

## **MERGER AGREEMENT**

This Merger Agreement, hereafter "Merger Agreement" or "Agreement" is entered into this 11th day of August, 2000, by and between

KENTUCKY TURNPIKE WATER DISTRICT

"KTWD"

A Water-District Organized under KRS Chapter 74  
3396 Burkland Blvd.  
Shepherdsville, Kentucky 40165

AND

LOUISVILLE WATER COMPANY

"LWC"

A Municipally Owned Corporation  
Governed by the Board of Water Works  
Pursuant to KRS 96.230 through 96.310  
550 South Third Street  
Louisville, Kentucky 40202

### **RECITALS**

WHEREAS KTWD and LWC executed a certain lease agreement dated November 18, 1968 governing LWC's provision of water and system operation services within KTWD's Bullitt County service area, which lease agreement was further defined by a settlement agreement between the parties dated October 21, 1975;

WHEREAS LWC has operated the KTWD service area known as Kentucky Turnpike Water District, Division No. 1, "KTWD Division #1," continuously on behalf of KTWD since the execution of said lease agreement;

WHEREAS, the Kentucky Public Service Commission ordered the merger of KTWD and the Salt River Water District in 1993, which said merger formed KTWD Division #1 and KTWD Division #2;

WHEREAS, LWC and KTWD desire to end said lease agreement and enter into a Merger Agreement (hereafter "Merger Agreement"), and, in furtherance of that desire, LWC and KTWD executed a "Statement of Intent" (hereafter "Statement") on February 17, 2000, at Exhibit A and incorporated herein by reference. To the extent of any conflict or inconsistency between the terms of the Merger Agreement and terms of the Statement or between the sets of exhibits in the Merger Agreement and the sets of exhibits in the Statement, the terms and exhibits to the Merger Agreement supercede the terms and exhibits to the Statement;

WHEREAS, by letter dated June 28, 2000 and by letter dated August 1, 2000, both at Exhibit Q and incorporated herein by reference, LWC and KTWD by mutual agreement extended the Statement for thirty-one days from July 1, 2000, to and including August 1, 2000 and for ten days from August 1, 2000 to and including August 11, 2000, respectively, continuing the Statement under all the same terms and conditions outlined therein, and

WHEREAS, LWC and KTWD now desire to enter into the Merger Agreement anticipated by and described in the Statement of Intent.

NOW, THEREFORE, the parties agree as follows:

### **Section One – Definitions for this Merger Agreement**

As used in this Merger Agreement, the following terms have the following meanings:

**"Assets"** shall mean all of KTWD's property, tangible and intangible, including, but not limited to the distribution system, pump stations, storage tanks, equipment, materials, cellular communication leases, real and personal property,

easements, lien rights, developer contracts, tapping fee contracts, leases, contracts, grants, pending grants, construction reserve funds, operating reserve funds, accounts receivable, licenses, rights to serve, if any, and promissory notes to be owned by LWC in this merger, a complete inventory of which has been reviewed and agreed to by the parties and is included at Exhibit B and incorporated herein by reference.

**“Liabilities”** shall mean all of KTWD’s liabilities, known, unknown or contingent, including but not limited to debt and the contractual obligations of KTWD Division #1 and KTWD Division #2, to be assumed by LWC in this merger, a complete list of which known liabilities has been reviewed and agreed to by the parties and is included at Exhibit C and incorporated herein by reference.

**“Closing Date”** shall mean the date no later than ten calendar days after approval of the Merger Agreement by the Kentucky Public Service Commission; this Closing Date and the date of execution of the Merger Agreement may be extended in writing by mutual agreement of the parties.

**“Employees”** shall mean those six persons employed full-time at KTWD at the time of execution of the Statement of Intent, plus any additional person(s) hired after that date but before the Closing Date, if any such additional person(s) was hired with the approval of the LWC; names of those employees are included at Exhibit D and incorporated herein by reference.

**“Statement of Intent”** shall mean that document executed by KTWD and LWC on February 17, 2000 on the subject of merger of KTWD and LWC, and its amendments dated June 28, 2000 and August 1, 2000, which are included in this Merger Agreement at Exhibit A (Statement) and Exhibit Q (Amendments), respectively.

## **Section Two -- Merger**

Upon the terms and conditions contained in this Merger Agreement and for good and valuable consideration as outlined in this Merger Agreement, the sufficiency of which is acknowledged by the parties through their assent to this Merger Agreement and evidenced by their signatures hereinbelow, LWC and KTWD agree to merge.

### **A. Terms**

This merger includes the conveyance to LWC of all assets owned by KTWD, as the term "assets" is defined for this Merger Agreement and the assumption of all liabilities from KTWD, as the term "liabilities" is defined for this Merger Agreement. As a result of this merger and after the Closing Date, LWC shall be responsible for water service, management, administration and ownership of the following:

- KTWD Division #1 and Division #2 service areas, as shown in Exhibit E;
- KTWD Division #1 and Division #2 Assets including those Assets shown in Exhibit B;
- KTWD Division #1 and Division #2 customer accounts as shown in Exhibit J; and
- KTWD Division #1 and Division #2 Liabilities including those Liabilities shown in Exhibit C.

### **B. Consideration**

In consideration for the merger, LWC agrees to install, over time, certain system improvements within the KTWD service area in Bullitt County. The system improvements shall be known collectively as the Bullitt County Water Improvement Program (BCWIP), and shall include the following:

- I-65 Transmission Main System and system growth improvements within five (5) years from Closing Date, as those improvements are described in Exhibit F,
- KTWD Division #1 and KTWD Division #2 System Improvements within five (5) years from Closing Date, as those improvements are described in Exhibit G, and
- The Bullitt County Extension Program (BCEP), with the backbone water mains of the BCEP to be constructed within ten (10) years from Closing Date, as those backbone water mains are described in Exhibit H,
- Anticipated BCEP distribution water mains are also described in Exhibit H, and these distribution water mains will be offered to unserved public roads within ten (10) years from the date of completion of the BCEP plan. Each distribution water main will require a two-thirds majority petition of residents on the road for the main to be built.

LWC agrees to contribute a total of \$5 million towards projects and improvements in Bullitt County, as described in Exhibit F. Changes, if any, to the I-65 Transmission Main System will be made in mutual consultation with the Bullitt County Advisory Board (BCAB); the BCAB is more fully described at Section Ten, Paragraph K of this Merger Agreement. The parties acknowledge that any such change in the I-65 Transmission Main System will be for growth-related improvements.

Other activities, improvements and liabilities, including but not limited to those improvements and liabilities set out at Exhibits G and H, and Exhibit C, to this Merger Agreement, respectively, related to the operation of KTWD Division #1 and Division #2 and the Bullitt County Extension Program will be funded from the Bullitt County Water Reserve.

### **Section Three – KTWD Assets and Liabilities**

Pursuant to the terms of this Merger Agreement, on the Closing Date, KTWD shall convey, assign and deliver to LWC and LWC agrees to accept from KTWD any and all assets including those listed in Exhibit B, and KTWD shall convey, assign and deliver to LWC and LWC agrees to accept any and all liabilities including those listed in Exhibit C.

#### **A. Title and Possession**

KTWD shall deliver title and possession of assets to LWC on the Closing Date. In addition, KTWD through its Chairman shall execute instruments of transfer of all or any portion of the assets, such as deeds, bills of sale, and other instruments in writing as may be reasonably requested by LWC with LWC to prepare said instruments and the Chairman of KTWD to sign said instruments within ninety (90) days after the Closing Date, as further specified in this Merger Agreement at Section Eight, Paragraph A, subsection 3. KTWD further agrees to cooperate with preparation and execution of any additional written instruments of transfer as may be reasonably requested after the Closing Date with respect to specific assets being acquired by LWC hereunder, where the need for such instrument may later appear (for example, an overlooked water line easement of record later discovered or an assignment of a specific contract right deemed desirable at a later date in order to enforce same). KTWD and LWC agree that LWC will prepare any such additional written instruments of transfer and that the Chairman of KTWD will sign any such additional instruments.

#### **B. Audited Financial Statements**

KTWD has furnished, and LWC has reviewed and found satisfactory 1999 Audited Financial Statements for KTWD Division #1 and KTWD Division #2 prepared in conformity with generally accepted accounting principles (GAAP); KTWD will furnish to LWC on the Closing Date semiannual

(January 1 through June 30, 2000) Audited Financial Statements for KTWD Division #1 and Division #2, prepared in conformity with generally accepted accounting principles (GAAP) and paid for by LWC. Copies of the 1999 Audited Financial Statements are Exhibit I and incorporated herein by reference; KTWD represents and warrants those 1999 Audited Financial Statements to be complete and prepared from KTWD's water distribution books and records. Copies of the semiannual (January 1 through June 30, 2000) Audited Financial Statements for KTWD Division #1 and Division #2 shall be furnished by KTWD to LWC on the Closing Date.

**C. Schedule of Assets**

KTWD has furnished, and LWC has reviewed and found satisfactory a schedule of assets, a copy of which is Exhibit B and incorporated herein by reference.

**D. Liabilities**

KTWD has furnished, and LWC has reviewed and found satisfactory a list of liabilities, which is Exhibit C and incorporated here by reference.

**E. Customer List**

KTWD has furnished, and LWC has reviewed the KTWD list of customers, which is Exhibit J and incorporated herein by reference.

