing object is coughed out.

If the person is lying down or unconscious, straddle him or her and place the heel of your hand just above the waistline. Place your other hand on top of this hand. Keeping your elbows straight, give four quick upward thrusts. You may have to repeat this procedure several times until the obstructing object is coughed out.



CALL FOR HELP IMMEDIATELY

MEDICAL EMERGENCY

CPR Cardio Pulmonary Resuscitation

1. Lay the person on a hard, flat surface. Look into the mouth and throat to ensure that the airway is clear. If an object is present, try to sweep it out with your fingers. Use disposable surgical gloves if they are available. If vomiting occurs, turn the person on his or her side and sweep out the mouth with two fingers. Do not place fingers in the mouth if there is rigidity or if the person is having a seizure.



2. Tilt the head back slightly to open the airway. Put upward pressure on the jaw to pull it forward.



3. Look for the person's chest to rise and fall. Listen for the sounds of breathing. Feel for the person's breath on your cheek.



4. If the person is at all responsive (if he or she is moaning, breathing, blinking, or moving any part of the body), his or her heart is beating; do not perform steps 6 or 7.



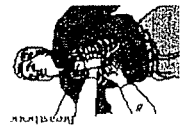
If the person is not breathing, perform mouth-to-mouth resuscitation, even if the heart is beating. If the person is breathing, cover with a blanket or clothing as for shock.

If the person is not responsive, feel for a pulse on the carotid artery. The artery is in the groove of the neck to the side of the Adam's apple. If you do not feel a pulse, go to step 5 immediately.

5. If the person is not breathing, pinch the nostrils closed with your thumb and index finger. Place your mouth tightly over the person's mouth (use a mouthpiece if one is available). Blow two quick breaths and watch for the person's chest to rise. Release the nostrils.



6. If the heart is not beating, kneel at the person's right side. With the fingers of your right hand, find the bottom of the breastbone (in the center where the ribs meet). Place your index and middle fingers side by side, just above the bottom of the breastbone. Place the heel of your left hand just above your fingers, on the breastbone. Move your right hand and place it on top of the left, and interlock the fingers of the two hands.



7. With your elbows straight, push down briskly (about 2 inches) with the heel of your hand 15 times over about 10 seconds. Let the chest rise after each compression.



CPR for an adult includes 15 chest compressions and two breaths. You may have to repeat the 15 chest compressions and two breaths multiple times. Push down on the chest 80 to 100 times per minute. Continue until breathing begins or help arrives. Count out loud: "1 and 2 and 3 and 4 and 5," until you reach 15. Release your hands. Repeat step 5 and watch for the person's chest to fall. Feel for air being exhaled. Repeat, starting at step 5.

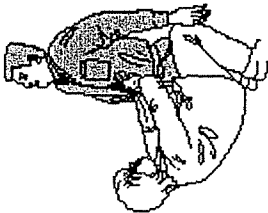
CALL FOR HELP IMMEDIATELY

MEDICAL EMERGENCY

Choking Person/Heimlich Maneuver



If the person is sitting or standing, stand behind him or her. Form a fist with one hand and place your fist, thumb side in, just below the person's rib cage in the front. Grab your fist with your other hand. Keeping your arms off the person's rib cage, give four quick inward and upward thrusts. You may have to repeat this several times until the obstructing object is coughed out.



If the person is lying down or unconscious, straddle him or her and place the heel of your hand just above the waistline. Place your other hand on top of this hand. Keeping your elbows straight, give four quick upward thrusts. You may have to repeat this procedure several times until the obstructing object is coughed out.

CALL FOR HELP IMMEDIATELY

MEDICAL EMERGENCY

CPR Cardio Pulmonary Resuscitation

1. Lay the person on a hard, flat surface. Look into the mouth and throat to ensure that the airway is clear. If an object is present, try to sweep it out with your fingers. Use disposable surgical gloves if they are available. If vomiting occurs, turn the person on his or her side and sweep out the mouth with two fingers. Do not place fingers in the mouth if there is rigidity or if the person is having a seizure.



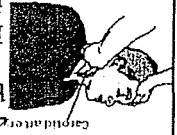
2. Tilt the head back slightly to open the airway. Put upward pressure on the jaw to pull it forward.



3. Look for the person's chest to rise and fall. Listen for the sounds of breathing. Feel for the person's breath on your cheek.



4. If the person is at all responsive (if he or she is moaning, breathing, blinking, or moving any part of the body), his or her heart is beating; do not perform steps 6 or 7.



If the person is not breathing, perform mouth-to-mouth resuscitation, even if the heart is beating. If the person is breathing, cover with a blanket or clothing as for shock.

If the person is not responsive, feel for a pulse on the carotid artery. The artery is in the groove of the neck to the side of the Adam's apple. If you do not feel a pulse, go to step 5 immediately.

5. If the person is not breathing, pinch the nostrils closed with your thumb and index finger. Place your mouth tightly over the person's mouth (use a mouthpiece if one is available). Blow two quick breaths and watch for the person's chest to rise. Release the nostrils.



6. If the heart is not beating, kneel at the person's right side. With the fingers of your right hand, find the bottom of the breastbone (in the center where the ribs meet). Place your index and middle fingers side by side, just above the bottom of the breastbone. Place the heel of your left hand just above your fingers, on the breastbone. Move your right hand and place it on top of the left, and interlock the fingers of the two hands.



7. With your elbows straight, push down briskly (about 2 inches) with the heel of your hand 15 times over about 10 seconds. Let the chest rise after each compression.



CPR for an adult includes 15 chest compressions and two breaths. You may have to repeat the 15 chest compressions and two breaths multiple times. Push down on the chest 80 to 100 times per minute. Continue until breathing begins or help arrives. Count out loud: "1 and 2 and 3 and 4 and 5," until you reach 15. Release your hands. Repeat step 5 and watch for the person's chest to fall. Feel for air being exhaled. Repeat, starting at step 5.

CALL FOR HELP IMMEDIATELY

Mouth to Mouth Resuscitation

Mouth-to-Mouth Resuscitation



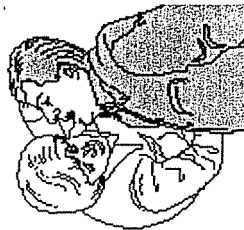
1. Make sure the person is lying on a hard, flat surface.

Look into the mouth and throat to ensure that the airway is clear. If an object is present, try to sweep it out with your fingers (wear disposable surgical gloves if they are available). Apply the Heimlich maneuver (see p. 1205) if unsuccessful and the object is blocking the airway. If vomiting occurs, turn the person on his or her side and sweep out the mouth with two fingers. Do not place your finger in the mouth if the person is rigid or is having a seizure.

2. Tilt the head back slightly to open the airway. Put upward pressure on the jaw to pull it forward.



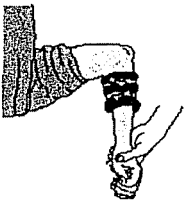
3. Pinch the nostrils closed with thumb and index finger. Place your mouth tightly over the person's mouth. Use a mouthpiece if one is available. Blow two quick breaths and watch for the person's chest to rise.



4. Release the nostrils. Look for sounds of breathing. Listen for the person's breath on your cheek. If the person does not start breathing on his or her own, repeat the procedure.

Bleeding

Direct Pressure for Bleeding



1. Elevate the wound above the heart and apply firm pressure with a clean compress (such as a clean, heavy gauze pad, washcloth, T-shirt, or sock) directly on the wound. Call out for someone to get help, or call 911 yourself. Do not remove a pad that is soaked through with blood; you will disturb any blood clots that have started to form to help stop the bleeding. If blood soaks through, place another pad on top of the soaked one and continue applying direct pressure.

2. When the bleeding slows or stops, tie the pad firmly in place with gauze strips, a necktie, strips of sheet, or a shoelace. Do not tie so tightly that blood flow to the rest of the limb is cut off. Stay with the person and keep the wound elevated until medical help arrives.



MEDICAL EMERGENCY

Emergency Childbirth

- Childbirth is a natural process. Your role is to assist the woman and offer encouragement. If a woman's contractions are very strong and 2 to 3 minutes apart or the water bag (amniotic sac) has broken, birth is very near. If the woman tells you that the birth will happen very soon, believe her.

- You will see quite a bit of blood, which is normal. You may see bloody fluid coming from the vagina before and during the birth; this is also normal.

- Call 911 or have someone else call. Put down a large plastic sheet or plastic shower curtain and place sheets and towels or newspapers on top of the plastic to absorb fluids. Help the woman lie down with her legs apart and her back supported by a pillow. Wash your hands. Use disposable surgical gloves if you have them.

- During the birth, the woman may wish to lean forward and grab her knees, or she may want to squat or lie on her side. Let her decide which position is most comfortable. When the baby's head is visible in the vaginal opening, the birth is about to occur. Do not try to hurry the birth by pulling on the baby's head. Let the woman push the baby out. Usually, as the baby is born, the face will appear straight down or straight up.

- As soon as the head is outside the vagina, put two fingers along the top side of the head and feel around the neck area for a loop of the umbilical cord. It will be about the thickness of your little finger. If you can feel it, hook the loop of cord with your two fingers and slide it gently over the baby's head.

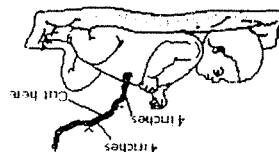
- The baby's head should then turn toward one side and the shoulders should come out. Assist the birth by supporting the baby's head and shoulders, but remember not to pull. Be careful — the baby will be slippery. If there is a membrane covering the baby's mouth and nose, gently wipe it off with a clean cloth. Do not remove the whitish coating on the body.

- Gather (or have someone gather)
 - Towels, plastic sheet, and newspapers
 - Soft blanket for the baby
 - Gloves (ideally disposable surgical gloves), if available
 - Thick string, clean shoelace, or sterile tape to tie off umbilical cord
 - Plastic bag for placenta
 - Note time of birth

After delivery, hold the baby with his or her head slightly lower than the feet to drain fluid from the nose and throat. Do not hold the baby upside down or slap him or her. Gently dry off the baby and wrap him or her in a dry towel or blanket. The baby should start breathing and his or her color should improve as oxygen is breathed in. If the baby does not start breathing, place the baby on his or her back and gently rub the chest or tap the bottoms of the feet. If the baby still does not begin breathing, start mouth-to-mouth-and-nose resuscitation.



The umbilical cord will pulsate during the birth and afterward, indicating that the baby is still receiving blood from the mother. Do not cut the cord until it stops pulsating. After it has stopped pulsating, tie off the cord tightly with heavy string, a clean shoelace, or sterile tape about 4 inches from the baby; tie it again 2 to 4 inches from the first string. Cut between the two ties. Wrap the baby in a soft blanket and place him or her on the mother's stomach.



If the Warning Sirens Sound Seek Shelter Immediately!

1. Whenever the National Weather Service Issues a Tornado Warning;
 2. Whenever a public safety officer reports a tornado;
 3. Whenever the National Weather Service issues a Severe Thunderstorm Warning while the county is under a Tornado Watch;
 4. Upon direction by Emergency Management.
- The County warning siren system will be activated:

WARNING SIRENS

Severe weather can impact the entire business operation of the utility. It can cause system interruptions, it can interfere with system controls and monitoring, and it can impact the ability of employees to perform job functions or even get to utility facilities or the General Office. Severe Thunderstorms can produce damaging hail, strong winds, dangerous lightning, and can spawn tornadoes.

SEE ALSO: NOTIFICATIONS

<ul style="list-style-type: none"> <input type="checkbox"/> Shelter in basement or interior space away from windows <input type="checkbox"/> Review design and specifications of involved facilities <input type="checkbox"/> Examine/Evaluate damage <input type="checkbox"/> Evaluate possible solutions <input type="checkbox"/> Recommend immediate and long term actions <input type="checkbox"/> Monitor repair or construction <input type="checkbox"/> Prepare long term remediation plan 	<ul style="list-style-type: none"> <input type="checkbox"/> Shelter in basement or interior space away from windows if possible <input type="checkbox"/> Provide warning via pages/intercom if possible <input type="checkbox"/> Shelter in basement or interior space away from windows <input type="checkbox"/> Alert media as necessary <input type="checkbox"/> Assist in damage estimates <input type="checkbox"/> Serve as liaison with regulators, municipalities, etc. <input type="checkbox"/> Account for all employees (Supervisors/Department heads/HR) <input type="checkbox"/> Advise public of actions they must take <input type="checkbox"/> Support claims management process
<p style="text-align: center;">Engineering</p> <ul style="list-style-type: none"> <input type="checkbox"/> Shelter in basement or interior space away from windows <input type="checkbox"/> Assess situation <input type="checkbox"/> Adjust system to isolate damage <input type="checkbox"/> Determine impact on critical structures <input type="checkbox"/> Evacuate buildings if necessary <input type="checkbox"/> Coordinate activities with Engineering and Distribution <input type="checkbox"/> Notify supervisor, Director, others per protocol <input type="checkbox"/> Mobilize employees/contractors as needed <input type="checkbox"/> Contact hazardous materials team or environmental contractors as needed. 	<p style="text-align: center;">Administrative</p> <p style="text-align: center;">TORNADO WARNING</p> <p>"A TORNADO WARNING has been issued by the National Weather Service until _____ pm.</p> <p>"Please proceed to an interior hallway or the basement, away from windows." (Employees should direct visitors to shelter)</p> <p>"While in a shelter area, sit with your knees to your chest with your face into your knees and place your hands over your head.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Shelter in basement or interior space away from windows <input type="checkbox"/> Evacuate call center employees and any personnel in temporary or mobile-home type structures <input type="checkbox"/> Support evacuation/mitigation efforts with crews/equipment <input type="checkbox"/> Reassure/instruct customers as needed <input type="checkbox"/> Mobilize employees/contractors as needed <input type="checkbox"/> Assist with valve operation as needed <input type="checkbox"/> Assist other utilities if possible <input type="checkbox"/> Mobilize crews in task forces with other utilities if necessary
<p>TORNADO</p> <p style="text-align: right;">Customer Service/Distribution</p>	