**Section Four -- Taxes**

Any federal, state or local taxes or assessments of any kind or description assessed against the assets or KTWD's operation of those assets and attributable to the period prior to the Closing Date are and will remain the sole responsibility and obligation of KTWD to be paid out of the Bullitt County Water Reserve. Sales, use, transfer, purchase and documentary taxes, if any, payable

by reason of the transactions required to fulfill the terms of this Merger Agreement and due at the Closing Date shall be the responsibility and obligation of KTWD, to be paid out of the Bullitt County Water Reserve. Any and all taxes, sales, use or otherwise, assessed on the assets or the operation thereof, upon or after the Closing Date shall be the sole responsibility and obligation of LWC to be paid out of the Bullitt County Water Reserve.

## **Section Five – Execution of the Merger Agreement and Closing Date**

Execution of the Merger Agreement shall take place on or before August 11, 2000. The Closing shall take place at the corporate offices of the Louisville Water Company, 550 S. Third Street, Louisville, KY 40202, at the hour of 2:00 p.m., E.D.T. no later than ten calendar days after approval of the Merger Agreement by the Kentucky Public Service Commission on a date fixed by agreement of the parties. The Closing Date may be extended in writing by mutual agreement of the parties. The parties agree that if the Kentucky Public Service Commission should not approve the Merger Agreement, then the provisions set out in the Statement of Intent at paragraph 23 (b) for failure to execute the agreement due to action by the Public Service Commission shall apply, and each party will bear its own administrative costs, including attorney fees.

## **Section Six -- KTWD's Representations and Warranties**

### **A. Authority**

KTWD represents and warrants that it is a water district created by the Bullitt County Fiscal Court, validly existing and in good standing under the laws of the Commonwealth of Kentucky, having full power and authority to own the assets and to conduct the water distribution business as and where such business has and is now being conducted.



**B. Title and Authority to Convey**

KTWD represents and warrants that it has good and marketable title to all of its assets (listed at Exhibit B to this Merger Agreement and incorporated herein by reference), and, upon conveyance of same to LWC, each of the assets listed at Exhibit B will be free and clear of all claims, mortgages, security interests, equities, restrictions, liens, encroachments, pledges, options, purchase rights, charges or encumbrances of any kind, except those already disclosed to LWC; that it has the right to sell and convey the assets, make any necessary assignments, and convey the right to deliver water in KTWD District #1 and District #2, without referendum or further approval of any other governmental agency or entity, excepting approval by the Kentucky Public Service Commission; and, that it has the full right, power, authority and capacity to execute, deliver and perform this Merger Agreement in accord with its terms, which approval is evidenced by Resolution of the Kentucky Turnpike Water District at Exhibit K and incorporated herein by reference. This Merger Agreement constitutes a legal, valid and binding obligation on KTWD.

**C. Operating System**

KTWD represents and warrants that all the assets (listed at Exhibit B to this Merger Agreement and incorporated herein by reference) are in good working order ordinary wear and tear excepted, sufficient to enable LWC to provide water service to KTWD's customers without interruption in service.

**D. Environmental Matters**

KTWD represents and warrants that to the best of its knowledge there are no toxic, hazardous or carcinogenic substances or wastes disposed, stored or present on, in or under any of the assets to be transferred to LWC under the terms of this Merger Agreement. KTWD further represents

that it has not arranged for the shipment of any toxic substances and/or wastes, hazardous substances and/or wastes, or carcinogenic substances and/or wastes, other than those KTWD lists at Exhibit L. KTWD also represents that it has not arranged for the treatment, processing, recycling, reclamation, reprocessing, storage or disposal at any site listed on the National Priorities List, any Kentucky State Superfund Site, or any facility not duly authorized and permitted to accept and treat, process, recycle, reclaim, reprocess, store or dispose of such substances and wastes.

#### **E. Financial Statements**

KTWD has furnished, and LWC has reviewed and found satisfactory 1999 Audited Financial Statements for KTWD Division #1 and KTWD Division #2 prepared in conformity with generally accepted accounting principles (GAAP), which Statements KTWD represents and warrants to be true, correct and complete and prepared from KTWD's water distribution books and records all of which are Exhibit I and incorporated herein by reference; KTWD will furnish to LWC on the Closing Date semiannual (January 1 through June 30, 2000) Audited Financial Statements for KTWD Division #1 and Division #2, prepared in conformity with generally accepted accounting principles (GAAP) and paid for by LWC. Copies of the semiannual (January 1 through June 30, 2000) Audited Financial Statements for KTWD Division #1 and Division #2 shall be furnished by KTWD to LWC on the Closing Date with KTWD's warranty that the Statements are true, correct and complete and prepared from KTWD's water distribution books and records.

#### **F. Litigation (Pending and Anticipated)**

KTWD represents and warrants that there are no claims, actions, suits, arbitrations, mediations, proceedings or investigations, administrative, judicial or otherwise, pending, or, to the best of KTWD's knowledge,

threatened, administrative, judicial or otherwise, affecting the KTWD water distribution system operations or KTWD's ownership or possession of the assets, that have not been disclosed to LWC.

#### **G. Customer List and Metering**

KTWD represents and warrants that all users of water connected to the KTWD distribution system, are listed as KTWD customers on the customer list at Exhibit J, incorporated herein by reference, and, further, that those customers, including all governmental facilities, are metered, with the exception of the list of unmetered customers, at Exhibit M. After the Merger Agreement is executed, LWC will install meters for water usage, for any unmetered customers, with the cost of installation of any such meters to be funded by the Bullitt County Water Reserve.

### **Section Seven -- LWC's Representations and Warranties**

#### **A. Valid Existence**

LWC represents and warrants that it is a municipally-owned Kentucky corporation, validly existing and in good standing, acting hereunder through the authority of the Board of Water Works, established pursuant to KRS Sections 96.230 through 96.310.

#### **B. Authority**

LWC has full right, power and authority to execute this Merger Agreement and to perform the terms and conditions contained herein without further approval of any governmental agency or entity, other than the approval of its own Board of Water Works, which approval is evidenced by Resolution of the Board of Water Works at Exhibit N and incorporated herein by reference. This Merger Agreement constitutes a legal, valid and binding obligation for LWC.

## **Section Eight – Due at Closing**

### **A. Due from KTWD to LWC**

Unless LWC produces a written waiver of any item listed herein, KTWD shall deliver to LWC at closing the following:

1. A document evidencing in writing to LWC the exclusive authority if there be any such exclusive authority granted to KTWD, to provide water service to the properties and residents of KTWD Division #1 and Division #2;
2. A quitclaim deed for any real property owned by KTWD (and listed in the schedule of assets at Exhibit B) to be prepared by LWC, said deed to be duly executed, acknowledged and delivered by KTWD conveying to LWC marketable fee simple title to such real property at the closing;
3. All of KTWD's title and ownership interest and any other interest in real property. The parties agree that any deed or deeds transferring to LWC all of KTWD's title and ownership interest in and to easements of record, used and/or acquired by KTWD to install and/or maintain water distribution facilities (which facilities are among the assets transferred to LWC in this Merger Agreement) shall be prepared by LWC and signed by KTWD Chairman within ninety (90) days of the Closing Date;
4. All of KTWD's title and ownership interest and any other interest in personal property, tangible or intangible. The parties agree that any bill of sale for personal property (tangible or intangible) (which personal property is among the assets transferred to LWC in this Merger Agreement), shall be prepared by LWC and signed by KTWD Chairman within sixty (60) days of the Closing Date;

5. An inventory, taken by LWC in the presence of a KTWD representative no later than 10 days in advance of the Closing Date, detailing all materials and supplies on hand and to be included within the assets in the Schedule of Assets, (except to the extent those materials and supplies on hand are installed or consumed in the ordinary course of KTWD's business prior to the Closing Date) which is Exhibit B to this Merger Agreement and incorporated herein by reference;
6. All customer records (including the customer list described in Section Three, Paragraph E and set out in Exhibit J), and engineering and supplier records relating to KTWD Division #1 and Division #2 including those of the former Salt River Water District, including but not limited to a list of all KTWD customers, wholesale and retail, current as of the date of the closing and in a form satisfactory to LWC;
7. Possession of the assets detailed in the Schedule of Assets at Exhibit B;
8. Written affirmation of KTWD's representations and warranties;
9. A certified copy of KTWD's Resolution authorizing the KTWD Commissioners to enter into and perform the terms of this Merger Agreement and further authorizing the Chair of the Board of Commissioners to execute this Merger Agreement on behalf of KTWD;
10. An opinion from KTWD's counsel, satisfactory in form to LWC, as to matters set forth in Section Six of this Merger Agreement – KTWD's Representations and Warranties;
11. A list of all pending legal actions, including administrative, regulatory, civil, criminal and any other legal actions to which KTWD is a party, as well as a list of all agreements, including but not limited to contracts, to which KTWD is a party;

12. Any such other documentation, at the closing or later if requested, as may be reasonably necessary to effect consummation of the transactions contemplated by and/or required by this Merger Agreement, including, but not limited to, transfer from KTWD to LWC of title to and ownership of the water distribution facilities and appurtenances thereto.