SEE ALSO: NOTIFICATIONS

POWER FAILURE (SUSTAINED) Customer Service/Distribution	
<ul style="list-style-type: none"> <input type="checkbox"/> Recognize failure <input type="checkbox"/> Assess situation <input type="checkbox"/> Start fuel powered equipment <input type="checkbox"/> Determine length of outage if possible <input type="checkbox"/> Monitor chemical processes <input type="checkbox"/> Restrict chemical processes as appropriate <input type="checkbox"/> Check weather/wind data regularly <input type="checkbox"/> Notify Central Control System (CCS) of any plant shutdown <input type="checkbox"/> Notify supervisor, Director, others per protocol <input type="checkbox"/> Monitor fuel levels in engine driven equipment/generators <input type="checkbox"/> Check all valves, levels of chemical <input type="checkbox"/> Return plant/facility/site to service 	<ul style="list-style-type: none"> <input type="checkbox"/> Shelter in basement or interior space away from windows <input type="checkbox"/> Support recovery efforts with crews/equipment <input type="checkbox"/> Reassure/instruct customers as needed <input type="checkbox"/> Mobilize employees/contractors as needed <input type="checkbox"/> Assist with valve operation as needed
Engineering	Administrative
<ul style="list-style-type: none"> <input type="checkbox"/> Review design and specifications of involved facilities <input type="checkbox"/> Examine/Evaluate damage <input type="checkbox"/> Evaluate possible solutions <input type="checkbox"/> Recommend immediate and long term actions <input type="checkbox"/> Monitor repair or construction <input type="checkbox"/> Prepare long term remediation plan 	<ul style="list-style-type: none"> <input type="checkbox"/> Alert media as necessary <input type="checkbox"/> Issue boil water or use restriction orders as needed <input type="checkbox"/> Assist in damage estimates <input type="checkbox"/> Serve as liaison with regulators, municipalities, etc. <input type="checkbox"/> Advise public of actions they must take <input type="checkbox"/> Support claims management process

SEE ALSO: NOTIFICATIONS

FIRE	
Customer Service/Distribution	Engineering
<ul style="list-style-type: none"> <input type="checkbox"/> Support evacuation/mitigation efforts with crews/equipment <input type="checkbox"/> Reassure/instruct customers as needed <input type="checkbox"/> Mobilize employees/contractors as needed <input type="checkbox"/> Assist with valve operation as needed 	<ul style="list-style-type: none"> <input type="checkbox"/> Determine where fire is and notify 911 <input type="checkbox"/> Assess situation <input type="checkbox"/> Put Central Control Systems into default modes <input type="checkbox"/> Notify plants (if possible) <input type="checkbox"/> Evacuate building if necessary <input type="checkbox"/> Assist in moving equipment and materials to allow fire suppression <input type="checkbox"/> Coordinate activities with Engineering and Distribution <input type="checkbox"/> Notify supervisor, Director, others per protocol <input type="checkbox"/> Initiate internal investigation <input type="checkbox"/> Support investigations by law enforcement <input type="checkbox"/> Contact hazardous materials team or environmental contractors as needed.
Administrative	<ul style="list-style-type: none"> <input type="checkbox"/> Review design and specifications of involved facilities <input type="checkbox"/> Examine/Evaluate damage <input type="checkbox"/> Evaluate possible solutions <input type="checkbox"/> Recommend immediate and long term actions <input type="checkbox"/> Monitor repair or construction <input type="checkbox"/> Prepare long term remediation plan
<ul style="list-style-type: none"> <input type="checkbox"/> Alert media as necessary <input type="checkbox"/> Assist in damage estimates <input type="checkbox"/> Support or initiate investigation <input type="checkbox"/> Serve as liaison with regulators, municipalities, etc. <input type="checkbox"/> Account for all employees (Supervisors/Department heads/HR) <input type="checkbox"/> Advise public of actions they must take <input type="checkbox"/> Support or initiate investigation <input type="checkbox"/> Support claims management process 	

SEE ALSO: NOTIFICATIONS, FIRE, HAZARDOUS MATERIALS RELEASE

EXPLOSION	
Operations	Customer Service/Distribution
<ul style="list-style-type: none"> <input type="checkbox"/> Determine where explosion has occurred and what has exploded (if possible) <input type="checkbox"/> Notify Fire Department (via 911) <input type="checkbox"/> Evacuate plant as necessary <input type="checkbox"/> Determine extent of system affected <input type="checkbox"/> Assess damage to key structures and facilities <input type="checkbox"/> Stabilize plant or involved systems if possible <input type="checkbox"/> Determine whether plant should be closed <input type="checkbox"/> Notify supervisor, Director, others per protocol <input type="checkbox"/> Be aware that this may be a crime scene and there may be secondary devices <input type="checkbox"/> Conduct inspection for suspicious or unusual packages or parcels <input type="checkbox"/> Identify monitoring options (Stream/reservoir sampling, monitoring wells, etc.) <input type="checkbox"/> Notify health and regulatory agencies if appropriate <input type="checkbox"/> Determine what is necessary to restart plant <input type="checkbox"/> Coordinate activities with other departments <input type="checkbox"/> Initiate internal investigation <input type="checkbox"/> Support investigations by law enforcement 	<ul style="list-style-type: none"> <input type="checkbox"/> Call Center to reassure/instruct customers as needed <input type="checkbox"/> Field staff to assist with system inspection, operation, stabilization and or decontamination <input type="checkbox"/> Field staff to assist with system inspection(s) <p>Customer Service Call Center Text: "We have experienced a problem with the water treatment process. There is no need to take action, but please restrict water and toilet use to essential uses until further notice. Stay tuned to local media for more information."</p>
Engineering	Administrative
<ul style="list-style-type: none"> <input type="checkbox"/> Review design and specifications of involved facility <input type="checkbox"/> Develop action plan if contamination detected <input type="checkbox"/> Determine time of travel <input type="checkbox"/> Assist with system management <input type="checkbox"/> Coordinate activities with other departments <input type="checkbox"/> Support investigations by law enforcement 	<ul style="list-style-type: none"> <input type="checkbox"/> Alert media as necessary <input type="checkbox"/> Determine whether boil order is necessary <input type="checkbox"/> Assist in damage estimates <input type="checkbox"/> Support or initiate investigation <input type="checkbox"/> Serve as liaison with regulators, municipalities, etc. <input type="checkbox"/> Ensure requisite notifications have been timely made

SEE ALSO: NOTIFICATIONS

PURIFICATION CHEMICAL RELEASE	
Customer Service/Distribution	Engineering
<ul style="list-style-type: none"> <input type="checkbox"/> Call Center to reassure/instruct customers as needed <input type="checkbox"/> Field staff to assist with system operation, stabilization and or decontamination Common Sense, But Worth Mentioning <input type="checkbox"/> Establish Hot/Warm/Cold Zones <input type="checkbox"/> Secure the scene <input type="checkbox"/> No unprotected or untrained persons in Hot or Warm Zones <input type="checkbox"/> Gather Information <input type="checkbox"/> Estimate Course and harm <input type="checkbox"/> Determine Strategic Goals <input type="checkbox"/> Assess Tactical Options and Resources <input type="checkbox"/> Plan and Implement Actions <input type="checkbox"/> Evaluate Effectiveness of Actions <input type="checkbox"/> Review Progress 	<ul style="list-style-type: none"> <input type="checkbox"/> Recognize release (via alarms, leak detectors, sensors, operator observation, public report, etc.) <input type="checkbox"/> Identify product and determine toxicity (Material Safety Data Sheet and Dept. of Transportation guidance) <input type="checkbox"/> Don personal protective equipment <input type="checkbox"/> Call for help <input type="checkbox"/> Issue warning if appropriate <input type="checkbox"/> Alert Central Control of problem (particularly for plant shutdown) <input type="checkbox"/> Secure release if possible without personal danger <input type="checkbox"/> Determine how much has escaped and whether it is a reportable quantity. <input type="checkbox"/> Notify supervisor, Director, others per protocol <input type="checkbox"/> Notify health and regulatory agencies if appropriate <input type="checkbox"/> Regularly reassess situation <input type="checkbox"/> Determine what must be done to clean, sterilize, flush, or otherwise de-contaminate involved structures and facilities <input type="checkbox"/> Coordinate activities with other departments <input type="checkbox"/> Document all actions taken <input type="checkbox"/> Initiate internal investigation when safe to do so <input type="checkbox"/> Support investigations by others <input type="checkbox"/> Once situation resolved, ensure valves and controls are re-started properly <input type="checkbox"/> Return plant or process to normal operation
<ul style="list-style-type: none"> <input type="checkbox"/> Alert media as necessary <input type="checkbox"/> Determine whether boil order or use restrictions are necessary <input type="checkbox"/> Assist in damage estimates <input type="checkbox"/> Support or initiate investigation <input type="checkbox"/> Serve as liaison with regulators, municipalities, etc. <input type="checkbox"/> Ensure requisite notifications have been timely made 	<ul style="list-style-type: none"> <input type="checkbox"/> Review design and specifications of involved facility <input type="checkbox"/> Develop action plan if contamination detected <input type="checkbox"/> Determine whether threat is credible <input type="checkbox"/> Coordinate activities with other departments <input type="checkbox"/> Support investigations by law enforcement

Regulatory Reference: 40 CFR Parts 302 and 372

Hazardous Chemical Name (selected partial list)	Extremely Hazardous Substances	Reportable Quantity (RQ) - for spill reporting (calls followed by written report)	CAS Number
Chlorine (compressed liquid/gas)	NO	10 lbs.	7782-50-5
Sulfur Dioxide (gas)	NO	500 lbs.	7446-09-5
Ammonia anhydrous (gas)	NO	100 lbs.	7664-41-7
Propane (liquid/gas) - unlabeled default	NO	100 lbs.	74-98-6
Aluminum Sulfate (alum)	NO	5,000 lbs. (about 926 gallons)	10043-01-3
Sodium Hypochlorite (12.5%; bleach)	NO	100 lbs. (about 100 gallons)	7681-52-9
Sodium Hydroxide (25%; caustic)	NO	5,000 lbs. (1,880 gallons)	1310-73-2
Fluorosilicic Acid (25%; fluoride)	NO	100 lbs. (about 39 gallons)	16961-83-4
Potassium Permanganate	NO	100 lbs.	7722-64-7
Ammonia (19% solution)	NO	100 lbs. (about 68 gallons)	7664-41-7
Diesel Fuel - unlabeled default	NO	100 lbs. (about 15 gallons)	64741-44-2
Sodium Bisulfite (38%)	NO	5,000 lbs. (1,176 gallons)	7631-90-5
Polymer	NO	(none listed)	
Powdered Activated Carbon	NO	(none listed)	
Gasoline - default	NO	100 lbs. (about 15 gallons)	8006-61-9

Reportable Quantities by Weight (Excluding Water)

<p>EPA National Response Center (800) 424-8802</p> <p>Kentucky Division of Water (800) 928-2380 (502) 564-3410</p> <p>Floyd County Health Department (606) 886-2788</p> <p>Floyd County Disaster & Emergency Services (606) 886-0498 (606) 886-9193 (Judge Executive Office)</p> <p>Kentucky State Police (606) 433-7791 Emergency 911</p> <p>Floyd County Sheriff (606) 886-6171</p> <p>Left Beaver Fire Department (606) 377-6773</p>	<p>EPA considers immediate reporting of a reportable spill to be within 15 minutes from the time an employee has knowledge of a spill that needs to be reported. There is no penalty for reporting before exact quantities are calculated if it should be determined later that it was under the required reporting limit. WHEN IN DOUBT REPORT!</p> <p>When possible, have someone familiar with spill reporting or near the spill with first-hand information make the notifications. Even if a call is made for outside help (911), regulatory notifications must still be made.</p> <p>A release or spill that is contained within company property and does not contact the outside environment does not usually require spill notification. A liquid overflow that is contained on an impervious surface such as a concrete floor may not require reporting if no threat to human health or the environment results from the spill. Additional safety considerations may apply. Even if there is no outside assistance of hazardous materials emergency response (Fire Department) there may be reporting requirements.</p> <p>A written incident report to the Local Emergency Planning Committee (LEPC) is required within 5 to 7 days. A copy to the state, national, and EPA may be required. Initial reporting involves notification of national, state, and local officials.</p>
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Reporting Guidelines

SEE ALSO: NOTIFICATIONS

EARTHQUAKE/SEISMIC	
Customer Service/Distribution	
<ul style="list-style-type: none"> <input type="checkbox"/> Support evacuation/mitigation efforts with crews/equipment <input type="checkbox"/> Reassure/instruct customers as needed <input type="checkbox"/> Mobilize employees/contractors as needed <input type="checkbox"/> Assist with valve operation as needed <input type="checkbox"/> Assist other utilities if possible <input type="checkbox"/> Mobilize crews in task forces with other utilities if necessary 	<ul style="list-style-type: none"> <input type="checkbox"/> Assess situation <input type="checkbox"/> Adjust system to isolate damage <input type="checkbox"/> Determine impact on critical structures <input type="checkbox"/> Evacuate buildings if necessary <input type="checkbox"/> Coordinate activities with Engineering and Distribution <input type="checkbox"/> Notify supervisor, Director, others per protocol <input type="checkbox"/> Mobilize employees/contractors as needed <input type="checkbox"/> Contact hazardous materials team or environmental contractors as needed.
Administrative	Engineering
<ul style="list-style-type: none"> <input type="checkbox"/> Alert media as necessary <input type="checkbox"/> Assist in damage estimates <input type="checkbox"/> Support or initiate investigation <input type="checkbox"/> Serve as liaison with regulators, municipalities, etc. <input type="checkbox"/> Account for all employees (Supervisors/Department heads/HR) <input type="checkbox"/> Advise public of actions they must take 	<ul style="list-style-type: none"> <input type="checkbox"/> Review design and specifications of involved facilities <input type="checkbox"/> Examine/Evaluate damage <input type="checkbox"/> Evaluate possible solutions <input type="checkbox"/> Recommend immediate and long term actions <input type="checkbox"/> Monitor repair or construction <input type="checkbox"/> Prepare long term remediation plan

SEE ALSO: NOTIFICATIONS, BOIL ORDER

LOSS OF PRIMARY SOURCE OF SUPPLY (RAW WATER)	
Customer Service/Distribution	Engineering
<p> <input type="checkbox"/> Call Center to reassure/instruct customers as needed <input type="checkbox"/> Field staff to assist with system operation, stabilization and or decontamination <input type="checkbox"/> Field staff to assist with system repair </p> <p>Customer Service Call Center Text:</p> <p> "We have suffered damage to a part of the water system which has created a need to restrict water use. Please use only the water you need for drinking, bathing, and necessary functions. Lawn watering, car washing, and other non-essential water uses should be curtailed until _____. Stay tuned to local media for more information and additional instructions." </p>	<p> <input type="checkbox"/> What is affected? <input type="checkbox"/> Surface water impounding <input type="checkbox"/> Surface water conveyance <input type="checkbox"/> Well </p> <p> <input type="checkbox"/> Identify source, nature, and extent of damage <input type="checkbox"/> Estimate capacity loss (short and long term) <input type="checkbox"/> Determine current and near-term weather <input type="checkbox"/> Assess system demand and alternate supplies <input type="checkbox"/> Notify supervisor, Director, others per protocol <input type="checkbox"/> Notify health and regulatory agencies if appropriate <input type="checkbox"/> Determine what additional treatment steps are necessary (if any) <input type="checkbox"/> Initiate repairs, replacement, or system adjustment to overcome damage <input type="checkbox"/> Coordinate activities with other departments <input type="checkbox"/> Initiate internal investigation <input type="checkbox"/> Support investigations by law enforcement <input type="checkbox"/> Advise on efficacy of boil water orders </p>
Administrative	Engineering
<p> <input type="checkbox"/> Alert media as necessary <input type="checkbox"/> Determine whether boil order is necessary <input type="checkbox"/> Assist in damage estimates <input type="checkbox"/> Support or initiate investigation <input type="checkbox"/> Serve as liaison with regulators, municipalities, etc. <input type="checkbox"/> Ensure requisite notifications have been timely made </p>	<p> <input type="checkbox"/> Review design and specifications of involved facility <input type="checkbox"/> Assess damage <input type="checkbox"/> Develop repair options, time estimates, cost estimates <input type="checkbox"/> Assess alternative sources and means to employ them <input type="checkbox"/> Assist with emergency permits, contractor selection <input type="checkbox"/> Assist with system management <input type="checkbox"/> Coordinate activities with other departments <input type="checkbox"/> Support investigations by law enforcement if appropriate </p>

SEE ALSO: NOTIFICATIONS, BOIL ORDER

CONFIRMED OR SUSPECTED CONTAMINATION	
Customer Service/Distribution	Engineering
<p>Customer Service Call Center Text:</p> <p>"There is a remote possibility that something has contaminated a part of the water system. You should boil your water for a period of 2 minutes prior to consuming it until _____. Stay tuned to local media for more information and additional instructions."</p> <p>□ Call Center to reassure/instruct customers as needed □ Field staff to assist with system operation, stabilization and or decontamination □ Field staff to assist with system inspection(s)</p>	<p>□ What is affected? □ Surface water □ Well water □ Finished water</p> <p>□ Identify source, nature, and extent of contamination □ Estimate amount □ Determine proximity to intakes or wells □ Determine current and near-term weather □ Determine time of travel to well(s), intake(s) □ Determine whether intake or well should be closed □ Assess system demand and alternate supplies □ Notify supervisor, Director, others per protocol</p> <p>□ Determine whether treatment process can remove contaminant □ Determine health risks of contaminant, by-products, and break-down products □ Identify monitoring options (Stream/reservoir sampling, monitoring wells, etc.)</p> <p>□ Notify health and regulatory agencies if appropriate □ Increase system sampling (particularly government buildings, hospitals, and other high risk targets) □ Determine what steps are necessary to stop influx of contaminant □ Perform lab analyses to identify contaminant □ Determine what additional treatment steps are necessary (if any)</p> <p>□ Determine what must be done to clean, sterilize, flush, or otherwise de-contaminate involved structures and facilities □ Coordinate activities with other departments □ Initiate internal investigation □ Support investigations by law enforcement □ Advise on efficacy of boil water orders</p>
Administrative	Engineering
<p>□ Alert media as necessary □ Determine whether boil order is necessary □ Assist in damage estimates □ Support or initiate investigation □ Serve as liaison with regulators, municipalities, etc. □ Ensure requisite notifications have been timely made</p>	<p>□ Review design and specifications of involved facility □ Develop action plan if contamination detected □ Determine time of travel □ Assist with system management □ Coordinate activities with other departments □ Support investigations by law enforcement</p>

SEE ALSO: NOTIFICATIONS, BOIL ORDER

DAM BREAK	
Customer Service/Distribution	Engineering
<p>Customer Service Call Center Text:</p> <p>"We have suffered damage to a part of the water system which has created a need to restrict water use. Please use only the water you need for drinking, bathing, and other non-essential functions. Lawn watering, car washing, and other non-essential water uses should be curtailed until _____. Stay tuned to local media for more information and additional instructions."</p> <p><input type="checkbox"/> Call Center to reassure/instruct customers as needed <input type="checkbox"/> Field staff to assist with system operation, stabilization and or decontamination <input type="checkbox"/> Field staff to assist with system repair</p>	<p><input type="checkbox"/> What is affected? <input type="checkbox"/> Dam itself <input type="checkbox"/> Spillway <input type="checkbox"/> Berm or dike</p> <p><input type="checkbox"/> Identify source, nature, and extent of damage <input type="checkbox"/> Determine flooding risk based on size of failure <input type="checkbox"/> Issue immediate warnings <input type="checkbox"/> Estimate capacity loss (short and long term) <input type="checkbox"/> Determine current and near-term weather <input type="checkbox"/> Assess system demand and alternate supplies <input type="checkbox"/> Notify supervisor, Director, others per protocol <input type="checkbox"/> Notify health and regulatory agencies if appropriate</p> <p><input type="checkbox"/> Initiate repairs, replacement, or system adjustment to overcome damage <input type="checkbox"/> Coordinate activities with other departments <input type="checkbox"/> Initiate internal investigation <input type="checkbox"/> Support investigations by law enforcement <input type="checkbox"/> Advise on efficacy of boil water orders</p>
<p style="text-align: center;">Administrative</p> <p><input type="checkbox"/> Alert media as necessary <input type="checkbox"/> Determine whether boil order is necessary <input type="checkbox"/> Assist in damage estimates <input type="checkbox"/> Support or initiate investigation <input type="checkbox"/> Serve as liaison with regulators, municipalities, etc. <input type="checkbox"/> Ensure requisite notifications have been timely made</p>	<p><input type="checkbox"/> Review design and specifications of involved facility <input type="checkbox"/> Assess damage <input type="checkbox"/> Develop repair options, time estimates, cost estimates <input type="checkbox"/> Assess alternative sources and means to employ them <input type="checkbox"/> Assist with emergency permits, contractor selection <input type="checkbox"/> Assist with system management <input type="checkbox"/> Coordinate activities with other departments <input type="checkbox"/> Support investigations by law enforcement if appropriate</p>

SEE ALSO: NOTIFICATIONS, BOIL ORDER

DAM BREAK	
Customer Service/Distribution	Engineering
<p> <input type="checkbox"/> Call Center to reassure/instruct customers as needed <input type="checkbox"/> Field staff to assist with system operation, stabilization and or decontamination <input type="checkbox"/> Field staff to assist with system repair </p> <p>Customer Service Call Center Text:</p> <p> "We have suffered damage to a part of the water system which has created a need to restrict water use. Please use only the water you need for drinking, bathing, and necessary functions. Lawn watering, car washing, and other non-essential water uses should be curtailed until _____. Stay tuned to local media for more information and additional instructions." </p>	<p> <input type="checkbox"/> What is affected? <input type="checkbox"/> Dam itself <input type="checkbox"/> Spillway <input type="checkbox"/> Berm or dike </p> <p> <input type="checkbox"/> Identify source, nature, and extent of damage <input type="checkbox"/> Determine flooding risk based on size of failure <input type="checkbox"/> Issue immediate warnings <input type="checkbox"/> Estimate capacity loss (short and long term) <input type="checkbox"/> Determine current and near-term weather <input type="checkbox"/> Assess system demand and alternate supplies <input type="checkbox"/> Notify supervisor, Director, others per protocol <input type="checkbox"/> Notify health and regulatory agencies if appropriate </p> <p> <input type="checkbox"/> Initiate repairs, replacement, or system adjustment to overcome damage <input type="checkbox"/> Coordinate activities with other departments <input type="checkbox"/> Initiate internal investigation <input type="checkbox"/> Support investigations by law enforcement <input type="checkbox"/> Advise on efficacy of boil water orders </p>
Administrative	<p> <input type="checkbox"/> Review design and specifications of involved facility <input type="checkbox"/> Assess damage <input type="checkbox"/> Develop repair options, time estimates, cost estimates <input type="checkbox"/> Assess alternative sources and means to employ them <input type="checkbox"/> Assist with emergency permits, contractor selection <input type="checkbox"/> Assist with system management <input type="checkbox"/> Coordinate activities with other departments <input type="checkbox"/> Support investigations by law enforcement if appropriate </p>
<p> <input type="checkbox"/> Alert media as necessary <input type="checkbox"/> Determine whether boil order is necessary <input type="checkbox"/> Assist in damage estimates <input type="checkbox"/> Support or initiate investigation <input type="checkbox"/> Serve as liaison with regulators, municipalities, etc. <input type="checkbox"/> Ensure requisite notifications have been timely made </p>	

SEE ALSO: NOTIFICATIONS, BOIL ORDER

CONFIRMED OR SUSPECTED CONTAMINATION	
Customer Service/Distribution	Engineering
<p> <input type="checkbox"/> Call Center to reassure/instruct customers as needed <input type="checkbox"/> Field staff to assist with system operation, stabilization and or decontamination <input type="checkbox"/> Field staff to assist with system inspection(s) </p> <p> "There is a remote possibility that something has contaminated a part of the water system. You should boil your water for a period of 2 minutes prior to consuming it until _____. Stay tuned to local media for more information and additional instructions." </p> <p style="text-align: right;">Customer Service Call Center Text:</p>	<p> <input type="checkbox"/> What is affected? <input type="checkbox"/> Surface water <input type="checkbox"/> Well water <input type="checkbox"/> Finished water </p> <p> <input type="checkbox"/> Identify source, nature, and extent of contamination <input type="checkbox"/> Estimate amount <input type="checkbox"/> Determine proximity to intakes or wells <input type="checkbox"/> Determine current and near-term weather <input type="checkbox"/> Determine time of travel to well(s), intake(s) <input type="checkbox"/> Determine whether intake or well should be closed <input type="checkbox"/> Assess system demand and alternate supplies <input type="checkbox"/> Notify supervisor, Director, others per protocol </p> <p> <input type="checkbox"/> Determine whether treatment process can remove contaminant <input type="checkbox"/> Determine health risks of contaminant, by-products, and break-down products <input type="checkbox"/> Identify monitoring options (Stream/reservoir sampling, monitoring wells, etc.) </p> <p> <input type="checkbox"/> Notify health and regulatory agencies if appropriate <input type="checkbox"/> Increase system sampling (particularly government buildings, hospitals, and other high risk targets) <input type="checkbox"/> Determine what steps are necessary to stop influx of contaminant <input type="checkbox"/> Perform lab analyses to identify contaminant <input type="checkbox"/> Determine what additional treatment steps are necessary (if any) </p> <p> <input type="checkbox"/> Determine what must be done to clean, sterilize, flush, or otherwise de-contaminate involved structures and facilities <input type="checkbox"/> Coordinate activities with other departments <input type="checkbox"/> Initiate internal investigation <input type="checkbox"/> Support investigations by law enforcement <input type="checkbox"/> Advise on efficacy of boil water orders </p>
Administrative	Engineering
<p> <input type="checkbox"/> Alert media as necessary <input type="checkbox"/> Determine whether boil order is necessary <input type="checkbox"/> Assist in damage estimates <input type="checkbox"/> Support or initiate investigation <input type="checkbox"/> Serve as liaison with regulators, municipalities, etc. <input type="checkbox"/> Ensure requisite notifications have been timely made </p>	<p> <input type="checkbox"/> Review design and specifications of involved facility <input type="checkbox"/> Develop action plan if contamination detected <input type="checkbox"/> Determine time of travel <input type="checkbox"/> Assist with system management <input type="checkbox"/> Coordinate activities with other departments <input type="checkbox"/> Support investigations by law enforcement </p>

**TABLE 30-6
WATER PURIFICATION METHODS EFFECTIVE AGAINST TOXINS**

Method	Toxin (MW in d)	Effectiveness
Reverse Osmosis	Ricin (64,000)	Effective
	Microcystin (1,000)	Effective
	T-2 mycotoxin (466)	Effective
	Saxitoxin (294)	Effective
	Botulinum toxins (150,000)	Effective
	Staphylococcal Enterotoxin B (28,494)	Effective
Coagulation/Flocculation	Ricin	Not effective
	Microcystin	Not effective
	T-2 mycotoxin	Not effective
	Saxitoxin	Not effective
	Botulinum toxins	Not effective
	Staphylococcal Enterotoxin B	Not effective
Free Chlorine (household bleach) 5 mg/L (5 ppm) for 30 min	Ricin	Not effective
	Microcystin	Not effective
	T-2 mycotoxin	Not effective
	Saxitoxin	Not effective
	Botulinum toxins	Not effective
	Staphylococcal Enterotoxin B	Not effective
	Staphylococcal Enterotoxin B	Destroys the toxins

*Not tested but expected to be effective
†Not tested but not expected to be effective

Data source: Wannemacher RW Jr, Dinterman RE, Thompson WL, Schmidt MO, Burrows WD. *Treatment for Removal of Biotoxins From Drinking Water*. Fort Detrick, Frederick, Md: US Army Biomedical Research and Development Laboratory; Sept 1993. Technical Report 9120.

SEE ALSO: NOTIFICATIONS, BOIL ORDER

MAIN BREAK	
Customer Service/Distribution	Engineering
<p><input type="checkbox"/> Call Center to reassure/instruct customers as needed</p> <p><input type="checkbox"/> Field staff to assist with system operation, stabilization and or decontamination</p> <p><input type="checkbox"/> Field staff to assist with system repair</p> <p>Customer Service Call Center Text:</p> <p>"We have suffered damage to a part of the water system which has created a need to restrict water use. Please use only the water you need for drinking, bathing, and necessary functions. Lawn watering, car washing, and other non-essential water uses should be curtailed until _____.</p> <p>As a precaution, you should boil water for 2 minutes before drinking it or cooking with it. Stay tuned to local media for more information and additional instructions."</p>	<p><input type="checkbox"/> What is affected?</p> <p><input type="checkbox"/> Transmission Main <input type="checkbox"/> Feeder Main <input type="checkbox"/> Distribution Main</p> <p><input type="checkbox"/> Determine where failure has occurred and location of nearest valves</p> <p><input type="checkbox"/> Identify source, nature, and extent of damage</p> <p><input type="checkbox"/> Estimate capacity loss (short and long term)</p> <p><input type="checkbox"/> Determine number of customers affected and whether there has been a pressure loss</p> <p><input type="checkbox"/> Determine whether boil order is necessary</p> <p><input type="checkbox"/> Assess system demand and alternate supplies</p> <p><input type="checkbox"/> Notify supervisor, Director, others per protocol</p> <p><input type="checkbox"/> Notify health and regulatory agencies if appropriate</p> <p><input type="checkbox"/> Determine what additional treatment steps are necessary (if any)</p> <p><input type="checkbox"/> Isolate damaged section of main</p> <p><input type="checkbox"/> Initiate repairs, replacement, or system adjustment to overcome damage</p> <p><input type="checkbox"/> Coordinate activities with other departments</p>
Administrative	<p><input type="checkbox"/> Review design and specifications of involved facility</p> <p><input type="checkbox"/> Assess damage</p> <p><input type="checkbox"/> Develop repair options, time estimates, cost estimates</p> <p><input type="checkbox"/> Assess alternative sources and means to employ them</p> <p><input type="checkbox"/> Assist with emergency permits, contractor selection</p> <p><input type="checkbox"/> Assist with system management</p> <p><input type="checkbox"/> Coordinate activities with other departments</p> <p><input type="checkbox"/> Support investigations by law enforcement if appropriate</p>
<p><input type="checkbox"/> Alert media as necessary</p> <p><input type="checkbox"/> Determine whether boil order is necessary</p> <p><input type="checkbox"/> Assist in damage estimates</p> <p><input type="checkbox"/> Support or initiate investigation</p> <p><input type="checkbox"/> Serve as liaison with regulators, municipalities, etc.</p> <p><input type="checkbox"/> Ensure requisite notifications have been timely made</p>	