#### **B. Due from LWC to KTWD**

Unless KTWD produces a written waiver of any item listed herein, LWC shall deliver to KTWD at closing the following:

1. A certified copy of LWC's Board of Water Works' Resolution authorizing LWC's president to enter into and perform the terms of this Merger Agreement, including acceptance of assets and liabilities listed in Exhibits B and C, respectively, pursuant to the terms of this Merger Agreement;
2. A final offer of employment to each of the KTWD employees listed at Exhibit D offer contingent on execution of this Merger Agreement; said offer to include a position description, salary range, starting salary and provisions for leave and benefits;
3. An opinion from LWC's counsel, satisfactory in form to KTWD, as to matters set forth in Section Seven of this Merger Agreement – LWC's Representations and Warranties.
4. Written affirmation of LWC's representations and warranties.

### **Section Nine – Defaults**

#### **A. Default by LWC**

If this Merger Agreement is not executed due to LWC's default hereunder, LWC shall compensate KTWD in the manner and to the extent set out in the Statement of Intent at Exhibit A.

**B. Default by KTWD**

If the Merger Agreement is not executed due to KTWD's default hereunder, KTWD shall compensate LWC in the manner and to the extent set out in the Statement of Intent at Exhibit A.

**C. Default by mutual agreement of LWC and KTWD**

If the Merger Agreement is not executed by mutual agreement of the parties, each party shall be solely responsible for its own expenses, as set out in the Statement of Intent at Exhibit A.

**Section Ten – Miscellaneous Matters****A. Risk of Loss**

After the Closing Date when LWC receives the assets and accepts any and all liabilities described at Exhibits B and C, (and, after approval of the Merger Agreement by the Kentucky Public Service Commission), the risk of loss shall shift from KTWD to LWC; KTWD having borne exclusively the risk of loss during negotiation of the Merger Agreement in accord with the Statement of Intent at Exhibit A.

**B. Transfer of Customer Accounts**

KTWD shall conduct its final reading of all of its customers' meters prior to execution of the Merger Agreement; LWC agrees to accept KTWD's final reading on the consumption of each account as LWC's beginning reading. The parties agree to work together on meter reading to assure a smooth transition of this process. Any payment for service rendered prior to the Closing Date and received after the Closing Date shall be deposited in the Bullitt County Water Reserve.

### **C. Applications for Service Connections**

LWC will effect any water service connections after the Closing Date which KTWD has approved in the ordinary course of business and for which KTWD has been paid its usual and customary fees and/or deposits prior to the Closing Date; KTWD agrees to surrender to LWC any deposit paid by the customer, and LWC agrees to make no further charge the customer therefor.

### **D. Other Payments to KTWD and Invoices Owed By KTWD**

Any other payments due to KTWD prior to the Closing Date and received within 90 days after the Closing Date shall be deposited into the Bullitt County Water Reserve; any invoices owed by KTWD in the ordinary and regular course of its business prior to the Closing Date and received within 90 days after the Closing Date shall be paid out of the Bullitt County Water Reserve.

### **E. Notices**

Any notices, requests, waivers or other communications required or permitted to be given under this Merger Agreement shall be in writing, and shall be delivered by hand or courier or US mail, postage pre-paid, and addressed to each party as set forth in this Merger Agreement with copies to parties' counsels at their then-current addresses.

### **F. Entire Agreement**

This Merger Agreement, including the Statement of Intent previously incorporated herein by reference, supersedes all prior discussions and agreements between KTWD and LWC, with respect to this merger. All promises, inducements, offers, solicitations, agreements, commitments, representations, and warranties heretofore made between the parties are merged into this Merger Agreement. This Merger Agreement shall not be modified or amended except in a writing executed by both parties.



Covenants, representations and warranties made in this Merger Agreement remain in full force and effect, surviving the closing.

#### **G. Headings and Captions**

All headings, captions, sections and section numbers and letters are solely for the purpose of facilitating reference to this Merger Agreement and shall not supplement, limit, or otherwise vary in any respect the text of this Merger Agreement.

#### **H. Successors and Assigns**

This Merger Agreement shall be binding on and shall inure to the benefit of the parties hereto and their respective successors and assigns.

Nothing in this Merger Agreement shall be construed to create any rights or obligations except among and between the parties thereto, and no person or entity shall be regarded as a third party beneficiary of this Merger Agreement, with the exception of the Bullitt County Fiscal Court, which the parties acknowledge to have statutory authority to enforce the terms of this Merger Agreement.

#### **I. Indemnifications**

Each party agrees to indemnify and hold the other party harmless from claims made against it and expenses incurred in defense of same, resulting from one or more breaches of the representations, warranties, and covenants contained in this Merger Agreement. LWC acknowledges and accepts as a decision within the discretion of the Commissioners of the KTWD the indemnification provided by KTWD to its Commissioners and General Manager by Board Resolution dated November 4, 1999 for their acts in their official capacities as Commissioners and General Manager, a copy of which indemnification is included in this Merger Agreement at Exhibit P with said indemnification to cover those acts through and including the Closing Date; LWC agrees to provide the

Commissioners and General Manager with Directors and Officers Insurance either by continuation of their current policy or by a new policy with substantially similar terms. The parties agree that LWC shall direct, in consultation with the indemnified person or persons, any litigation or threatened litigation arising from the indemnification described in this section (with said consultation to include the opportunity for indemnified person or persons to participate in the formulation of litigation strategy) and that any attorneys retained pursuant to the indemnification shall be selected by mutual agreement of LWC and the indemnified person or persons. The parties agree that any funding requirements attributable to indemnification of the Commissioners and General Manager (pursuant to KTWD's Board Resolution, directors and officers insurance as described above, or the indemnifications by LWC under the terms of this Merger Agreement), including the cost of legal representation, shall be drawn from the Bullitt County Water Reserve. The parties acknowledge that LWC's actions and decisions regarding indemnifications will be made on behalf of the KTWD ratepayers and with the best interests of those ratepayers in mind.

#### **J. Defense of Territory**

To the extent that, at the time of execution of this Merger Agreement, there exists any exclusive authority granted to KTWD to provide water service to the properties and residents of KTWD Division #1 and Division #2, LWC agrees to take reasonable steps necessary to preserve that exclusive authority, in LWC's discretion, with the advice of the Bullitt County Advisory Board.

#### **K. Bullitt County Advisory Board and Bullitt County Extension Program Workgroup**

The parties agree that the Bullitt County Advisory Board as described at Paragraph 10 in the Statement and the Bullitt County Extension Program

Workgroup as described at Exhibit 5 to the Statement, shall be modified as follows:

**1. Bullitt County Advisory Board**

Upon execution of this Merger Agreement, the Bullitt County Advisory Board, "BCAB", consisting initially of the three current KTWD commissioners (who shall serve on the BCAB for the remainder of their KTWD terms), shall be established. Thereafter, upon expiration of each commissioner's current term, the parties most respectfully request that the Bullitt County Judge/Executive in his discretion either reappoint the former KTWD commissioners to the BCAB or appoint successors, to four year terms. The BCAB shall provide advice and counsel to the Chairman of the LWC Board of Water Works, on issues related to KTWD service areas and the Bullitt County Water Improvement Program until that program has been completed, at which time the BCAB will automatically cease to exist. The BCAB shall meet quarterly to receive from LWC financial reports on the sources and uses of funds referenced in the Statement and in the Merger Agreement. Those financial reports from LWC shall include, annually, as part of LWC's annual financial audit and conducted by the same independent certified public accounting firm that conducts LWC's annual financial audit, an audit in accordance with generally accepted accounting principles (GAAP). LWC shall direct this independent, certified public accounting firm to issue an Opinion Letter to the Board of Water Works on the subject of the management and accounting of the BCWR, which Opinion Letter shall also be provided to the Bullitt County Advisory Board. The BCAB shall, at its next regular quarterly meeting after presentation of LWC's Annual Audit to the Board of Water Works, receive both that portion of the annual audit reflecting activity within the BCWR as well as a copy of the independent, certified public accounting

firm's Opinion Letter to the Board of Water Works regarding management and accounting of the BCWR. The Board members shall receive a stipend of \$100 per month from the Bullitt County Water Reserve.

## **2. Bullitt County Extension Program Workgroup**

Upon execution of this Merger Agreement, the Bullitt County Extension Program Workgroup, "Workgroup", shall be formed, to advise LWC on the direction of the Bullitt County Extension Program and future system improvements. LWC will appoint one member to the Workgroup. The parties most respectfully request that the Bullitt County Judge/Executive in his discretion appoint to the Workgroup up to eight (8) members representing a broad cross section of the county, particularly unserved and underserved areas; among those eight members, at least one member should have expertise in each of the following fields: planning and economic development, fire protection, and federal, state and local government. Within six months after the Closing Date, the Workgroup is to develop a plan to make water service available to all Bullitt County residents over a ten-year period. Additionally, the Workgroup will evaluate funding from various sources including, but not limited to, water rates, connection fees, grants (federal, state, local), loans, system development charges, fire protection district tax hydrant fees, etc. The parties anticipate that the Workgroup will incorporate a review of the Bullitt County Comprehensive Land Use Plan and Public Infrastructure Policy into their ongoing activities.

### **L. Rates for former KTWD Division #1 and Division #2**

LWC shall charge rates for the former KTWD Division #1 and Division #2 as set out in the Statement of Intent at Exhibit 6; rate equalizations with

other LWC customers shall occur when the conditions listed in the Statement of Intent have been met.

**M. Service to Former KTWD Customers**

LWC reaffirms and reiterates its commitment to serve customers of the former KTWD Divisions #1 and #2 equally with similarly situated LWC customers under LWC Service Rules and Regulations except that customers of the former KTWD Divisions #1 and #2 will be subject to the rates and fees set out in this Merger Agreement and the Statement of Intent.