SEE ALSO: NOTIFICATIONS, BOIL ORDER

PLANT UPSET (POTABLE WATER)	Customer Service/Distribution	Engineering	Administrative
<p><input type="checkbox"/> Call Center to reassure/instruct customers as needed <input type="checkbox"/> Field staff to assist with system operation, stabilization and or decontamination <input type="checkbox"/> Field staff to assist with system inspection(s)</p>	<p><input type="checkbox"/> Identify source, nature, and extent of contamination or upset cause <input type="checkbox"/> Estimate amount <input type="checkbox"/> Determine extent of system affected <input type="checkbox"/> Stop or contain contaminant in plant <input type="checkbox"/> Prevent mixing of contaminant into distribution system or other parts of plant <input type="checkbox"/> Determine whether intake or well should be closed <input type="checkbox"/> Assess system demand and alternate supplies <input type="checkbox"/> Notify supervisor, Director, others per protocol <input type="checkbox"/> Determine whether treatment process can remove contaminant <input type="checkbox"/> Determine health risks of contaminant, by-products, and break- down products <input type="checkbox"/> Identify monitoring options (Stream/reservoir sampling, monitoring wells, etc.) <input type="checkbox"/> Notify health and regulatory agencies if appropriate <input type="checkbox"/> Increase system sampling (particularly government buildings, hospitals, and other high risk targets) <input type="checkbox"/> Determine what steps are necessary to stop influx of contaminant <input type="checkbox"/> Perform lab analyses to identify contaminant <input type="checkbox"/> Determine what additional treatment steps are necessary (if any) <input type="checkbox"/> Determine what must be done to clean, sterilize, flush, or otherwise de-contaminate involved structures and facilities <input type="checkbox"/> Consider environmental impact and need to de-chlorinate <input type="checkbox"/> Coordinate activities with other departments <input type="checkbox"/> Initiate internal investigation <input type="checkbox"/> Support investigations by law enforcement <input type="checkbox"/> Advise on efficacy of boil water orders</p>	<p><input type="checkbox"/> What is affected? <input type="checkbox"/> Intake <input type="checkbox"/> Flocculation <input type="checkbox"/> Rapid Filter <input type="checkbox"/> Disinfection <input type="checkbox"/> Chemical Feed <input type="checkbox"/> Finished Water <input type="checkbox"/> Identify source, nature, and extent of contamination or upset cause <input type="checkbox"/> Estimate amount <input type="checkbox"/> Determine extent of system affected <input type="checkbox"/> Stop or contain contaminant in plant <input type="checkbox"/> Prevent mixing of contaminant into distribution system or other parts of plant <input type="checkbox"/> Determine whether intake or well should be closed <input type="checkbox"/> Assess system demand and alternate supplies <input type="checkbox"/> Notify supervisor, Director, others per protocol <input type="checkbox"/> Determine whether treatment process can remove contaminant <input type="checkbox"/> Determine health risks of contaminant, by-products, and break- down products <input type="checkbox"/> Identify monitoring options (Stream/reservoir sampling, monitoring wells, etc.) <input type="checkbox"/> Notify health and regulatory agencies if appropriate <input type="checkbox"/> Increase system sampling (particularly government buildings, hospitals, and other high risk targets) <input type="checkbox"/> Determine what steps are necessary to stop influx of contaminant <input type="checkbox"/> Perform lab analyses to identify contaminant <input type="checkbox"/> Determine what additional treatment steps are necessary (if any) <input type="checkbox"/> Determine what must be done to clean, sterilize, flush, or otherwise de-contaminate involved structures and facilities <input type="checkbox"/> Consider environmental impact and need to de-chlorinate <input type="checkbox"/> Coordinate activities with other departments <input type="checkbox"/> Initiate internal investigation <input type="checkbox"/> Support investigations by law enforcement <input type="checkbox"/> Advise on efficacy of boil water orders</p>	<p><input type="checkbox"/> Alert media as necessary <input type="checkbox"/> Determine whether boil order is necessary <input type="checkbox"/> Assist in damage estimates <input type="checkbox"/> Support or initiate investigation <input type="checkbox"/> Serve as liaison with regulators, municipalities, etc. <input type="checkbox"/> Ensure requisite notifications have been timely made</p>

Customer Service Call Center Text:
"There is a remote possibility that something has contaminated a
part of the water system. You should boil your water for a period
of 2 minutes prior to consuming it until _____. Stay
tuned to local media for more information and additional
instructions."
Alternate:
"We have experienced a problem with the water treatment
process. There is no need to take action, but please restrict water
use to drinking and bathing until further notice. Stay tuned to
local media for more information."

SEE ALSO: NOTIFICATIONS

SYSTEM CONTROL AND DATA ACQUISITION (SCADA) FAILURE	
Customer Service/Distribution	Engineering
<p>Customer Service Call Center Text:</p> <p>"We have suffered damage to a part of the water system which has created a need to restrict water use. Please use only the water you need for drinking, bathing, and necessary functions. Lawn watering, car washing, and other non-essential water uses should be curtailed until _____. Stay tuned to local media for more information and additional instructions."</p> <p><input type="checkbox"/> Call Center to reassure/instruct customers as needed</p> <p><input type="checkbox"/> Field staff to assist with system operation, stabilization and or decontamination</p> <p><input type="checkbox"/> Field staff to assist with system repair</p>	<p><input type="checkbox"/> What is affected?</p> <p><input type="checkbox"/> What was condition of system at time of failure?</p> <p><input type="checkbox"/> Place system into manual or override mode</p> <p><input type="checkbox"/> Identify source, nature, and extent of damage</p> <p><input type="checkbox"/> Determine current and near-term weather</p> <p><input type="checkbox"/> Assess system demand and alternate supplies</p> <p><input type="checkbox"/> Notify supervisor, Director, others per protocol</p> <p><input type="checkbox"/> Initiate repairs, replacement, or system adjustment</p> <p><input type="checkbox"/> Coordinate activities with other departments</p> <p><input type="checkbox"/> Initiate internal investigation</p> <p><input type="checkbox"/> Support investigations by law enforcement</p>
Administrative	<p><input type="checkbox"/> Assist field personnel with manual system operation</p> <p><input type="checkbox"/> Assess damage (if any)</p> <p><input type="checkbox"/> Develop repair options, time estimates, cost estimates</p> <p><input type="checkbox"/> Assess alternative sources and means to employ them</p> <p><input type="checkbox"/> Assist with system management</p> <p><input type="checkbox"/> Coordinate activities with other departments</p> <p><input type="checkbox"/> Support investigations by law enforcement if appropriate</p>
<p><input type="checkbox"/> Alert media as necessary</p> <p><input type="checkbox"/> Engage necessary Information Technology Resources</p> <p><input type="checkbox"/> Assist in damage estimates</p> <p><input type="checkbox"/> Support or initiate investigation</p> <p><input type="checkbox"/> Serve as liaison with regulators, municipalities, etc.</p> <p><input type="checkbox"/> Ensure requisite notifications have been timely made</p>	

**VEOLIA WATER
SOUTHERN WATER & SEWER DISTRICT**

**BOIL WATER ADVISORIES
POLICY & PROCEDURES**

POLICY: For any line break in the distribution system or for any other disruption in the operation of the distribution system where there is a possibility of surface water or any form of contamination entering the system, a boil water advisory will be issued for that part of the system impacted by the break. The boil water advisory will remain in place until such time as the required number of samples have been taken, submitted to an independent laboratory, and clean results obtained from the lab.

PROCEDURES:

1. It is the responsibility of one of the distribution supervisors to make the decision as to whether a boil water advisory needs to be issued and what part of the system is impacted by the advisory.

2. Once that determination has been made, the supervisor will immediately contact (or have an office or plant employee contact) the Kentucky Division of Water @ 1-800-928-2380 to report the line break, boil water advisory, size of line, time of incident, number of customers affected, and estimated time for repair.

3. After contacting the Division of Water, area radio stations will be contacted in order to have a PSA aired as to the areas impacted by the Boil Water Advisory. Those stations are WMDJ (874-8005), WXLN (478-1200), and WQHY (886-8409).

3. If the boil water advisory impacts any restaurants or establishments that serve food, the Floyd County Health Department will also be contacted at 886-2788 or 358-4332.

4. If the boil water advisory impacts any schools, the Floyd County Board of Education will be contacted at 874-8902 or 424-0230.

5. Once the line break or other disruption has been repaired, service restored, and lines flushed, a field supervisor will ensure that the required number of bacteriological samples are taken (final determination as to number of samples is the responsibility of the Division of Water) and delivered to the lab.

6. Immediately upon notification from the lab that the samples are clean, the Division of Water, radio stations, and, as appropriate, the health department and board of education will be notified that the boil water advisory has been lifted.

7. It is also the responsibility of the distribution supervisor to ensure that the line break and associated information is appropriately entered into the service disruption log.

<p>• CNN can be world-wide in 12 minutes</p> <p>• Be conscious of newscast times</p> <p>□ WYMT (Hazard) (606) 478-5711</p> <p>□ WPRG (Harold) (606) 478-4200</p> <p>□ WMDJ - Martin (100.1 FM) (606) 874-8005</p> <p>□ WXLR - Harold (104.9 FM) (606) 478-1200</p> <p>□ WQHY - Prestonsburg (95.5 FM) (606) 886-8409</p>	<p>Print</p> <p>□ Floyd County Times (Bi-Weekly) (606) 886-8506</p> <p>□ Troublesome Creek Times (Weekly) (606) 785-5134</p> <p>□ Provide Warning (if appropriate)</p> <p>□ What has happened</p> <p>□ When it happened</p> <p>□ Where it happened</p> <p>□ Who is involved</p> <p>□ What is being done</p> <p>□ What people should do (protective actions, shelter in place, decontamination, boil water)</p> <p>□ What services are available and where</p> <p>□ Why it happened (if known)</p> <p>□ How it happened (if known)</p> <p>□ What investigative steps are being taken</p> <p>□ What corrective action is planned</p> <p>□ Reassure public</p>
<p>Emergency Decontamination Procedures</p> <p>1. Remove and bag contaminated clothing</p> <p>2. Shower for 15 minutes using hot water and soap</p> <p>3. Towel dry</p> <p>4. Observe for 24 hours - report any unusual symptoms</p> <p>• Be aware of deadlines</p> <p>• Reporters may not understand utility operation</p> <p>• Media will seek out any source - give them one</p> <p>• Have a single spokesperson</p>	

PUBLIC INFORMATION



March, 2002

ACCIDENT REPORTING AND NOTIFICATION

An accident or incident resulting in a work-related injury/illness has occurred.

Report to supervisor

Does the incident warrant off-site medical treatment?

Yes

No

Enter incident on Facility First Aid Log or Document on Triple I as a "near-miss"

RED = Immediate Actions
BLUE = Within 24 hours

Note:

Any work-related accident resulting in a fatality or the hospitalization of three (3) or more employees must be reported to OSHA within 8 hours. The facility manager will need to check to see if their state has more stringent reporting requirements.

Does the incident warrant off-site medical treatment?

Yes

Did employee sign a Waiver of Medical Treatment?

No

Fill out a First Visit or First Aid Authorization Form and send with employee to doctor

Submit Waiver of Medical Treatment to:

1. BC EH&S Manager
2. USFSG Worker's Compensation Manager, Steva Pickle

Does the accident involve Lost Time (days away from work)?

Yes

No

Complete and Submit Triple I Form to:

1. BC EH&S Manager
2. Area and/or District Manager
3. USFSG Worker's Compensation Manager, Steva Pickle

Call:

1. Next Management Level
2. BC EH&S Manager (In turn, notifies USFOS EH&S Director and Corporate HSE)
3. USFSG Worker's Compensation Manager
4. USFOS Legal
5. USFOS Marketing & Communications
6. USF Hotline 877-USF-HSEC (if USFOS BC EH&S Manager or USFOS EH&S Director cannot be reached)

If RECORDABLE, must be entered on OSHA 300 Log within 7 calendar days of discovery. Number of restricted duty days for open cases should be updated every two (2) weeks when preparing payroll. (Use Triple I Database)

If the incident investigation continues beyond the 24 hour time limit for submitting the Triple I form, the Triple I form shall be updated to reflect the complete investigation and resubmitted within in one (1) week of the incident date.

Did the accident result in:

1. Loss of Life, or
2. Hospitalization, or
3. Injuries to 2 or more people?

Yes

No

Call:

1. Your State Worker's Compensation Program or MCO
2. WorkCare 1-800-455-6155-ext. 109 Marsha Locke (if the case has potential for Restricted Duty or Days Away From Work)

Complete and Submit Triple I Form to:

1. BC EH&S Manager
2. USFSG Worker's Compensation Manager, Steva Pickle
3. Area and/or District Manager
4. BC VP & GM

Does your State administer its own Worker's Compensation system? ND, OH, WA, WY, and WV.

Yes

No

Call (Must make personal contact – no voice or e-mail messages):

1. BC EH&S Manager or
2. USFSG Worker's Compensation Manager, Steva Pickle 405-277-6443.

Must be entered on OSHA 300 Log within 7 calendar days of discovery. Number of days away from work for open cases should be updated every two (2) weeks when preparing payroll. (Use Triple I Database)

If the incident investigation continues beyond the 24 hour time limit for submitting the Triple I form, the Triple I form shall be updated to reflect the complete investigation and resubmitted within in one (1) week of the incident date.

Call Travelers Insurance Company for First Report of Injury 1-800-832-7839 (Required Information can be found on Triple I form).

Call (Must make personal contact – no voice or e-mail messages):

1. BC EH&S Manager or
2. USFSG Worker's Compensation Manager, Steva Pickle 405-277-6443.

Continue



ENVIRONMENTAL INCIDENT INTERNAL REPORTING

EXHIBIT 4

Note:
Ensure that proper Regulatory Agency Contacts are maintained in addition to these Corporate Requirements. Permits typically specify these procedures. In the case of a spill to the environment, local agencies may need to be contacted. Consult your facility Emergency Response and Contingency Plans.

An Environmental Incident occurred:

1. at a facility/structure operated and/or maintained by USFilter personnel, or
2. any location involving USFilter employees "on-the-job".

Did the incident result in:

1. the release of a reportable quantity of a hazardous substance, or
2. the release of a chemical to the environment, or
3. an unscheduled/non-routine/unannounced Agency Inspection, or
4. a raw sewage overflow/unpermitted bypass, or
5. a biosolids spill, or
6. a boil water advisory, or
7. other significant environmental incident?