**N. Rate Equalization and Water Rates**

KTWD and LWC reiterate and reaffirm their agreement on water rates and their commitment to rate equalization, which agreement and commitment are set out in detail in the Statement of Intent at Paragraph 11 and in the exhibits to the Statement of Intent, and specifically incorporated herein by reference.

**O. Funding and Interim Funding for BCWR**

In addition to provisions at Section Ten paragraphs B and D, KTWD and LWC agree that any balances in any KTWD accounts at the Closing Date shall be transferred to the Bullitt County Water Reserve. KTWD and LWC acknowledge that, from time to time, the Bullitt County Water Reserve (as that fund is defined in paragraph 9 of the Statement of Intent and further defined at Exhibit R to this Merger Agreement) will require interim funding by LWC, for purposes of cash flow and orderly financial management when costs due to be paid out of that Bullitt County Water Reserve might otherwise exceed its balance. LWC is prepared to advance funds to the Bullitt County Water Reserve on an as-needed basis, at LWC's most recent long term borrowing rate including any closing costs and other

costs imposed on LWC, with no additional fees or charges imposed by LWC.

**P. KTWD's Existing Wholesale Accounts**

The parties acknowledge that KTWD has certain wholesale accounts with North Nelson, the City of Shepherdsville, and the City of Lebanon Junction for potable water. For so long as the rate differential between former KTWD customers and Jefferson County LWC customers exists, the parties reiterate that, pursuant to Section 11 of the Statement, that rate differential will be deposited in the Bullitt County Water Reserve. LWC further agrees not to re-negotiate those wholesale accounts in such a way as to reduce the amount of funding realized by the Bullitt County Water Reserve from those wholesale accounts as of the Closing Date. LWC agrees to consult with the Bullitt County Advisory Board on any future acquisitions affecting those KTWD current wholesale customers. The parties acknowledge that in the future LWC will continue to seek new wholesale customers and the parties agree that if service to any such new wholesale customer uses former KTWD infrastructure or former KTWD service territory, LWC will consult with the Bullitt County Advisory Board.

**Q. Sale or Lease of KTWD Assets**

The parties agree that, in the event of any sale or lease by LWC of assets conveyed, assigned or delivered to it by KTWD pursuant to the terms of this Merger Agreement for so long as the Bullitt County Advisory Board exists or the rate differential between former KTWD customers and Jefferson County LWC customers exists, LWC will deposit the same amount as the amount of any proceeds of any such sale or lease into the Bullitt County Water Reserve. The parties acknowledge that LWC's Louisville Water Company Water System Revenue Bond Resolution Authorizing the Issuance of Water System Revenue Bonds, adopted July 14, 1992, specifically Article VI Bond Covenants at Section 611, requires

deposit of the proceeds of any such sale or lease into LWC's Depreciation Fund; therefore, the parties agree that LWC's deposit of the same amount as the amount of any such proceeds of any such sale or lease of assets will satisfy this provision.

#### **R. Supplemental Representations**


The parties agree that both parties may supplement their representations and warranties and exhibits to this Merger Agreement, during the time period between execution of this Merger Agreement and the Closing Date. The parties further agree that if the non-supplementing party considers the supplement to materially affect the value of the Merger to the detriment of the non-supplementing party, then the provisions set out in paragraph 23(b) of the Statement shall apply, and the supplementing party shall pay the administrative costs of the non-supplementing party, up to the sum of \$10,000, within thirty days of the date of the non-supplementing party's notice to the supplementing party of material detriment.

#### **S. Notice of Significant Actions During Interim Period**

The parties acknowledge that there will be a period of time between the execution of this Merger Agreement and the Closing Date, and both parties agree to provide notice to the other party of any action or event which may impair the value of an asset (by \$10,000 or more) or increase a liability (by \$10,000 or more) subject to this Merger Agreement, including but not limited to those assets and liabilities listed at Exhibits B and C. The parties agree that any such notice shall be provided within forty-eight (48) hours of the party's knowledge of that action or event.

Wherefore, the parties to this Merger Agreement affix their signatures as of the date first hereinabove written.

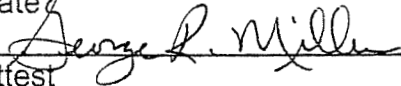
KENTUCKY TURNPIKE WATER DISTRICT



Dan Thibodeaux, Commissioner

8-11-00

Date

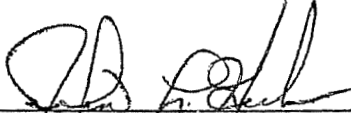


Attest

8-11-2000

Date

LOUISVILLE WATER COMPANY



John L. Huber, President

August 11, 2000

Date



Attest

Date



## Exhibits

- A Statement of Intent executed 2/17/00
- B Schedule of Assets agreed to by the Parties (including Inventory of personal property)
- C List of "Assumed Liabilities"
- D List of KTWD employees, current positions and LWC contingent offers
- E Map of KTWD Division #1 and Division #2
- F I-65 Transmission Main System
- G KTWD Division #1 and Division #2 System Improvements
- H Bullitt County Extension Program Improvements
- I KTWD Division #1 and #2 1999 audited financial statements
- J KTWD customer list
- K KTWD Resolution of the Commissioners Authorizing Chairman to sign Merger Agreement
- L KTWD list of toxic, hazardous and/or carcinogenic substances/wastes
- M KTWD list of unmetered customers
- N LWC Resolution of the Board of Water Works Authorizing President to sign Merger Agreement
- P KTWD Indemnification of Commissioners and General Manager
- Q KTWD and LWC Letter dated June 28, 2000 extending terms and conditions of the Statement of Intent to and including August 1, 2000; KTWD and LWC Letter dated August 1, 2000 extending terms and conditions of the Statement of Intent to and including August 11, 2000
- R Further Definition of Anticipated Funding Sources for Bullitt County Water Reserve

## **EXHIBIT A**

Statement of Intent

February 17, 2000

## STATEMENT OF INTENT

This Statement of Intent, hereafter "Statement", is entered into the 17<sup>th</sup> day of

February, 2000, by and between

KENTUCKY TURNPIKE WATER DISTRICT "KTWD"

A Water-District Organized under KRS Chapter 74

3396 Burkland Blvd.

Shepherdsville, Kentucky 40165

AND

LOUISVILLE WATER COMPANY "LWC"

A Municipally Owned Corporation

Governed by the Board of Water Works

Pursuant to KRS 96.230 through 96.310

550 South Third Street

Louisville, Kentucky 40202

## RECITALS

WHEREAS KTWD and LWC executed a certain lease agreement dated November 18, 1968 governing LWC's provision of water and system operation services within KTWD's Bullitt County service area, which lease agreement was further defined by a settlement agreement between the parties dated October 21, 1975;

WHEREAS LWC has operated the KTWD service area known as Kentucky Turnpike Water District, Division No. 1, "KTWD, Division #1," continuously on behalf of KTWD since the execution of said lease agreement;

WHEREAS, the Kentucky Public Service Commission ordered the merger of KTWD and the Salt River Water District in 1993, which said merger formed KTWD Division #1 and KTWD Division #2 as shown in the map as Exhibit 1 to this Statement and incorporated herein by reference; and

WHEREAS LWC and KTWD are now desirous of ending said lease agreement and entering into a merger agreement (hereafter "Agreement"), and, in furtherance of that desire, LWC and KTWD have entered into this Statement of Intent:

**WITNESSETH:**

1. KTWD affirms that the total assets of KTWD Division #1 as of December 31, 1998 are seven million, eight hundred forty thousand, nine hundred thirty five dollars (\$7,840,935). KTWD affirms that the total assets of KTWD Division #2 as of December 31, 1998 are five million, six hundred seventy thousand, eight hundred sixty three dollars (\$5,670,863). Prior to execution of the Agreement, KTWD will furnish audited financial statements for the period ending December 31, 1999 for KTWD Division #1 and for KTWD Division #2. KTWD will also furnish to LWC a schedule of KTWD Division #1 and KTWD Division #2 assets and a list of customers, which schedule shall be by resolution of the KTWD Board of Commissioners. The 1999 Audited Financial Statements, the schedule of assets and the list of customers shall supercede information provided in this Statement and become an attachment to the Agreement, fully incorporated therein.

2. KTWD affirms that as of December 31, 1998 its current liabilities and long term debt for KTWD Division #1 are eight hundred thirty one thousand, one hundred seventy three dollars (\$831,173). KTWD affirms that as of December 31, 1998 its current liabilities and long term debt for KTWD Division #2 is two million, five hundred seventy eight thousand, seven hundred twenty six dollars (\$2,578,726). Prior to execution of the Agreement, KTWD will furnish to LWC written documentation for KTWD Division #1 and for KTWD Division #2 detailing each Division's debt and any and all other outstanding liabilities, which documentation shall be by resolution of the KTWD Board of Commissioners. The written documentation shall supercede the statement of debt in this paragraph and become an attachment to the Agreement, fully incorporated therein.

3. KTWD affirms that it has full authority, as granted by the Bullitt County Fiscal Court and regulated by the Kentucky Public Service Commission, to provide potable water in all areas of Bullitt County, Kentucky, described as KTWD Division #1 and KTWD Division #2, excluding those areas served by LWC, the City of Mount Washington Water & Sewer Department, the City of Shepherdsville Water & Sewer Department, the City of Lebanon Junction Water & Sewer Department, the North Nelson Water District and the Fort Knox Military Reservation. This geographic area is more specifically shown on the map designated as Exhibit 1.