Did the Environmental Incident result in a permit exceedance, Notice of Violation (NOV), or Non-compliance form letter from a regulatory agency?

Complete and Submit Triple I to:

1. Area and/or District Manager.
2. Business Center (BC) EH&S Manager.

Note: In the case of recurring daily exceedances, consult your Business Center EH&S Manager for alternate reporting procedures.

Will the Environmental Incident likely result in:

1. an Administrative Order, or
2. a Consent Decree, or
3. a Findings and Orders, or
4. an Environmental Lawsuit?

Call:

1. Next Management Level (they shall, in turn, continue verbal notification to higher management levels)
2. Business Center (BC) EH&S Manager (they shall, in turn, notify the USFOS EH&S Director)
3. USFOS Legal
4. USFOS Marketing & Communications (if media attention is likely)
5. USFilter Risk Management (if there is the potential for environmental liability)
6. USF Hotline 877-USF-HSEC (if USFOS Business Center EH&S Manager or USFOS EH&S Director cannot be reached)

Complete and Submit Triple I (and supporting documentation) to:

1. Area and/or District Manager
2. BC EH&S Manager
3. BC VP & GM
4. USFOS EH&S Director
5. USFOS Legal
6. USFilter Risk Management (if involved)
7. USFilter Corporate HSE (as instructed by BC EH&S Manager)

Call:

1. Next Management Level (they shall, in turn, continue verbal notification to higher management levels)
2. Business Center (BC) EH&S Manager (they shall, in turn, notify the USFOS EH&S Director and USFilter Corporate HSE depending on incident severity)
3. USFOS Marketing & Communications (if media attention is likely)
4. USF Risk Management (if there is the potential for environmental liability)
5. USFOS Legal (if potential for litigation is possible)
6. USF Hotline 877-USF-HSEC (if USFOS Business Center EH&S Manager or USFOS EH&S Director cannot be reached)

Complete and Submit Triple I Form to:

1. Area and/or District Manager
2. BC EH&S Manager
3. USFOS EH&S Director
4. USFilter Corporate HSE (as instructed by BC EH&S Manager)
5. BC VP & GM
6. USFilter Risk Management, USFOS Legal, USFOS Marketing & Communications (if involved)

RED = Immediate Actions
BLUE = Within 24 hours

Does the incident involve loss of property or have the potential for environmental liability?

Contact appropriate insurance agent per USFilter Risk Management instructions/Marsh Claims Manual. Forward completed insurance forms to: Insurance company, USFilter Risk Management and other as requested.



The following pages indicate the appropriate individuals to contact in the event of a crisis. Should an incident occur, after initial contact has been made according to the phone matrix on the following pages, a crisis team will be mobilized with representatives from USFilter's communications, legal and human resources departments, as well as members of executive management for collective input and signoff on the strategy and communications efforts surrounding a particular situation.

CRISIS RESPONSE PROTOCOL AND CONTACT INFORMATION

CRISIS RESPONSE PROTOCOL AND CONTACT INFORMATION



FACILITY ISSUES: ACCIDENTS, ENVIRONMENTAL RELEASES, CONTAMINATION, DISASTERS

The phone matrix on the following page should be used with the following scenarios/crises:

- Environmental Discharge
- Improper Treatment and/or Handling of Wastewater
- Municipal Water Contamination
- Bottled Water/Deionization Tank Contamination
- Fleet/Vehicular Accident, including Possible Injury or Loss of Life
- Natural Disaster/Facility Emergency
- Equipment Malfunction Resulting in Human Injury and/or Death
- Equipment Malfunction Resulting in Loss of Operations

FACILITY ISSUES



FACILITY ISSUES

FACILITY ISSUES: ACCIDENTS, ENVIRONMENTAL RELEASES, CONTAMINATION, DISASTERS

In the event of a crisis or a situation involving an on-the-job accident resulting in personal injury, environmental release and/or an incident impacting general operations including drinking water or wastewater contamination, plant explosion or shutdown, equipment or product recall and/or natural disaster, immediately contact the toll free Emergency Report Line at 877-USF-HSEC and provide the operator with as much information as possible. Then, immediately contact the executives listed below ** and provide them with the same information.

EMERGENCY REPORT LINE 877-873-4732

FOR ALL INCIDENTS, CONTACT:

NAME	OFFICE PHONE	CELL/PAGER	FAX
Fred Kile, VP of EHS	815-877-3046 ext. 531	815-621-7250	253-660-3035
Jim Force, VP of Communications	715-355-3515	612-940-2682	715-355-3335
Karole Colangelo, PR Manager (If Jim Force cannot be reached)	847-706-6947	847-687-9630	847-706-6933
Brian Clarke, General Counsel/North America	630-717-2218	312-543-8222	630-717-1590

****FOLLOW THE APPROPRIATE EMERGENCY RESPONSE MATRIX FOR YOUR FACILITY OR BUSINESS**

GROUP. THE FOLLOWING CONTACTS ARE LISTED AS CORPORATE CONTACTS ONLY

For incidents concerning Systems Group, contact:

Frank Firsching, President	760-341-8158	n/a	760-341-9368
Brian Clarke, General Counsel/North America	630-717-2218	312-543-8222	630-717-1590
Debbie Newell, General Counsel/Systems	724-772-1229	724-309-2456	724-772-1420

For incidents concerning Services Group, contact:

Dan Ryan, HSE Director	937-331-9264	800-592-3621	937-331-9268
Mike Stark, President	281-985-5408	n/a	
Scott Edwards, VP Communications	281-985-5479	713-913-5213	281-985-5630
Christie Kaluza, Marketing Communications Mgr.	281-985-5481	713-299-0210 cell	281-985-5630
		877-427-8489 pager	
Brian Clarke, General Counsel/North America	630-717-2218	312-543-8222	630-717-1590
John Lucey, VP & GM, E&C	412-269-5726	n/a	412-269-5818
Ron Davis, EVP & GM OS	281-985-5535	n/a	281-985-5613
Chuck Gordon, EVP & GM, Industrial Services and Products	281-985-5452	n/a	n/a
Michael O'Brien, General Counsel, Operating Services	630-717-2236	630-258-1089	630-717-4594

For incidents concerning Culligan, contact:

Robert Laboube, HSE Culligan	847-205-5792	847-612-9781	847-205-6050
Mike Reardon, President Culligan	847-205-6125	n/a	n/a
Michael Hulme, General Counsel	847-205-6116	888-554-9710	n/a
Dave Mehrbrodt, VP Retail	847-205-5807	n/a	n/a
Dave Marsh, Director of Marketing	920-457-9435	920-698-0904	920-457-6652
James Attebery, Bottled Water, Director & Recall Coordinator	847-205-5816	n/a	847-205-6005

For incidents concerning Distribution, contact:

Harry Hornish, President	254-772-5355	n/a	254-772-5716
Kevin O'Neill, General Counsel	410-560-3069	443-742-7052	410-560-0949

For incidents concerning Surface Preparation, contact:

Tom Warren, President	303-985-8543	n/a	303-985-8386
Brian Clarke, General Counsel/North America	630-717-2218	312-543-8222	630-717-4594
Dick Churchill, HSE Director	770-502-3774 x3282	678-428-2140	770-502-3766



- Union/Labor Issues
- Employee Misconduct
- Discrimination Issues
- Workplace Violence
- Workplace Harassment
- Unethical Conduct

The phone matrix on the following page should be used with the following scenarios/crises:

WORKPLACE ISSUES: VIOLENCE, UNETHICAL CONDUCT, DISCRIMINATION, HARASSMENT

WORKPLACE ISSUES





ENVIRONMENTAL INCIDENT INTERNAL REPORTING

EXHIBIT 4

Note:
Ensure that proper Regulatory Agency Contacts are made, in addition to these Corporate Requirements. Permits typically specify these procedures. In the case of a spill to the environment, local agencies may need to be contacted. Consult your facility Emergency Response and Contingency Plans.

An environmental Incident occurred:

1. at a facility/structure operated and/or maintained by USFilter personnel, or
2. any location involving USFilter employees "on-the-job".

Yes

Did the incident result in:

1. the release of a reportable quantity of a hazardous substance, or
2. the release of a chemical to the environment, or
3. an unscheduled/non-routine/unannounced Agency Inspection, or
4. a raw sewage overflow/unpermitted bypass, or
5. a biosolids spill, or
6. a boil water advisory, or
7. other significant environmental incident?

No

Did the Environmental Incident result in a permit exceedance, Notice of Violation (NOV), or Non-compliance form letter from a regulatory agency?

Yes

Complete and Submit Triple I to:

1. Area and/or District Manager.
2. Business Center (BC) EH&S Manager.

Note: In the case of recurring daily exceedances, consult your Business Center EH&S Manager for alternate reporting procedures.

Continue

RED = Immediate Actions
BLUE = Within 24 hours

Yes

Will the Environmental Incident likely result in:

1. an Administrative Order, or
2. a Consent Decree, or
3. a Findings and Orders, or
4. an Environmental Lawsuit?

Yes

Call:

1. Next Management Level (they shall, in turn, continue verbal notification to higher management levels)
2. Business Center (BC) EH&S Manager (they shall, in turn, notify the USFOS EH&S Director)
3. USFOS Legal
4. USFOS Marketing & Communications (if media attention is likely)
5. USFilter Risk Management (if there is the potential for environmental liability)
6. USF Hotline 877-USF-HSEC (if USFOS Business Center EH&S Manager or USFOS EH&S Director cannot be reached)

Complete and Submit Triple I (and supporting documentation) to:

1. Area and/or District Manager
2. BC EH&S Manager
3. BC VP & GM
4. USFOS EH&S Director
5. USFOS Legal
6. USFilter Risk Management (if involved)
7. USFilter Corporate HSE (as instructed by BC EH&S Manager)

Continue

Does the incident involve loss of property or have the potential for environmental liability?

No

No Further Action Required

Yes

Contact appropriate insurance agent per USFilter Risk Management instructions/Marsh Claims Manual. Forward completed insurance forms to: Insurance company, USFilter Risk Management and other as requested

Continue

Call:

1. Next Management Level (they shall, in turn, continue verbal notification to higher management levels)
2. Business Center (BC) EH&S Manager (they shall, in turn, notify the USFOS EH&S Director and USFilter Corporate HSE depending on incident severity)
3. USFOS Marketing & Communications (if media attention is likely)
4. USF Risk Management (if there is the potential for environmental liability)
5. USFOS Legal (if potential for litigation is possible)
6. USF Hotline 877-USF-HSEC (if USFOS Business Center EH&S Manager or USFOS EH&S Director cannot be reached)

Complete and Submit Triple I Form to:

1. Area and/or District Manager
2. BC EH&S Manager
3. USFOS EH&S Director
4. USFilter Corporate HSE (as instructed by BC EH&S Manager)
5. BC VP & GM
6. USFilter Risk Management, USFOS Legal, USFOS Marketing & Communications (if involved)

WORKPLACE ISSUES

WORKPLACE ISSUES: VIOLENCE, UNETHICAL CONDUCT, DISCRIMINATION AND HARASSMENT

For issues or incidents concerning the general work environment such as workplace violence, unethical conduct, racial discrimination, sexual harassment and/or any other incident that could impact the workplace, please immediately call your group human resources manager. Then, immediately contact the executives listed below** and provide them with the same information.

NAME	OFFICE PHONE	CELL/PAGER	FAX
Joy Gaetano, VP Corporate Human Resources	760-341-8145	760-413-6698 cell	760-346-3554
Kevin Duffy, VP for Compliance	978-614-7438	n/a	978-454-6206
Jim Force, VP of Communications	715-355-3515	612-940-2682	715-355-3335
Karole Colangelo, PR mgr. (If Jim Force cannot be reached)	847-706-6947	847-687-9630	847-706-6933

****FOLLOW THE APPROPRIATE EMERGENCY RESPONSE MATRIX FOR YOUR FACILITY OR BUSINESS GROUP. THE FOLLOWING CONTACTS ARE LISTED AS CORPORATE CONTACTS ONLY.**

Linda Aubry, HR	262-521-8289	724-312-0026	262-521-8586
Frank Fursching, President	760-341-8158	n/a	760-341-9368
Brian Clarke, General Counsel	630-717-2218	312-543-8222	630-717-1590
Debbie Newell, Legal	724-772-1229	724-309-2456	724-772-1420

David Ward, HR	412-269-5927	412-759-3097	412-269-5811
Mike Stark, President	281-985-5408	n/a	n/a
Scott Edwards, VP Communications	281-985-5479	713-913-5213	281-985-5630
Christie Kaluza, Marketing Communications Mgr.	281-985-5481	713-299-0210 cell	281-985-5630
John Lucey, VP & GM, E&C	412-269-5726	n/a	412-269-5818
Ron Davis, EVP & GM OS	281-985-5535	n/a	281-985-5613
Chuck Gordon, EVP & GM, Industrial Services & Products	281-985-5452	n/a	n/a
Michael O'Brien, General Counsel, Operating Services	630-717-2236	630-258-1089	630-717-4594
Keith Graham, Legal, Mobile Recovery, Process Water	630-778-4810	n/a	630-717-4594

Wayne Bosch, HR	847-205-6124	306-596-0543	847-205-6050
Mike Rearson, President Culligan	847-205-6125	n/a	n/a
Michael Hulme, General Counsel	847-205-6116	888-554-9710	n/a
Dave Mehrtrodt, VP Retail	847-205-5807	n/a	n/a
Dave Marsh, Director of Marketing	920-457-9435	920-698-0904	920-457-6652

Joe Walker, HR	254-772-5355	254-717-8784	254-741-9235
Harry Hornish, President	254-772-5355	n/a	254-772-5716
Kevin O'Neill, General Counsel	410-560-3069	443-742-7052	410-560-0949

Carol Bailey, HR	800-544-4144x3237	770-329-0992	706-884-5205
Tom Warren, President	303-985-8543	n/a	303-985-8386
Brian Clarke, General Counsel/North America	630-717-2218	312-543-8222	630-717-4594

CORPORATE ISSUES: FINANCIAL, EXECUTIVE, PARENT COMPANY

The phone matrix on the following page should be used with the following scenarios/crises:

- Executive Kidnapping or Death
- French Ownership Issues
- Parent Company Issues
- Terrorist Threat

CORPORATE ISSUES: FINANCIAL, EXECUTIVE, PARENT COMPANY

In the event of a crisis or situation that involves the corporate company including French ownership/parent company issues, executive kidnapping or death and/or investor-relations related incidents, immediately contact the executives listed below and provide them with as much information as possible.

FOR ALL INCIDENTS, CONTACT:			
Name	Office Phone	Cell/Pager	Fax
Stephen Stanczak, EVP General Counsel & Secretary	760-341-8126	630-215-6844	760-346-4024
Andy Seidel, President and COO of Vivendi Water North America	760-341-8156	n/a	n/a
Donna Reed, Risk Management	760-341-8123	n/a	n/a
Jim Force, VP of Communications	715-355-3515	612-940-2682	715-355-3335
Karole Colangelo, PR Manager (If Jim Force cannot be reached)	847-706-6947	847-687-9630	847-706-6933

VENDOR LIST

PARTS

The C I Thornburg Co.
P.O. Box 2163
Huntington, WV
304-523-3484

Water Works & Ind. Supply
624 Bizzell Dr.
Lexington, KY 40510
859-255-8595

Water Works Supplies
P.O. Box 1177
Jeffersonville, IN
606-886-9974

Public Works
306 Island Creek Rd.
Pikeville, KY 41501
606-437-5114

Prestonsburg City Utilities
2560 South Lake Dr.
Prestonsburg, KY 41653

Erasure Mfg.
P.O. Box 1414
Martin, KY 41649
606-285-3994

E.F.I
P.O. Box 723
Centralia, IL 62801
618-533-1351

Micro Comm, Inc.
15895 S. Plumm Rd.
Olathe, KS
913-390-4500

Vendor Equipment/Chemical List

Equipment

Jacobs Construction
P.O. box 1088
Martin, KY 41649
606-285-9300

Gene Holland
C.O.E.X
254 W. Graham Street
Prestonsburg, KY 41653

Robert Skeans
9069 KY RTE 1428
Martin, KY 41649
606-874-8557

Chemicals

The C I Thornburg Co.
P.O. Box 2163
Huntington, WV
304-523-3484

D.F. Bailey
P.O. Box 439
Owingsville, KY 40360

Laurel Construction
5209 Somerset Rd.
London, KY 40741

Kinder Construction
5100 Flemingsburg Rd.
Morehead, KY 40351
606-784-1010

Marty Wooten
967 Wolf Pen Creek Rd.
Malley, KY 41836

Onyx Industrial
P.O. Box 1900
Ashland, KY 41105

H & R Construction
P.O. Box 90
Martin, KY 41649
606-285-1065

CONTRACTOR LIST

**VEOLIA WATER
SOUTHERN WATER & SEWER DISTRICT and CITY OF HINDMAN
EMPLOYEE LISTING AND CONTACT NUMBERS**

EMPLOYEE NAME	HOME	MOBILE	PAGER
ALLEN WTP			
BOBBY HACKWORTH, JR.	874-3827	424-2538	886-7166
GARY HOLBROOK	946-2528	454-7618	
CHRIS FRANCIS	886-0097		
NEIL GORTNEY		434-0352	
SOUTHERN DISTRIBUTION SYSTEM			
GARY BLANKENSHIP	502	377-0435	791-0435 482-0435
DEAN HALL	501	587-1884	794-1884 482-1884
BOB HACKWORTH, SR.	503	285-9357	
REECE SALTER	408	587-1043	
JODY CONN	410	874-8486	
DENZIL MCKINNEY, JR.	409	358-2572	791-5731
DALE MCKINNEY	406	377-6149	
RAYMOND BRYANT	403	377-6691	
ADAM BROWN	402	587-1094	
BRANDON HOWELL	404	377-2738	
HINDMAN FIELD PERSONNEL			
DEAN HALL	Site Sup.	587-1884	794-1884 482-1884
SAM BOLEN	Distribution	368-2718	634-0013
JAMES PATTON	WWTP / Dist	377-7877	
JAMIE SPARKMON	Pub Works	368-3022	
OFFICE PERSONNEL			
MARIBETH MCKINNEY	Adm Asst	358-2572	
DONNA MURRAY	Office	285-9361	
CAROL MEADE	Office	377-6886	
ARLENE GIBSON	Office	785-3239	
BOB MEYER	Proj Mgr	886-1434	793-1072

Major Customer List

Public Housing

Acct. # 03-0250
Mellow Brook Apartments
7 Stacy Street
Harold, KY 41635
(606)478-8000

Acct. # 23-1800
Floyd Co. Housing Authority
402 John M. Stumbo Dr.
Langley, KY 41645
(606)285-3833

Acct. # 06-0620
Floyd Co. Housing Authority
Rt. 979
Taberry, KY 41660
(606)478-4440

Acct. # 28-0051
Left Beaver Creek Townhouses
Rt. 122
Minnie, KY 41651
(606)377-2422

Healthcare Facilities

Acct. # 28-1301
McDowell ARH
Rt. 122
McDowell, KY 41647
(606)377-3400

Acct. # 30-1590
Willett Healthcare Mgmt.
Rt. 550
Lackey, KY 41643

Wholesale User

Acct. # 30-1775
City of Hindman
10 Professor Clark Circle
Hindman, KY 41822
(606)785-5545

Major Customer List

Schools

Acct. # 09-1250
Stumbo Elementary
Rt. 979
Grethel, KY 41631
(606)587-1425

Acct. # 21-0290
Garth Voc. School
Rt. 122
Martin, KY 41649
(606)285-3088

Acct. # 23-2430
Mtn. Christian Academy
Rt. 80
Martin, KY 41649
(606)285-5141

Acct. # 23-2500
May Valley Elementary
Stephens Branch Rd
Martin, KY 41649
(606)285-0883

Acct. # 24-0730
Allen Central High School
Rt. 550
Eastern, KY 41622
(606)358-9543

Acct. # 24-1012
James A. Duff Elementary
Rt. 80
Eastern, Ky 41622
(606)358-9420

Acct. # 26-0158
Osborne Elementary
Rt. 122
Melvin, KY 41650
(606)452-2132

Acct. # 28-3051
McDowell Elementary
Rt. 680
McDowell, KY 41647
(606)377-6640

Acct. # 32-5641
South Floyd High School
Rt. 122
Price, KY 41636
(606)452-4224

TIER 1 TEMPLATES

The pages that follow contain templates for Tier 1 violations and waterborne disease outbreaks, as listed below. Along with each template are instructions, including the required method of delivery and instructions for completing individual sections of the notice. These instructions are designed to supplement Chapter 5, so you may see much of the information repeated here.

Mandatory language on health effects, which must be included exactly as written, is presented in *italics* (141.205(d)).

You must also include the following italicized language in all notices, where applicable (141.205(d)). Use of this language does not relieve you of your obligation to take steps reasonably calculated to notify all persons served:

Please share this information with all the other people who drink this water, especially those who may not have received this notice directly (for example, people in apartments, nursing homes, schools, and businesses). You can do this by posting this notice in a public place or distributing copies by hand or mail.

Templates

Nitrate Notice--Template 1-1
Spanish Nitrate Notice--Template 1-1A
Fecal Coliform or *E. coli* Notice--Template 1-2
Spanish Fecal Coliform or *E. coli* Notice--Template 1-2A
Waterborne Disease Outbreak Notice--Template 1-3
Turbidity Single Exceedance as Tier 1--Template 1-4
Chlorine Dioxide MRDL Notice--Template 1-5
Tier 1 A Problem Corrected Notice--Template 1-6

DRINKING WATER PROBLEM CORRECTED

Customers of [system] were notified on [date] of a problem with our drinking water and were advised to [describe recommended action]. We are pleased to report that the problem has been corrected and that it is no longer necessary to [describe recommended action]. We apologize for any inconvenience and thank you for your patience.

[Add further details here when appropriate.]

As always, you may contact [contact name] at [phone number] or [mailing address] with any comments or questions.

Please share this information with all the other people who drink this water, especially those who may not have received this notice directly (for example, people in apartments, nursing homes, schools, and businesses). You can do this by posting this notice in a public place or distributing copies by hand or mail.

This notice is being sent to you by [system]. State Water System ID#: _____ Date distributed: _____

DRINKING WATER WARNING

[System] water has high levels of nitrate B

**DO NOT GIVE THE WATER TO INFANTS UNDER 6 MONTHS OLD OR
USE IT TO MAKE INFANT FORMULA**

Water sample results received [date] showed nitrate levels of [level and units]. This is above the nitrate standard, or maximum contaminant level (MCL), of [state/federal MCL]. Nitrate in drinking water is a serious health concern for infants less than six months old.

What should I do?

§ **DO NOT GIVE THE WATER TO INFANTS. Infants below the age of six months who drink water containing nitrate in excess of the MCL could become seriously ill and, if untreated, may die. Symptoms include shortness of breath and blue baby syndrome. Blue baby syndrome is indicated by blueness of the skin. Symptoms in infants can develop rapidly, with health deteriorating over a period of days. If symptoms occur, seek medical attention immediately.**

§ Water, juice, and formula for children under six months of age should not be prepared with tap water. Bottled water or other water low in nitrates should be used for infants until further notice.

§ **DO NOT BOIL THE WATER.** Boiling, freezing, filtering, or letting water stand does not reduce the nitrate level. Excessive boiling can make the nitrates more concentrated, because nitrates remain behind when the water evaporates.

§ Adults and children older than six months can drink the tap water (nitrate is a concern for infants because they can't process nitrates in the same way adults can). However, if you are pregnant or have specific health concerns, you may wish to consult your doctor.

What happened? What is being done?

Nitrate in drinking water can come from natural, industrial, or agricultural sources (including septic systems and run-off). Levels of nitrate in drinking water can vary throughout the year. We'll let you know when the amount of nitrate is again below the limit.

[Describe corrective action, seasonal fluctuations, and when system expects to return to compliance.]

For more information, please contact [name of contact] at [phone number] or [mailing address].

Please share this information with all the other people who drink this water, especially those who may not have received this notice directly (for example, people in apartments, nursing homes, schools, and businesses). You can do this by posting this notice in a public place or distributing copies by hand or mail.

This notice is being sent to you by [system]. State Water System ID#: _____ Date distributed: _____

Instructions for Notice for Turbidity Single Exceedance as Tier 1B Template 1-4

Template on Reverse

If your privacy agency has designated this turbidity single exceedance as a Tier 1 violation (141.202(a)), you must provide public notice to persons served within 24 hours after it has been designated Tier 1 (141.202(b)). Turbidity violations are Tier 2 by default, but may frequently be elevated to Tier 1 by your privacy agency. In addition, violations are automatically elevated if you are unable to consult with your privacy agency within 24 hours. In such cases, you must issue a notice within the next 24 hours. You may elevate the violation to Tier 1 yourself as well. You should also coordinate with your local health department. One or both agencies should tell you whether to instruct consumers to boil water. You must use one or more of the following methods to deliver the notice to consumers (141.202(c)):

- Radio
- Television
- Hand or direct delivery
- Posting in conspicuous locations

You may need to use additional methods (e.g., newspaper, delivery of multiple copies to hospitals, clinics, or apartment buildings), since notice must be provided in a manner reasonably calculated to reach all persons served. If you post or hand deliver, print your notice on letterhead, if you have it.

The notice on the reverse is appropriate for hand delivery or a newspaper notice. However, you may wish to modify it before using it for a radio or TV notice or posting. If you modify the notice, you must leave the health effects language in italics unchanged. This language is mandatory (141.205(d)).

Population Served

Make sure it is clear who is served by your water system--you may need to list the areas you serve.

Corrective Action

In your notice, describe corrective actions you are taking. Listed below are some steps commonly taken by water systems with turbidity single exceedance. Use one or more of the following actions, if appropriate, or develop your own:

- We are adding chemicals that reduce turbidity.
- We are sampling both untreated and treated water for the presence of coliform bacteria.
- We are monitoring chlorine levels and will adjust them as needed to compensate for filtration problems.
- We are inspecting and cleaning the filters.

Source of the Problem

If you know why the turbidity is high, explain it in your notice. For instance, unusual conditions, such as heavy rains and flooding, can overburden the water plant, and treated water may therefore not meet the standards. In addition, run-off from parts of the watershed could contain increased concentrations of sediment and animal waste.

After Issuing the Notice

Send a copy of each type of notice and a certification that you have met public notice requirements to your privacy agency within ten days after you issue the notice (141.31(d)). It is a good idea to issue a problem corrected notice when the violation is resolved. See Template 1-6.

It recommended that you notify health professionals in the area of the violation. People may call their doctors with questions about how the violation may affect their health, and the doctors should have the information they need to respond appropriately. In addition, health professionals, including dentists, use tap water during their procedures and need to know of potential microbiological contamination so they can use bottled water.

AVISO SOBRE SU AGUA POTABLE

Agua del sistema [system name] tiene altos niveles de nitratos -
NO DAR DE BEBER ESTA AGUA A BEBES MENORES DE 6 MESES
DE EDAD NI USARLA PARA HACER LECHE DE FORMULA

Resultados de muestras de agua recibidos en [date of violation in Spanish (day-month-year)] muestran concentraciones de nitratos en el agua de [level and units in Spanish]. Este nivel está por encima de la norma, o nivel máximo de contaminación (NMC) de [state/federal MCL in Spanish]. Nitratos en agua potable puede generar serios problemas de salud para bebés menores de 6 meses de edad.

) Que debo hacer?

X NO LE DE ESTA AGUA A BEBES. Bebés menores de seis (6) meses que ingieran agua con nitratos en exceso del nivel máximo de contaminación (NMC) se pueden enfermar seriamente y, de no ser tratados, pueden morir. Los síntomas incluyen dificultad en respirar y síndrome de bebé azul. El síndrome de bebé azul se refiere al color azulado que toma la piel del bebé. Los síntomas en los bebés pueden desarrollarse con rapidez, con el deterioro de su salud en los días subsiguientes. Si los síntomas ocurren en infantes menores de seis (6) meses de edad, busque atención médica inmediatamente.

X Agua, jugo o leche en polvo para bebés menores de seis (6) meses de edad no debe prepararse con agua del grifo. Debe emplear agua embotellada u otra agua baja en nitratos hasta próximo aviso.

X No hierva el agua. Hervir, congelar, filtrar o dejar el agua en reposo no reduce el nivel de nitratos. De hecho, al hervir el agua puede aumentar aún más la concentración de nitratos, debido a que los nitratos permanecen cuando parte del agua se evapora.

X Adultos e infantes mayores de seis (6) meses de edad pueden tomar el agua del grifo. (Los nitratos son peligrosos para los bebés debido a que ellos no pueden procesar los nitratos de la misma manera que los adultos). Sin embargo, si usted está embarazada o tiene algún problema de salud en particular, puede optar por hacer una consulta con su médico.

) Qué pasó?) Qué se está haciendo al respecto?

Nitratos en el agua pueden provenir de fuentes naturales, industriales or de la agricultura (incluyendo descargas de tanques sépticos y lluvias). Las concentraciones de nitratos en el agua potable varían a lo largo del año. Nosotros les avisaremos cuando los niveles de nitratos estén nuevamente debajo del límite.

[Describe corrective action, seasonal fluctuations, and when the system expects to return to compliance in Spanish.] Para mayor información, favor contactar a [name of contact] al teléfono [phone number] o escribiendo a [mailing address].