4. For good and valuable consideration as outlined in this Statement, the sufficiency of which is acknowledged by the parties through their assent to this Statement and evidenced by their signatures hereinbelow, LWC and KTWD agree to merge. This merger includes the transfer of all assets, but is not limited to, the distribution system, pump stations, storage tanks, equipment, materials, cellular communication leases, property, easements, lien rights, developer contracts, tapping fee contracts, leases, contracts, grants, pending grants, construction reserve funds, operating reserve funds, and promissory notes. This merger includes the assumption of all liabilities from KTWD, including, but not limited to all debt and contractual obligations of KTWD Division #1 and KTWD Division #2. As a result of the merger, LWC shall be responsible for water service, management and ownership of the following:

- KTWD Division # 1 and Division #2 service areas, as shown in Exhibit 1;
- KTWD Division # 1 and Division #2 existing assets;
- KTWD Division # 1 and Division #2 customer accounts; and
- KTWD Division # 1 and Division #2 liabilities.

5. In consideration for the execution of the Agreement contemplated by this Statement, LWC will install, over time, certain system improvements within the KTWD service area in Bullitt County. The system improvements are described herein and set out more particularly in Exhibit 2, Exhibit 3 and

Exhibit 4 to this Statement. The system improvements will be known as the **Bullitt County Water Improvement Program** (BCWIP) and includes the following:

- a. I-65 Transmission Main System,
- b. KTWD Division #1 and KTWD Division #2 System Improvements, and
- c. The Bullitt County Extension Program (BCEP).

6. LWC will contribute \$5 million to install I-65 Transmission Main System, which includes transmission mains, pumping and storage to supply the I-65 corridor to Lebanon Junction as described in Exhibit 2, Table 1. This I-65 Transmission Main System will be funded by LWC, designated grants, construction reserve funds and associated fees (connection fees, meter fees, etc.) for those customers connecting to the I-65 Transmission Main System. Said I-65 Transmission Main System will provide service to Shepherdsville, Lebanon Junction, North Nelson Water District and any other municipality or wholesale customer to whom KTWD is contracted to provide potable water. LWC will operate this Transmission Main System on the LWC 660 pressure plane which serves up to an elevation of 550 feet at 40 psi.

7. The KTWD Division #1 and KTWD Division #2 System Improvements will consist of:

- a. LWC will install distribution system improvements consisting of water main improvements, hydrants, valves and grid ties in KTWD Division #1 as described in Exhibit 3, Table 1. These improvements will be funded from the Bullitt County Water Reserve (see Paragraph 9) and the System Development Reserve.
- b. LWC will install distribution system improvements consisting of water main improvements, hydrants, valves and grid ties in KTWD Division #2 as described in Exhibit 3, Table 2. These improvements will be funded from the Bullitt County Water Reserve (see Paragraph 9) and the System Development Reserve.

8. The Bullitt County Extension Program (BCEP) will consist of the following:

- a. LWC will install a Backbone System which includes transmission mains, pumping and storage to supply the unserved areas of Bullitt County as listed in Exhibit 4, Table 1. These

improvements will be funded from the Bullitt County Water Reserve (see Paragraph 9) and the System Development Reserve.

- b. LWC will install distribution mains in those remaining unserved areas along public roads within KTWD Division #1 and KTWD Division #2. These distribution mains are more specifically listed in Exhibit 4, Table 2. The distribution mains along public roads will be funded from the Bullitt County Water Reserve (see Paragraph 9) and the System Development Reserve. Such distribution mains will only be installed where two thirds (2/3) majority of property owners along the portion of a public road petition LWC for a distribution main in form acceptable to LWC.
- c. LWC will install distribution mains in those unserved areas along private roads within KTWD Division #1 and KTWD Division #2. These distribution mains are more specifically listed in Exhibit 4, Table 3. Private road distribution mains will be solely funded by those benefiting customers along the private road. LWC will assess service installation fees to each customer along a private road main in accordance with the LWC standard fee schedules.
- d. The public roads connection fee per customer is initially set at \$5,450. This connection fee is subject to review by the Bullitt County Advisory Board (see Paragraph 10) for making recommendations to the LWC Board of Water Works for adjustments. Any customer may elect to pay a connection fee by freely entering into a promissory note, a simple interest note at 8% per annum interest for a 20 year period and no prepayment penalties, and a property lien with LWC. Promissory notes will be billed monthly, separate from the water bill. Additionally, service installation fees will be assessed to each customer in accordance with the LWC standard fee schedules.
- e. LWC will establish the Bullitt County Extension Program Advisory Workgroup (BCEP Workgroup) to advise on the direction of the BCEP and future system improvements, as described more particularly at Exhibit 5 to this Statement and incorporated herein by reference.

9. LWC shall establish a Bullitt County Water Reserve to fund the KTWD Division #1 and KTWD Division #2 System Improvements and the Bullitt County Extension Program portions of the BCWIP. This reserve will be funded by KTWD Division #1 rate capacity, KTWD Division #2 rate capacity, grants, connection fees, system development charges, Bullitt County Government contributions, fire

protection district tax contributions and capital raised by LWC in the form of loans and/or bonds. This reserve will be designated the Bullitt County Water Reserve (BCWR). The Bullitt County Advisory Board (See Paragraph 10) will advise LWC and LWC will manage the BCWR. For purposes of this Statement, rate capacity is defined as the difference between the LWC water rates and the water rates (surcharge) of KTWD Division #1 or the difference between the LWC water rates and the water rates of KTWD Division #2.

10. A Bullitt County Advisory Board (hereafter "BCAB") shall be established upon execution of the Agreement anticipated by this Statement. The BCAB shall be comprised initially of three current KTWD Commissioners, who shall serve an initial minimum term of five years, subject to reappointment by the Bullitt County Judge/Executive. The Bullitt County Judge/Executive shall appoint replacement and successor BCAB members to serve three year terms also subject to reappointment by the Bullitt County Judge/Executive. The BCAB shall provide advice and counsel to the LWC Board of Water Works on issues related to KTWD service areas and the BCWIP, until the BCWIP has been completed, at which time the BCAB will automatically cease to exist. BCAB members also shall receive an expense stipend of \$100 per month from the BCWR. LWC will provide BCAB members with insurance coverage and will cover the cost of legal representation for their past acts as KTWD Commissioners and for their acts as members of the BCAB. The insurance coverage, legal representation and stipend will be funded from the BCWR.

11. LWC and KTWD agree to the water rates and charges and terms described by the following with corresponding rate and fee schedules set forth in Exhibit 6 to this Statement and incorporated herein by reference, for the KTWD service area shown in Exhibit 1, said water rates and charges and terms to be in effect until such time as the improvements listed in Exhibit 3, Exhibit 4 and any such other future improvements which may be identified at a later date, are completed. Upon completion of the improvements listed in Exhibit 3, Exhibit 4 and any such other improvements as jointly identified by LWC and the Bullitt County Advisory Board, estimated at 12 – 15 years, or when the KTWD water



rates equal the LWC water rates, all KTWD water rates and fees will be equalized to the LWC water rates and fees then in effect.

- a. The existing KTWD Division #1 surcharge will be added to the LWC service charge, by service and meter size, and added to the LWC commodity charge as approved by the LWC Board of Water Works. This service charge and commodity charge will apply to all customers, current and future, within the service area designated as KTWD Division #1 until water rates are equalized. Exhibit 6, Table 1, provides a schedule of the water rates for KTWD Division #1 customers using the LWC 2000 retail rate schedule. An example of a KTWD Division #1 billing is shown in Exhibit 6, Table 3.
- b. The existing KTWD Division #2 water rates will remain unchanged until the water rates are equalized with LWC water rates. These water rates will apply to all customers, current and future, within the service area designated as KTWD Division #2. Exhibit 6, Table 2, provides the KTWD #2's 2000 rate schedule of water rates for KTWD Division #2 customers. An example of a KTWD Division #2 billing is shown in Exhibit 6, Table 3.
- c. The LWC system development charge (SDC) will apply to all new water mains installed after the execution of the Agreement. Fire service connections, connections to mains installed prior to the execution of the Agreement and the initial water service connection made to serve properties identified in the BCWIP as listed in Exhibits 2, 3 & 4 will be exempt from the System Development Charge. The SDC will be used for system improvements such as main upsizing, storage tanks, booster pump stations, and grid ties in Bullitt County. The current SDC fee schedule is shown in Exhibit 6, Table 4.
- d. Revenues from the KTWD Division #1 service charge, the KTWD Division #2 rate capacity and commercial or wholesale water rates in excess of the LWC water rates will be held in the BCWR duly designated for the KTWD Division #1 and KTWD Division #2 system improvements and the BCEP portions of the BCWIP. SDC collections from the KTWD service area in Bullitt County will be held in a separate System Development Reserve account designated for system improvements in Bullitt County until the water rates are equalized.

12. LWC will offer employment to all KTWD full time employees, upon consummation of the merger anticipated by this Statement; said employment offers shall include benefits and salary or wages consistent with those of LWC employees in similar classifications. In the interim period

between acceptance of this Statement and execution of the Agreement anticipated by the Statement, KTWD agrees to a hiring freeze on full time employees, except upon consent of LWC, with said consent not to be unreasonably withheld.

13. KTWD agrees to disclose to LWC and to fully and finally resolve any matters pending or outstanding or otherwise unresolved before the Public Service Commission (if any there be), including compliance with rulings, decisions, and orders, and payments of fines, fees and penalties, prior to the date the Agreement is executed.

14. The parties agree to cooperate with each other and to assist each other as necessary to satisfy the terms of this Statement and to facilitate, expedite and accomplish the Agreement anticipated by and referenced in this Statement, including, but not limited to, the following: KTWD will take all actions necessary to dissolve KTWD Division #1 and KTWD Division #2 (including, but not limited to any necessary KRS 74.110 petition to the Bullitt County Judge/Executive), and KTWD Commissioners will facilitate the Bullitt County Fiscal Court approval of a grant to LWC of the right or license, with no current or future franchise, operating fees, or permit fees from Bullitt County Fiscal Court or any other Bullitt County Government Authority, to provide water service to those areas within Bullitt County described as KTWD Division #1 and KTWD Division #2. This geographic area is more specifically shown in Exhibit 1. Additionally, the parties agree to conduct this preliminary work to facilitate, expedite and accomplish the Agreement exclusively with each other and that neither party shall engage in talks, discussions, communications, negotiations or the like with any other water utility in regard to water service in KTWD Division #1 and KTWD Division #2. The parties intend that after execution of the Agreement anticipated by this Statement, the Bullitt County Fiscal Court will take any action necessary to accomplish dissolution of the KTWD Division #1 and KTWD Division #2 and authorization of any necessary grant, approval or license to LWC to provide water service to those areas within Bullitt County identified as KTWD Division #1 and KTWD Division #2.

15. The parties acknowledge that the Agreement described herein is subject to the review and approval of the KTWD Commissioners, Bullitt County Fiscal Court, and the Kentucky Public Service Commission, as well as by the Board of Water Works of the Louisville Water Company. The parties further acknowledge that LWC shall not be obligated to perform as outlined herein without the express approval of the Board of Water Works as evidenced by the signature of LWC's President.

16. The parties agree that this Statement, when fully executed, shall obligate the parties to engage in good faith, exclusive negotiations to develop the Agreement anticipated by and referenced in this Statement, including, in substantial part, the terms and conditions outlined in this Statement, including its Exhibits.

17. This Statement constitutes the entire agreement of the parties on their intent to negotiate the Agreement the terms of which are anticipated by and referenced in this Statement.

18. All risk of loss, damage to, or destruction of the assets subject to this Statement shall belong to and shall be borne exclusively by KTWD until execution of the Agreement anticipated by and referenced in this Statement.

19. LWC, its agents and employees may visit and/or view the assets or any part or parcel thereof at any time and from time-to-time prior to the actual merger, and may conduct such inspections, field tests, surveys, engineering evaluations, etc. as it deems desirable.

20. Each party hereto agrees to indemnify and hold the other party harmless from claims made against the other party and expenses incurred in defense of same resulting from one or more breaches of the representations, warranties and covenants contained in this Statement.

21. All captions, headings, sections, section numbers and letters and other reference numbers or letters are solely for the purpose of facilitating reference to this Statement and shall not supplement, limit or otherwise affect in any way the text of this Statement.

22. LWC and KTWD anticipate the following Course of Events.

- a. The Statement is executed by March 1, 2000.
- b. The respective due diligence period will commence from the date of execution of the Statement.
- c. The Agreement is to be reviewed, finalized, approved and executed by July 1, 2000.
- d. The BCEP Workgroup will be established and conduct its first meeting within three months of the execution of the Agreement.
- e. Construction of those mains identified by the BCEP Workgroup are anticipated to start within six months of the receipt of direction from the BCEP Workgroup.


23. Miscellaneous.

- a. The Statement of Intent and the Offer for the Merger of KTWD into LWC will be void if the Agreement is not executed by both KTWD and LWC on or before July 1, 2000, unless such date is extended in writing by mutual agreement.
- b. Failure to execute the Agreement.
  - In the event the KTWD and LWC hereto fail to execute the Agreement by July 1, 2000, or by a subsequent date mutually agreed to and specified by the KTWD and LWC, and such failure is due to, based upon, or occurs as a result of the mutual agreement of the KTWD and LWC, action by the Public Service Commission (PSC), or any intervening factor beyond the reasonable control of either KTWD or LWC, then each party will bear its own administrative costs, including attorneys fees, incurred in pursuit of matters outlined herein.
  - Should failure to execute the Agreement be due to the unilateral decision of either KTWD or LWC, the party so deciding will pay the administrative costs of the other party, including attorneys' fees, incurred in pursuit of matters outlined herein, up to the amount of Ten Thousand Dollars (\$10,000).
  - If the KTWD and LWC do not execute the Agreement, for whatever reason, they will, nevertheless, immediately begin good faith negotiations to develop terms and conditions governing LWC's acquisition of KTWD #1 service area.

- c. If the parties do not execute the Agreement, for whatever reason, they will, nevertheless, immediately begin good faith negotiations to develop terms and conditions governing LWC's acquisition of KTWD #1 service area.
- d. LWC will operate the system to meet all applicable Kentucky Division of Water regulations for public water supplies.
- e. Bullitt County will cooperate with LWC in providing permits for water main/service construction and maintenance.
- f. Any requests to KTWD for water main extensions, new contracts, or system improvements made after the execution of this Statement and before the Agreement is executed must be reviewed and commented upon by LWC.
- g. Operating income from the Zoneton cell site leases will be deposited into the BCWR until such time the BCWIP is complete.
- h. Proceeds from any sale of the KTWD offices located at 3396 Burkeland Boulevard will be deposited into the BCWR to assist in funding the BCWIP. The LWC anticipates using the KTWD offices as a Bullitt County Distribution and Customer Service Center and does not anticipate the sale of this asset.

IN TESTIMONY WHEREOF, witness the signatures of the Kentucky Turnpike Water District  
d the Louisville Water Company by their duly authorized officials as of the day herein above written.

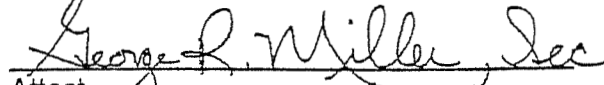
KENTUCKY TURNPIKE WATER DISTRICT



Dan Thibodeaux, Commissioner

2-17-2000  
4-17-2000

Date

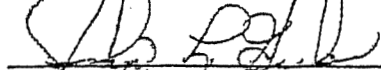


Attest

2-17-2000  
4-17-2000

Date

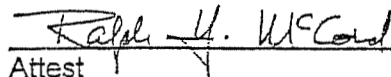
LOUISVILLE WATER COMPANY



John L. Huber, President

Feb. 17, 2000

Date



Attest

Feb. 17, 2000

Date

## Exhibits

- A Statement of Intent executed 2/17/00
- B Schedule of Assets agreed to by the Parties (including Inventory of personal property)
- C List of "Assumed Liabilities"
- D List of KTWD employees, current positions and LWC contingent offers
- E Map of KTWD Division #1 and Division #2
- F I-65 Transmission Main System
- G KTWD Division #1 and Division #2 System Improvements
- H Bullitt County Extension Program Improvements
- I KTWD Division #1 and #2 1999 audited financial statements
- J KTWD customer list
- K KTWD Resolution of the Commissioners Authorizing Chairman to sign Merger Agreement
- L KTWD list of toxic, hazardous and/or carcinogenic substances/wastes
- M KTWD list of unmetered customers
- N LWC Resolution of the Board of Water Works Authorizing President to sign Merger Agreement
- P KTWD Indemnification of Commissioners and General Manager
- Q KTWD and LWC Letter dated June 28, 2000 extending terms and conditions of the Statement of Intent to and including August 1, 2000; KTWD and LWC Letter dated August 1, 2000 extending terms and conditions of the Statement of Intent to and including August 11, 2000
- R Further Definition of Anticipated Funding Sources for Bullitt County Water Reserve

## EXHIBIT A

Statement of Intent

February 17, 2000



## STATEMENT OF INTENT

This Statement of Intent, hereafter "Statement", is entered into the 17<sup>th</sup> day of February, 2000, by and between

KENTUCKY TURNPIKE WATER DISTRICT "KTWD"

A Water-District Organized under KRS Chapter 74

3396 Burkland Blvd.

Shepherdsville, Kentucky 40165

AND

LOUISVILLE WATER COMPANY "LWC"

A Municipally Owned Corporation

Governed by the Board of Water Works

Pursuant to KRS 96.230 through 96.310

550 South Third Street

Louisville, Kentucky 40202

## RECITALS

WHEREAS KTWD and LWC executed a certain lease agreement dated November 18, 1968 governing LWC's provision of water and system operation services within KTWD's Bullitt County service area, which lease agreement was further defined by a settlement agreement between the parties dated October 21, 1975;

WHEREAS LWC has operated the KTWD service area known as Kentucky Turnpike Water District, Division No. 1, "KTWD, Division #1," continuously on behalf of KTWD since the execution of said lease agreement;

WHEREAS, the Kentucky Public Service Commission ordered the merger of KTWD and the Salt River Water District in 1993, which said merger formed KTWD Division #1 and KTWD Division #2 as shown in the map as Exhibit 1 to this Statement and incorporated herein by reference; and

WHEREAS LWC and KTWD are now desirous of ending said lease agreement and entering into a merger agreement (hereafter "Agreement"), and, in furtherance of that desire, LWC and KTWD have entered into this Statement of Intent:

**WITNESSETH:**

1. KTWD affirms that the total assets of KTWD Division #1 as of December 31, 1998 are seven million, eight hundred forty thousand, nine hundred thirty five dollars (\$7,840,935). KTWD affirms that the total assets of KTWD Division #2 as of December 31, 1998 are five million, six hundred seventy thousand, eight hundred sixty three dollars (\$5,670,863). Prior to execution of the Agreement, KTWD will furnish audited financial statements for the period ending December 31, 1999 for KTWD Division #1 and for KTWD Division #2. KTWD will also furnish to LWC a schedule of KTWD Division #1 and KTWD Division #2 assets and a list of customers, which schedule shall be by resolution of the KTWD Board of Commissioners. The 1999 Audited Financial Statements, the schedule of assets and the list of customers shall supercede information provided in this Statement and become an attachment to the Agreement, fully incorporated therein.