Por favor comparta esta información con otros que pueden tomar de esta agua, colocando este aviso en lugares visibles, o remitiéndolo por correo, o entregándolo manualmente. Es de particular interés distribuir este aviso ampliamente si usted lo recibe representando un negocio, un hospital u hogar de infantes u hogar de ancianos o comunidad residencial.

Este aviso ha sido enviado a usted por [system]. Numero de identificación : _____ Fecha de distribución: _____

Instructions for Waterborne Disease Outbreak Notice Template 1-3

Template on Reverse

Since a waterborne disease outbreak is a Tier 1 situation, you must provide public notice to persons served as soon as practical but within 24 hours after you learn of the situation (141.202(b)). You must also contact your primary agency during this time. You should coordinate with your local health department as well. You must issue a public notice if you are experiencing a waterborne emergency other than a waterborne disease outbreak, such as one caused by flooding or treatment failure. In such cases, you may be able to modify this template to apply to your situation. Check with your primary agency for more direction. More information on waterborne disease outbreaks and emergencies is available from the Centers for Disease Control and Prevention (www.cdc.gov/health/diseases.htm, 1 (800) 311-3435). For a waterborne disease outbreak or other emergency, you must use one or more of the following methods to deliver the notice to consumers (141.202(c)):

- Radio
- Television
- Hand or direct delivery
- Posting in conspicuous locations

You may need to use additional methods (e.g., newspaper, delivery of multiple copies to hospitals, clinics, or apartment buildings), since notice must be provided in a manner reasonably calculated to reach all persons served. If you post or hand deliver, print your notice on letterhead, if available. The notice on the reverse is appropriate for hand delivery or a newspaper notice. However, you may wish to modify it before using it for a radio, TV notice, or posting.

Describing the Outbreak

If known, list any organisms detected, the number of affected people, any water treatment problems contributing to the waterborne disease outbreak, and any sources of contamination, such as flooding.

Potential Health Effects

No mandatory health effects language exists for waterborne disease outbreaks. You may wish to use the sentence below, if appropriate, or contact your primary agency or health department. These symptoms are common to many diseases caused by microscopic organisms:

- Symptoms may include nausea, cramps, diarrhea, jaundice, and associated headaches and fatigue.

Population at Risk

Some people who contract waterborne diseases can be affected more severely than others, as described on the reverse page. The specific language on the reverse is not mandatory, but you must provide information on the population at risk. In addition, make sure it is clear who is served by your water system—you may need to list the areas you serve.

Corrective Action

In your notice, describe the corrective actions you are taking. Listed below are some steps commonly taken by water systems with waterborne disease outbreaks. Use one or more of the following actions, if appropriate, or develop your own:

- We are repairing our filtration system.
- We are increasing sampling for disease-causing organisms.

Make sure to send a copy of each type of notice and a statement certifying that you've met all public notification requirements to your primary agency within ten days after issuing the notice (141.31(d)). It is a good idea to issue a problem corrected notice when the waterborne disease outbreak is under control. See Template 1-6.

It is recommended that you notify health professionals in the area of the outbreak. People may call their doctors with questions about how the situation may affect their health, and the doctors should have the information they need to respond appropriately. In addition, health professionals, including dentists, use tap water during their procedures and need to know of contamination so they can use bottled water.

DRINKING WATER WARNING

[System] water is contaminated with [fecal coliform] or [E. coli]

BOIL YOUR WATER BEFORE USING

Fecal coliform [or E. coli] bacteria were found in the water supply on [date]. These bacteria can make you sick, and are a particular concern for people with weakened immune systems.

What should I do?

§ **DO NOT DRINK THE WATER WITHOUT BOILING IT FIRST.** Bring all water to a boil, let it boil for one minute, and let it cool before using, or use bottled water. Boiled or bottled water should be used for drinking, making ice, brushing teeth, washing dishes, and food preparation until further notice. Boiling kills bacteria and other organisms in the water.

X **Fecal coliforms and E. coli are bacteria whose presence indicates that the water may be contaminated with human or animal wastes. Microbes in these wastes can cause diarrhea, cramps, nausea, headaches, or other symptoms. They may pose a special health risk for infants, young children, and people with severely compromised immune systems.**

§ The symptoms above are not caused only by organisms in drinking water. If you experience any of these symptoms and they persist, you may want to seek medical advice. People at increased risk should seek advice about drinking water from their health care providers.

What happened? What is being done?

Bacterial contamination can occur when increased run-off enters the drinking water source (for example, following heavy rains). It can also happen due to a break in the distribution system (pipes) or a failure in the water treatment process.

[Describe corrective action.] We will inform you when tests show no bacteria and you no longer need to boil your water. We anticipate resolving the problem within [estimated time frame].

For more information, please contact [name of contact] at [phone number] or [mailing address]. General guidelines on ways to lessen the risk of infection by microbes are available from the EPA Safe Drinking Water Hotline at (800) 426-4791.

Please share this information with all the other people who drink this water, especially those who may not have received this notice directly (for example, people in apartments, nursing homes, schools, and businesses). You can do this by posting this notice in a public place or distributing copies by hand or mail.

This notice is being sent to you by [system]. State Water System ID#: _____ Date distributed: _____

Instructions for Spanish Fecal Coliform or E. Coll Notice Template 1-2A

Template on Reverse

The template on reverse is a Spanish translation of Template 1-2 for fecal coliform or E. coll. All the instructions of Template 1-2 apply. If you modify the English template, you should modify this template accordingly. Schools or universities may be able to provide low cost translations. See page 12 for suggestions on multilingual notices.

AVISO SOBRE SU AGUA POTABLE

El Agua del Sistema [system name] esta contaminado con [bacterias coliformes fecales] [E. coli]

HIERVAN EL AGUA ANTES DE USARLA

Bacterias coliformes fecales (o E. coli) fueron encontradas en su servicio de agua el día [date of violation in Spanish (day-month-year)]. Estas bacterias pueden enfermarte, y son especialmente peligrosas para personas con las defensas bajas o sistemas inmunológicos débiles.

) Que debo hacer?

X NO BEBA EL AGUA SIN ANTES HERVIRLA. Hierva toda el agua, déjela hervir por un minuto, y déjela reposar antes de usarla, o utilícela agua embotellada. Agua hervida o embotellada debe ser usada para beber, hacer hielo, lavarse los dientes, lavar los platos y para preparar la comida hasta próximo aviso. Herviendo mata a bacteria y otros organismos en el agua.

X Coliformes fecales o E. coli son bacterias cuya presencia indica que el agua esta contaminada con desechos humanos o de animales. Microbios de esos desechos pueden causar diarrea, cólicos, náusea, dolores de cabeza u otros síntomas. Pueden representar un peligro para la salud de bebés, niños y niñas de corta edad y personas con sistemas inmunológicos en alto riesgo.

X Los síntomas descritos arriba no ocurren solamente debido a los microbios. También pueden ser causados por otros motivos. Si usted siente estos síntomas y estos persisten, usted puede optar por hacer una consulta con su médico. Personas en situaciones de alto riesgo deben consultar con sus proveedores de servicios médicos.

) Qué pasó?) Qué se está haciendo al respecto?

Contaminación bacteriana puede ocurrir cuando exceso de aguas rebasan sus cauces y entran a las fuentes de agua potable (por ejemplo, luego de una lluvia fuerte). También pueden ocurrir cuando se rompe un sistema de recolección de aguas negras, o cuando hay una falla en el tratamiento de agua.

[Describe corrective action in Spanish] Le informaremos cuando las pruebas demuestren que no hay bacterias y que usted ya no necesita hervir su agua. Anticipamos que resolveremos el problema el [date of expected resolution in Spanish day-month-year].

Para mayor información, por favor póngase en contacto con [contact name] al [phone number] o escribiendo a [mailing address].

Por favor comparta esta información con otros que pueden tomar de esta agua, colocando este aviso en lugares visibles, o remitiéndolo por correo, o entregándolo manualmente. Es de particular interés distribuir este aviso ampliamente si usted lo recibe representando un negocio, un hospital u hogar de infantes u hogar de ancianos o comunidad residencial.

Este aviso ha sido enviado a usted por [system].

Numero de identificación : _____

Fecha de distribución: _____

Instructions for Fecal Coliform or E. Coli Notice Template 1-2

Template on Reverse

Since exceeding the fecal coliform or *E. coli* maximum contaminant level is a Tier 1 violation, you must provide public notice to persons served as soon as practical but within 24 hours after you learn of the violation (141.202(b)). During this time, you must also contact your primary agency. You should also coordinate with your local health department. You may also have to modify the template if you also have high nitrate levels or other coliform MCL violations. You must use one or more of the following methods to deliver the notice to consumers (141.202(c)):

- Radio
- Television
- Hand or direct delivery
- Posting in conspicuous locations

You may need to use additional methods (e.g., newspaper, delivery of multiple copies to hospitals, clinics, or apartment buildings), since notice must be provided in a manner reasonably calculated to reach all persons served.

The notice on the reverse is appropriate for hand delivery or a newspaper notice. However, you may wish to modify it before using it for a radio or TV notice. If you do, you must still include all required elements and leave the health effects language in italics unchanged. This language is mandatory (141.205(d)). See Chapter 8 for a notice designed for posting. If you post or hand deliver, print your notice on letterhead, if you have it.

Population Served

Make sure it is clear who is served by your water system--you may need to list the areas you serve.

Corrective Action

In your notice, describe corrective actions you are taking. Listed below are some steps commonly taken by water systems with fecal coliform or *E. coli* violations. Use one or more of the following actions, if appropriate, or develop your own:

- We are chlorinating and flushing the water system.
- We are switching to an alternate drinking water source.
- We are increasing sampling for coliform bacteria to determine the source of the contamination.
- We are repairing the wellhead seal.
- We are repairing the storage tank.
- We are restricting water intake from the river/lake/reservoir to prevent additional bacteria from entering the water system and restricting water use to emergencies.

After Issuing the Notice

Send a copy of each type of notice and a certification that you have met all the public notice requirements to your primary agency within ten days from the time you issue the notice (141.31(d)).

It is recommended that you notify health professionals in the area of the violation. People may call their doctors with questions about how the violation may affect their health, and the doctors should have the information they need to respond appropriately. In addition, health professionals, including dentists, use tap water during their procedures and need to know of contamination so they can use bottled water.

It is a good idea to issue a problem corrected notice when the violation is resolved. See Template 1-6.

DRINKING WATER WARNING

BOIL YOUR WATER BEFORE USING

Disease-causing organisms have entered [system=s] water supply.

These organisms are causing illness in people served by [system]. We learned of a waterborne disease outbreak from [agency] on [date].

What should I do?

§ **DO NOT DRINK THE WATER WITHOUT BOILING IT FIRST.** Bring all water to a boil, let it boil for one minute, and let it cool before using, or use bottled water. Boiled or bottled water should be used for drinking, making ice, brushing teeth, washing dishes, and food preparation until further notice. Boiling kills bacteria and other organisms in the water.

§ [Describe symptoms of the waterborne disease.] If you experience one or more of these symptoms and they persist, contact your doctor. People with severely compromised immune systems, infants, and some elderly may be at increased risk. These people should seek advice about drinking water from their health care providers.

What happened? What is being done?

[Describe the outbreak, corrective action, and when the outbreak might end.]

We will inform you when you no longer need to boil your water.

For more information, please contact [name of contact] at [phone number] or [mailing address]. General guidelines on ways to lessen the risk of infection by microbes are available from the EPA Safe Drinking Water Hotline at (800) 426-4791.

Please share this information with all the other people who drink this water, especially those who may not have received this notice directly (for example, people in apartments, nursing homes, schools, and businesses). You can do this by posting this notice in a public place or distributing copies by hand or mail.

This notice is being sent to you by [system]. State Water System ID#: _____ Date distributed: _____

Instructions for Spanish Nitrate Notice Template 1-1A

Template on Reverse

The template on reverse is a Spanish translation of Template 1-1 for nitrate. All the instructions of Template 1-1 apply. If you modify the English template, you should modify this template accordingly. Schools or universities may be able to provide low cost translations. See page 12 for suggestions on multilingual notices.

Instructions for Tier 1 Problem Corrected Notice Template 1-6

Template on Reverse

It is a good idea to issue a notice when a serious violation or situation has been resolved. Although EPA regulations do not require such notices, your privacy agency may require you to issue one. You should coordinate with your local health department as well. Below are some recommended methods for a problem corrected notice. You should use the same delivery methods you used for the original notice.

- X Radio
- X Television
- X Newspaper
- X Hand or direct delivery
- X Posting in conspicuous locations

You may wish to use additional methods (e.g., delivery of multiple copies to hospitals, clinics, or apartment buildings) if necessary to reach all persons served. If you post or hand deliver, print your notice on letterhead, if available.

The notice on the reverse is very general and can be used for any violation or situation. However, to help restore consumers' confidence in the water system, you should modify the notice to fit your situation. Although the public should have seen your initial notice, there may be additional information you learned after the notice was issued. Therefore, you should describe the violation or situation again and discuss how the problem was solved.

Instructions for Nitrate Notice Template 1-1

Template on Reverse

Since exceeding the nitrate maximum contaminant level is a Tier 1 violation, you must provide public notice to persons served as soon as practical but within 24 hours after you learn of the violation (141.202(b)). During this time period you must also contact your privacy agency. You should also coordinate with your local health department. This template is also applicable to nitrate and total nitrate violations. You must use one or more of the following methods to deliver the notice to consumers (141.202(c)):

- X Radio
- X Television
- X Hand or direct delivery
- X Posting in conspicuous locations

You may need to use additional methods (e.g., newspaper, delivery of multiple copies to hospitals, clinics, or apartment buildings), since notice must be provided in a manner reasonably calculated to reach all persons served.

The notice on the reverse is appropriate for hand delivery or a newspaper notice. However, you may wish to modify it before using it for a radio or TV notice. If you do, you must still include all required elements and leave the health effects language in italics unchanged. This language is mandatory (141.205(d)). See Chapter 8 for a notice designed for posting. If you post or hand deliver, print your notice on letterhead, if available.

Alternative Sources of Water

If you are providing alternative sources of water for infants, your notice should say where it can be obtained. Remember that bottled water can also be contaminated. If you are providing bottled water, make sure it meets the standard for nitrates by contacting the bottler and asking for the most recent test results.

Repeat Notices

If this is a repeat notice (as required by your privacy agency), or if your system's nitrate levels fluctuate around the MCL, you may wish to include an explanation similar to the following:

You were initially notified of high nitrate levels on [date]. Since that time we have been monitoring the nitrate concentration every three months. Seasonal fluctuations in nitrate concentrations have been observed, due to nitrates contained in fertilizer. It appears that high nitrates occur during the later summer and fall. Note that prior to [year] we were meeting drinking water standards for nitrate.

Corrective Action

In your notice, describe corrective actions you are taking. The bullet below describes one action commonly taken by water systems with nitrate/nitrite violations. Use this language, if appropriate, to develop your own:

X We are investigating water treatment and other options. These may include drilling a new well, mixing the water with low-nitrate water from another source, or buying water from another water system.