2. KTWD affirms that as of December 31, 1998 its current liabilities and long term debt for KTWD Division #1 are eight hundred thirty one thousand, one hundred seventy three dollars (\$831,173). KTWD affirms that as of December 31, 1998 its current liabilities and long term debt for KTWD Division #2 is two million, five hundred seventy eight thousand, seven hundred twenty six dollars (\$2,578,726). Prior to execution of the Agreement, KTWD will furnish to LWC written documentation for KTWD Division #1 and for KTWD Division #2 detailing each Division's debt and any and all other outstanding liabilities, which documentation shall be by resolution of the KTWD Board of Commissioners. The written documentation shall supercede the statement of debt in this paragraph and become an attachment to the Agreement, fully incorporated therein.

3. KTWD affirms that it has full authority, as granted by the Bullitt County Fiscal Court and regulated by the Kentucky Public Service Commission, to provide potable water in all areas of Bullitt County, Kentucky, described as KTWD Division #1 and KTWD Division #2, excluding those areas served by LWC, the City of Mount Washington Water & Sewer Department, the City of Shepherdsville Water & Sewer Department, the City of Lebanon Junction Water & Sewer Department, the North Nelson Water District and the Fort Knox Military Reservation. This geographic area is more specifically shown on the map designated as Exhibit 1.

4. For good and valuable consideration as outlined in this Statement, the sufficiency of which is acknowledged by the parties through their assent to this Statement and evidenced by their signatures hereinbelow, LWC and KTWD agree to merge. This merger includes the transfer of all assets, but is not limited to, the distribution system, pump stations, storage tanks, equipment, materials, cellular communication leases, property, easements, lien rights, developer contracts, tapping fee contracts, leases, contracts, grants, pending grants, construction reserve funds, operating reserve funds, and promissory notes. This merger includes the assumption of all liabilities from KTWD, including, but not limited to all debt and contractual obligations of KTWD Division #1 and KTWD Division #2. As a result of the merger, LWC shall be responsible for water service, management and ownership of the following:

- KTWD Division # 1 and Division #2 service areas, as shown in Exhibit 1;
- KTWD Division # 1 and Division #2 existing assets;
- KTWD Division # 1 and Division #2 customer accounts; and
- KTWD Division # 1 and Division #2 liabilities.

5. In consideration for the execution of the Agreement contemplated by this Statement, LWC will install, over time, certain system improvements within the KTWD service area in Bullitt County. The system improvements are described herein and set out more particularly in Exhibit 2, Exhibit 3 and

Exhibit 4 to this Statement. The system improvements will be known as the **Bullitt County Water Improvement Program (BCWIP)** and includes the following:

- a. I-65 Transmission Main System,
- b. KTWD Division #1 and KTWD Division #2 System Improvements, and
- c. The Bullitt County Extension Program (BCEP).

6. LWC will contribute \$5 million to install I-65 Transmission Main System, which includes transmission mains, pumping and storage to supply the I-65 corridor to Lebanon Junction as described in Exhibit 2, Table 1. This I-65 Transmission Main System will be funded by LWC, designated grants, construction reserve funds and associated fees (connection fees, meter fees, etc.) for those customers connecting to the I-65 Transmission Main System. Said I-65 Transmission Main System will provide service to Shepherdsville, Lebanon Junction, North Nelson Water District and any other municipality or wholesale customer to whom KTWD is contracted to provide potable water. LWC will operate this Transmission Main System on the LWC 660 pressure plane which serves up to an elevation of 550 feet at 40 psi.

7. The KTWD Division #1 and KTWD Division #2 System Improvements will consist of:

- a. LWC will install distribution system improvements consisting of water main improvements, hydrants, valves and grid ties in KTWD Division #1 as described in Exhibit 3, Table 1. These improvements will be funded from the Bullitt County Water Reserve (see Paragraph 9) and the System Development Reserve.
- b. LWC will install distribution system improvements consisting of water main improvements, hydrants, valves and grid ties in KTWD Division #2 as described in Exhibit 3, Table 2. These improvements will be funded from the Bullitt County Water Reserve (see Paragraph 9) and the System Development Reserve.

8. The Bullitt County Extension Program (BCEP) will consist of the following:

- a. LWC will install a Backbone System which includes transmission mains, pumping and storage to supply the unserved areas of Bullitt County as listed in Exhibit 4, Table 1. These

improvements will be funded from the Bullitt County Water Reserve (see Paragraph 9) and the System Development Reserve.

- b. LWC will install distribution mains in those remaining unserved areas along public roads within KTWD Division #1 and KTWD Division #2. These distribution mains are more specifically listed in Exhibit 4, Table 2. The distribution mains along public roads will be funded from the Bullitt County Water Reserve (see Paragraph 9) and the System Development Reserve. Such distribution mains will only be installed where two thirds (2/3) majority of property owners along the portion of a public road petition LWC for a distribution main in form acceptable to LWC.
- c. LWC will install distribution mains in those unserved areas along private roads within KTWD Division #1 and KTWD Division #2. These distribution mains are more specifically listed in Exhibit 4, Table 3. Private road distribution mains will be solely funded by those benefiting customers along the private road. LWC will assess service installation fees to each customer along a private road main in accordance with the LWC standard fee schedules.
- d. The public roads connection fee per customer is initially set at \$5,450. This connection fee is subject to review by the Bullitt County Advisory Board (see Paragraph 10) for making recommendations to the LWC Board of Water Works for adjustments. Any customer may elect to pay a connection fee by freely entering into a promissory note, a simple interest note at 8% per annum interest for a 20 year period and no prepayment penalties, and a property lien with LWC. Promissory notes will be billed monthly, separate from the water bill. Additionally, service installation fees will be assessed to each customer in accordance with the LWC standard fee schedules.
- e. LWC will establish the Bullitt County Extension Program Advisory Workgroup (BCEP Workgroup) to advise on the direction of the BCEP and future system improvements, as described more particularly at Exhibit 5 to this Statement and incorporated herein by reference.

9. LWC shall establish a Bullitt County Water Reserve to fund the KTWD Division #1 and KTWD Division #2 System Improvements and the Bullitt County Extension Program portions of the BCWIP. This reserve will be funded by KTWD Division #1 rate capacity, KTWD Division #2 rate capacity, grants, connection fees, system development charges, Bullitt County Government contributions, fire

protection district tax contributions and capital raised by LWC in the form of loans and/or bonds. This reserve will be designated the Bullitt County Water Reserve (BCWR). The Bullitt County Advisory Board (See Paragraph 10) will advise LWC and LWC will manage the BCWR. For purposes of this Statement, rate capacity is defined as the difference between the LWC water rates and the water rates (surcharge) of KTWD Division #1 or the difference between the LWC water rates and the water rates of KTWD Division #2.

10. A Bullitt County Advisory Board (hereafter "BCAB") shall be established upon execution of the Agreement anticipated by this Statement. The BCAB shall be comprised initially of three current KTWD Commissioners, who shall serve an initial minimum term of five years, subject to reappointment by the Bullitt County Judge/Executive. The Bullitt County Judge/Executive shall appoint replacement and successor BCAB members to serve three year terms also subject to reappointment by the Bullitt County Judge/Executive. The BCAB shall provide advice and counsel to the LWC Board of Water Works on issues related to KTWD service areas and the BCWIP, until the BCWIP has been completed, at which time the BCAB will automatically cease to exist. BCAB

members also shall receive an expense stipend of \$100 per month from the BCWR. LWC will provide BCAB members with insurance coverage and will cover the cost of legal representation for their past acts as KTWD Commissioners and for their acts as members of the BCAB. The insurance coverage, legal representation and stipend will be funded from the BCWR.

11. LWC and KTWD agree to the water rates and charges and terms described by the following with corresponding rate and fee schedules set forth in Exhibit 6 to this Statement and incorporated herein by reference, for the KTWD service area shown in Exhibit 1, said water rates and charges and terms to be in effect until such time as the improvements listed in Exhibit 3, Exhibit 4 and any such other future improvements which may be identified at a later date, are completed. Upon completion of the improvements listed in Exhibit 3, Exhibit 4 and any such other improvements as jointly identified by LWC and the Bullitt County Advisory Board, estimated at 12 – 15 years, or when the KTWD water

rates equal the LWC water rates, all KTWD water rates and fees will be equalized to the LWC water rates and fees then in effect.