After Issuing the Notice

Make sure to send your privacy agency a copy of each type of notice and a certification that you have met all the public notice requirements within ten days after issuing the notice (141.31(d)). You should also issue a follow-up notice in addition to meeting any repeat notice requirements your privacy agency sets.

You should notify health professionals in the area of the violation. People may call their doctors with questions, and the doctors should have the information they need to respond appropriately. They also need to make sure the water is not provided to infants in their care.

SOUTHERN WATER & SEWER DISTRICT WATER LOSS PREVENTION AND LEAK DETECTION PROGRAM

Southern Water & Sewer District has a distribution system that is comprised of an extensive amount of older transmission lines (originally constructed by the Beaver Elkhorn and Mud Creek Water Districts), as well as a significant amount of new lines constructed within the last six years. In total there are approximately 400 miles of transmission mains, over 6,200 customer services, 24 pumping stations, and 25 storage tanks. Water loss has been a continuing problem for the District (particularly in the older sections of the system – both from aging mains as well as older service lines) and the District is committed to allocating a sufficient amount of resources to identify and correct water loss, thus improving its operating efficiencies.

The following plan outlines processes and procedures that the District will conduct on a routine basis (both in a reactive and proactive mode) to identify and repair water line leaks, identify and monitor un-metered water usage, reduce tank overflows, and reduce its overall water loss.

1. ROUTINE PROCEDURES (Daily/Weekly/Monthly):

A. MASTER METERS: Read & record all master meters throughout the distribution system at approximately the same time each day:

- Master meter at Allen Water Treatment Plant
- Meter @ Toler Gap (water supply purchased from Pikeville)
- Right Beaver master meter
- Left Beaver master meter
- Main Mud Creek master meter
- Little Mud Creek master meter
- City of Hindman master meter

B. RECORDING READINGS: All master meter readings shall be recorded in log books or on spreadsheets.

C. CONSISTENT METER READING SCHEDULES: Establish a schedule wherein all customer meters are read at approximately the same time each month to ensure that any inconsistencies are identified and potential service line problems are identified and corrected.

D. FIELD PERSONNEL RESPONSIBILITIES: All distribution personnel (meter readers, maintenance, etc.), shall immediately report to their supervisor any identified water leaks, tank overflows, telemetry problems, or other concerns that are presently or could result in water leaks or loss. A work order will be generated by the supervisor to address the problem immediately or at the earliest possible time, given the urgency of the problem reported.

E. OFFICE & PLANT PERSONNEL RESPONSIBILITIES: All office and plant personnel shall immediately report any customer reported leaks, tank overflows, pressure problems, or other issues (whether during regular operational hours or after hours) to the appropriate field supervisor. The field supervisor will generate a work order and make a determination as to whether a field crew needs to be dispatched immediately

or later, based on the urgency of the problem. Additionally, the primary computer control for all of the telemetry that the District has installed is located at the water treatment plant at Allen. Plant personnel (24-7 shifts) are responsible for monitoring all system telemetry data, including tank overflows, pressure variances, excessive pump run times, etc. and reporting same immediately to field supervisors.

F. RECORDING DATA: Daily and monthly records (via computer data bases, manual logs, or spreadsheets) shall be maintained by appropriate supervisory personnel to record and analyze the following information:

- Daily plant production and pumpage
- Daily master meter readings
- Pump station run times
- Estimated water losses from line breaks, tank overflows, hydrant usage, etc.
- Metered customer water sales by route
- Other un-metered water usage

G. DATA ANALYSIS: Water production and usage data obtained and recorded (item F above) shall be evaluated and analyzed on a daily/weekly/monthly basis to determine:

- Water production and purchase amounts
- Metered usage
- Known un-metered usage
- Known losses from line breaks, etc.
- Water loss by distribution zone

H. FOCUS ON DISTRIBUTION SYSTEM ZONES: The District's present system has several major pressure zones. Those are:

- Allen (WTP) to Martin
- Right Beaver
- Left Beaver
- Main Mud Creek
- Little Mud Creek

There are presently master meters in place for each of these zones. Data analysis will be focused on water usage and loss in each of these major zones with work orders (and leak detection efforts) prioritized based on water loss in each area. Additionally, as funding permits, additional master meters and by-pass meters will be installed to further isolate smaller portions of the distribution system in order to more accurately identify and correct water loss problems in specific areas of the system.

I. METER TESTING AND REPLACEMENT: Pursuant to PSC regulations, customer meters will be tested on a staggered schedule to ensure that they are registering water accurately. Larger meters (master meters and customer meters 2" and larger) shall be tested on an annual basis. All meters will be replaced, as warranted.

2. LEAK DETECTION PROCEDURES

- A. **DISTRICT PERSONNEL:** On a routine basis (weekly or bi-weekly, as routine system operations permit), District personnel will be assigned to leak detection shifts after hours (typically 10:00 PM to 2:00 or 3:00 AM). Customer usage is minimal at this time and allows field personnel to go valve to valve (and often meter to meter) with listening devices and detect abnormal flows. Personnel will perform leak detection in those areas with the highest known water loss, based on routine data collection and analysis.

- B. **OUTSIDE CONSULTANTS:** Outside consultants will be utilized as circumstances and funding dictate. The District has routinely utilized the services of Kentucky Rural Water (specifically Barry Back) in this process and has also utilized the services of Heath Consultants on various occasions.

3. CAPITAL IMPROVEMENTS

As funding permits, the District will prioritize and acquire/install the following:

- A. **ADDITIONAL MASTER METERS:** Additional master meters for subsections of the system will be prioritized and acquired in order to more accurately monitor water usage and identify water loss throughout the system.
- B. **BY-PASS METERS:** Additional by-pass meters will be acquired and installed, particularly at critical tank locations.

- C. **FLOW METER:** One of the most important tools in detecting water usage and loss is a flow meter. As funds are available, the District will purchase one of these units.
- D. **REPLACEMENT OF OLDER TRANSMISSION MAINS:** Many of the transmission mains throughout the District's system have been in the ground for 30 to 40 years. Likewise, in many sections of the system, lines were constructed in locations which are no longer viable from a maintenance and usage perspective (ie: under newly constructed roads, on creek banks where flooding has eroded the creek bank, etc.). As funding permits, these main lines will be relocated to more appropriate settings.

23. Provide in table format an analysis of the number and type of consumer complaints that Pikeville received during the period from 2000 to 2005 and of how such complaints were resolved.

The attached table provides the incidence history of customer complaints and related work orders for the requested period.

Please note, specific complaint resolution varied, depending upon the specific circumstance, and the response times illustrated in the attached chart are 'maximum' response times. In actual experience the typical response time is less than one half of that shown.

Also, the following considerations relate to customer complaint or service request resolution within the City's current service area but indicate the manner in which Sandy Valley customers will be affected, pending Commission action.

a. City personnel are experience operators and know water service generally and the City's system well. One or more existing operators of the Sandy Valley system will join the system staff to better assure that the City has an adequate knowledge base regarding the Sandy Valley system.

b. All service vehicles have sufficient replacement parts and tools to allow for immediate repair or replacement of customer meters and all appurtenances.

c. System personnel maintain radio contact, cell phone contact and pager response throughout the City's service area. These same communications services have excellent signal reception throughout the Sandy Valley service area, as well.

d. Additionally, system personnel have been and continue to be personally engaged GPSing as well as verifying attributes of the water distribution system as captured in the City's new GIS utility mapping program. Digital photos of facilities, including any excavated lines, are imbedded in the mapping to allow future employees near instant identification of facilities, both above and below ground, allowing for even better problem response and resolution times.

e. All system tanks and pumping stations have telemetry and are monitored in real time, via CRTs at the water treatment plant, the Public Works Office on Island Creek and via lap-top computer in the Director of Field Service's vehicle, using the Microcom system. Pumps can be controlled from all of these points to allow immediate response to instances of low or high pressure and for response to Fire Department need for increased flows for fire suppression.

f. It is the City's intent to begin immediately to develop this same level of information and service response affecting facilities to be acquired from Sandy Valley Water District, pending Commission approval of the application. Additionally, the City has agreed to assist Southern Water and Sewer District with similar services affecting those facilities Southern District would acquire from Sandy Valley.

Line Locate	3	3	7	8	8	8	15
Cutoff	6	4	11	14	7	4	9
Meter Change	4	2	13	10	4	4	58
No Water	11	4	7	8	8	4	57

Water Leak	28	26	22	27	38	55	54
Water Meter Damage	15	18	13	24	35	43	41
Low Pressure	5	6	5	8	10	9	6
Dirty Water	1	0	2	1	0	2	3
Line Locate	2	4	6	5	7	6	4
Cutoff	8	5	11	10	8	5	3
Meter Change	17	12	9	21	18	31	22
No Water	4	1	3	6	0	0	2

Water Leak	15	24	26	22	37	60	42
Water Meter Damage	31	14	27	44	53	69	31
Low Pressure	8	3	6	2	12	15	14
Dirty Water	2	4	3	0	5	6	3
Line Locate	2	4	8	6	7	13	6
Cutoff	8	4	15	13	16	6	8
Meter Change	7	2	5	11	8	22	16
No Water	25	6	3	18	29	3	0

Water Leak	36	41	22	37	38	57	48
Water Meter Damage	35	22	3	14	22	68	61
Low Pressure	3	9	5	9	11	14	17
Dirty Water	0	4	0	3	1	4	1
Line Locate	2	1	5	6	5	10	13
Cutoff	8	6	11	13	15	3	11
Meter Change	7	3	4	11	8	33	21
No Water	25	7	6	18	19	4	9

Water Leak	34	46	32	37	28	44	39
Water Meter Damage	35	27	3	14	31	58	41
Low Pressure	3	9	4	9	11	14	8
Dirty Water	0	2	0	3	2	3	1
Line Locate	2	7	8	6	7	7	9
Cutoff	8	4	15	13	16	17	22
Meter Change	7	9	5	11	8	35	28
No Water	25	6	3	18	29	10	3

Water Leak	48	46	32	37	29	46	35
Water Meter Damage	33	28	3	14	27	45	31
Low Pressure	3	7	4	9	12	10	8
Dirty Water	0	1	0	3	0	3	0
Line Locate	2	4	8	6	6	9	8
Cutoff	8	4	15	13	18	8	11
Meter Change	2	4	8	6	6	9	8
No Water	8	4	4	15	18	8	11

Meter Change	7	2	5	11	8	19	24	76
No Water	25	6	3	18	12	7	6	77

No Water	9	4	0	7	11	3	8	42
Meter Change	17	12	13	21	15	35	24	137
Cutoff	8	4	7	3	6	5	9	42
Line Locate	8	14	11	16	27	9	16	101
Dirty Water	1	0	4	5	9	1	2	22
Low Pressure	2	7	3	9	8	15	9	53
Water Meter Damage	25	38	12	24	21	41	36	197
Water Leak	41	36	22	27	18	24	19	187
NOVEMBER								

DECEMBER								
Water Leak	41	35	23	27	36	44	31	237
Water Meter Damage	32	28	5	18	17	28	21	149
Low Pressure	13	8	12	19	8	6	15	81
Dirty Water	3	1	4	0	2	2	1	13
Line Locate	4	7	9	12	9	6	13	60
Cutoff	8	8	12	16	13	8	9	74
Meter Change	10	4	8	12	6	17	14	71
No Water	5	16	10	11	18	28	13	101
YEARLY TOTALS	1264	1136	892	1262	1461	1914	1713	

Normal Operating Hours	# of Customers	Response Time
1 thru 5	1 hour	1 thru 5
5 thru 25	45 minutes	5 thru 25
more than 25	20 minutes	more than 25

During Off Hours		
1 thru 5	2 hours	1 thru 5
5 thru 25	1 hour	5 thru 25
more than 25	30 minutes	more than 25

*NOTE: We have a serviceman on call 24/7 to be dispatched from City of Pikeville's Dispatch Center.

ITEM 24: TABLE OF CONSUMER COMPLAINTS

DATE	PSC #	NAME	COMPLAINT ISSUE	RESOLUTION
4/2/2002	20021130	WALKER, RUSSELL	WATER PRESSURE SERVICE QUALITY/REPAIR	PRESSURE RECORDER RESULTS SHOWED 15-17 PSI; CUSTOMER WAS NOTIFIED @ TIME OF NEW SERVICE THAT PRESSURE WOULD BE LOW; WAITING ON FUNDING FOR NEW PUMP STATION
6/11/2002	20022035	WILLIAMS, RONNIE	ROUTE REPLACEMENT LINE EXTENSION/UPGRADE	WAITING ON FUNDING
10/10/2002	200203652	ROBERTS, LEONARD	BILLING (HIGH BILL/CONSUMPTION)	READING VERIFIED/METER RUNNING
11/4/2002	200203951	MCKINNEY, JAMES	REFUSAL TO PROVIDE SERVICE	WAITING ON FUNDING
1/24/2003	20030267	MULLINS, MILTON	POOR QUALITY SERVICE QUALITY/REPAIR	VERIFIED READING; CUSTOMER HAD LEAK; FOWARDED BILLING HISTORY
1/27/2003	20030272	ROSE, BUFORD	SERVICE OUTAGE/INTERRUPTION SERVICE QUALITY/REPAIR	CONTRACTOR REPLACED PRV
1/28/2003	20030291	FOSTER, TIFFANY	SERVICE OUTAGE/INTERRUPTION SERVICE QUALITY/REPAIR	CUSTOMER NOT LISTED AS TIFFANY FOSTER/ STILL SEARCHING ON CUSTOMER HISTORY
10/9/2003	20033980	SPEARS, MYRTLE	BILLING POLICIES/PRACTICES	FORWARDED BILLING HISTORY; CUSTOMER PAID \$287.15 ON WATER AND HAD SERVICE RESTORED
1/5/2004	20040001	KESTER, KAREN	SERVICE OUTAGE/INTERRUPTION SERVICE QUALITY/REPAIR	HIGH WATER STREAMS; BOTTLED WATER PROVIDED; PLACED RECORDER AT METER
1/5/2004	20040004	HANSFORD, GEORGE	SERVICE OUTAGE/INTERRUPTION SERVICE QUALITY/REPAIR	DUE TO HEAVY STORM AND WATER STREAMS 6" LINE BREAK; SERVICE RESTORED
6/16/2004	20042202	THOMAS, GOLDIE	WATER PRESSURE SERVICE QUALITY/REPAIR	MEMORIAL DAY STORM/ POWER OUTAGES; FULL PRESSURE RESTORED
6/30/2004	200402384	HALL, DOLEY	LINE EXTENSION/UPGRADE CHARGE HELD ORDER/ELDERLY	CUSTOMER LIVES ABOVE TANK IN TACKETT FORK/ REQUIRES A BOOSTER STATION OR HIGHER ELEVATION OF TANK/ WAITING ON FUNDING