- a. The existing KTWD Division #1 surcharge will be added to the LWC service charge, by service and meter size, and added to the LWC commodity charge as approved by the LWC Board of Water Works. This service charge and commodity charge will apply to all customers, current and future, within the service area designated as KTWD Division #1 until water rates are equalized. Exhibit 6, Table 1, provides a schedule of the water rates for KTWD Division #1 customers using the LWC 2000 retail rate schedule. An example of a KTWD Division #1 billing is shown in Exhibit 6, Table 3.
- b. The existing KTWD Division #2 water rates will remain unchanged until the water rates are equalized with LWC water rates. These water rates will apply to all customers, current and future, within the service area designated as KTWD Division #2. Exhibit 6, Table 2, provides the KTWD #2's 2000 rate schedule of water rates for KTWD Division #2 customers. An example of a KTWD Division #2 billing is shown in Exhibit 6, Table 3.
- c. The LWC system development charge (SDC) will apply to all new water mains installed after the execution of the Agreement. Fire service connections, connections to mains installed prior to the execution of the Agreement and the initial water service connection made to serve properties identified in the BCWIP as listed in Exhibits 2, 3 & 4 will be exempt from the System Development Charge. The SDC will be used for system improvements such as main upsizing, storage tanks, booster pump stations, and grid ties in Bullitt County. The current SDC fee schedule is shown in Exhibit 6, Table 4.
- d. Revenues from the KTWD Division #1 service charge, the KTWD Division #2 rate capacity and commercial or wholesale water rates in excess of the LWC water rates will be held in the BCWR duly designated for the KTWD Division #1 and KTWD Division #2 system improvements and the BCEP portions of the BCWIP. SDC collections from the KTWD service area in Bullitt County will be held in a separate System Development Reserve account designated for system improvements in Bullitt County until the water rates are equalized.

12. LWC will offer employment to all KTWD full time employees, upon consummation of the merger anticipated by this Statement; said employment offers shall include benefits and salary or wages consistent with those of LWC employees in similar classifications. In the interim period

between acceptance of this Statement and execution of the Agreement anticipated by the Statement, KTWD agrees to a hiring freeze on full time employees, except upon consent of LWC, with said consent not to be unreasonably withheld.

13. KTWD agrees to disclose to LWC and to fully and finally resolve any matters pending or outstanding or otherwise unresolved before the Public Service Commission (if any there be), including compliance with rulings, decisions, and orders, and payments of fines, fees and penalties, prior to the date the Agreement is executed.

14. The parties agree to cooperate with each other and to assist each other as necessary to satisfy the terms of this Statement and to facilitate, expedite and accomplish the Agreement anticipated by and referenced in this Statement, including, but not limited to, the following: KTWD will take all actions necessary to dissolve KTWD Division #1 and KTWD Division #2 (including, but not limited to any necessary KRS 74.110 petition to the Bullitt County Judge/Executive), and KTWD Commissioners will facilitate the Bullitt County Fiscal Court approval of a grant to LWC of the right or license, with no current or future franchise, operating fees, or permit fees from Bullitt County Fiscal Court or any other Bullitt County Government Authority, to provide water service to those areas within Bullitt County described as KTWD Division #1 and KTWD Division #2. This geographic area is more specifically shown in Exhibit 1. Additionally, the parties agree to conduct this preliminary work to facilitate, expedite and accomplish the Agreement exclusively with each other and that neither party shall engage in talks, discussions, communications, negotiations or the like with any other water utility in regard to water service in KTWD Division #1 and KTWD Division #2. The parties intend that after execution of the Agreement anticipated by this Statement, the Bullitt County Fiscal Court will take any action necessary to accomplish dissolution of the KTWD Division #1 and KTWD Division #2 and authorization of any necessary grant, approval or license to LWC to provide water service to those areas within Bullitt County identified as KTWD Division #1 and KTWD Division #2.



15. The parties acknowledge that the Agreement described herein is subject to the review and approval of the KTWD Commissioners, Bullitt County Fiscal Court, and the Kentucky Public Service Commission, as well as by the Board of Water Works of the Louisville Water Company. The parties further acknowledge that LWC shall not be obligated to perform as outlined herein without the express approval of the Board of Water Works as evidenced by the signature of LWC's President.

16. The parties agree that this Statement, when fully executed, shall obligate the parties to engage in good faith, exclusive negotiations to develop the Agreement anticipated by and referenced in this Statement, including, in substantial part, the terms and conditions outlined in this Statement, including its Exhibits.

17. This Statement constitutes the entire agreement of the parties on their intent to negotiate the Agreement the terms of which are anticipated by and referenced in this Statement.

18. All risk of loss, damage to, or destruction of the assets subject to this Statement shall belong to and shall be borne exclusively by KTWD until execution of the Agreement anticipated by and referenced in this Statement.

19. LWC, its agents and employees may visit and/or view the assets or any part or parcel thereof at any time and from time-to-time prior to the actual merger, and may conduct such inspections, field tests, surveys, engineering evaluations, etc. as it deems desirable.

20. Each party hereto agrees to indemnify and hold the other party harmless from claims made against the other party and expenses incurred in defense of same resulting from one or more breaches of the representations, warranties and covenants contained in this Statement.

21. All captions, headings, sections, section numbers and letters and other reference numbers or letters are solely for the purpose of facilitating reference to this Statement and shall not supplement, limit or otherwise affect in any way the text of this Statement.

22. LWC and KTWD anticipate the following Course of Events.

- a. The Statement is executed by March 1, 2000.
- b. The respective due diligence period will commence from the date of execution of the Statement.
- c. The Agreement is to be reviewed, finalized, approved and executed by July 1, 2000.
- d. The BCEP Workgroup will be established and conduct its first meeting within three months of the execution of the Agreement.
- e. Construction of those mains identified by the BCEP Workgroup are anticipated to start within six months of the receipt of direction from the BCEP Workgroup.

23. Miscellaneous.

- a. The Statement of Intent and the Offer for the Merger of KTWD into LWC will be void if the Agreement is not executed by both KTWD and LWC on or before July 1, 2000, unless such date is extended in writing by mutual agreement.
- b. Failure to execute the Agreement.
  - In the event the KTWD and LWC hereto fail to execute the Agreement by July 1, 2000, or by a subsequent date mutually agreed to and specified by the KTWD and LWC, and such failure is due to, based upon, or occurs as a result of the mutual agreement of the KTWD and LWC, action by the Public Service Commission (PSC), or any intervening factor beyond the reasonable control of either KTWD or LWC, then each party will bear its own administrative costs, including attorneys fees, incurred in pursuit of matters outlined herein.
  - Should failure to execute the Agreement be due to the unilateral decision of either KTWD or LWC, the party so deciding will pay the administrative costs of the other party, including attorneys' fees, incurred in pursuit of matters outlined herein, up to the amount of Ten Thousand Dollars (\$10,000).
  - If the KTWD and LWC do not execute the Agreement, for whatever reason, they will, nevertheless, immediately begin good faith negotiations to develop terms and conditions governing LWC's acquisition of KTWD #1 service area.

- c. If the parties do not execute the Agreement, for whatever reason, they will, nevertheless, immediately begin good faith negotiations to develop terms and conditions governing LWC's acquisition of KTWD #1 service area.
- d. LWC will operate the system to meet all applicable Kentucky Division of Water regulations for public water supplies.
- e. Bullitt County will cooperate with LWC in providing permits for water main/service construction and maintenance.
- f. Any requests to KTWD for water main extensions, new contracts, or system improvements made after the execution of this Statement and before the Agreement is executed must be reviewed and commented upon by LWC.
- g. Operating income from the Zoneton cell site leases will be deposited into the BCWR until such time the BCWIP is complete.
- h. Proceeds from any sale of the KTWD offices located at 3396 Burkeland Boulevard will be deposited into the BCWR to assist in funding the BCWIP. The LWC anticipates using the KTWD offices as a Bullitt County Distribution and Customer Service Center and does not anticipate the sale of this asset.

IN TESTIMONY WHEREOF, witness the signatures of the Kentucky Turnpike Water District  
and the Louisville Water Company by their duly authorized officials as of the day herein above written.

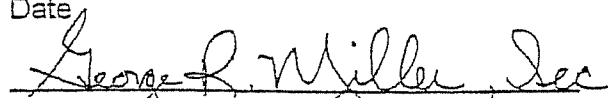
KENTUCKY TURNPIKE WATER DISTRICT



Dan Thibodeaux, Commissioner

2-17-2000 DZ.  
4-17-2000

Date

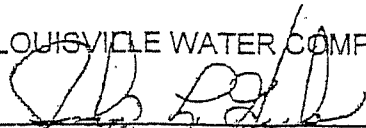


Attest

2-17-2000 LPM  
4-17-2000

Date

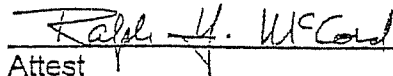
LOUISVILLE WATER COMPANY



John L. Huber, President

Feb. 17, 2000

Date

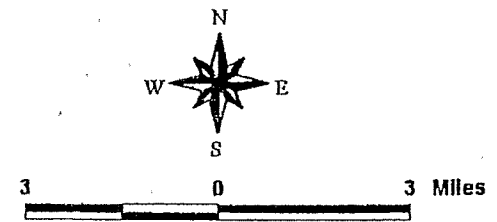
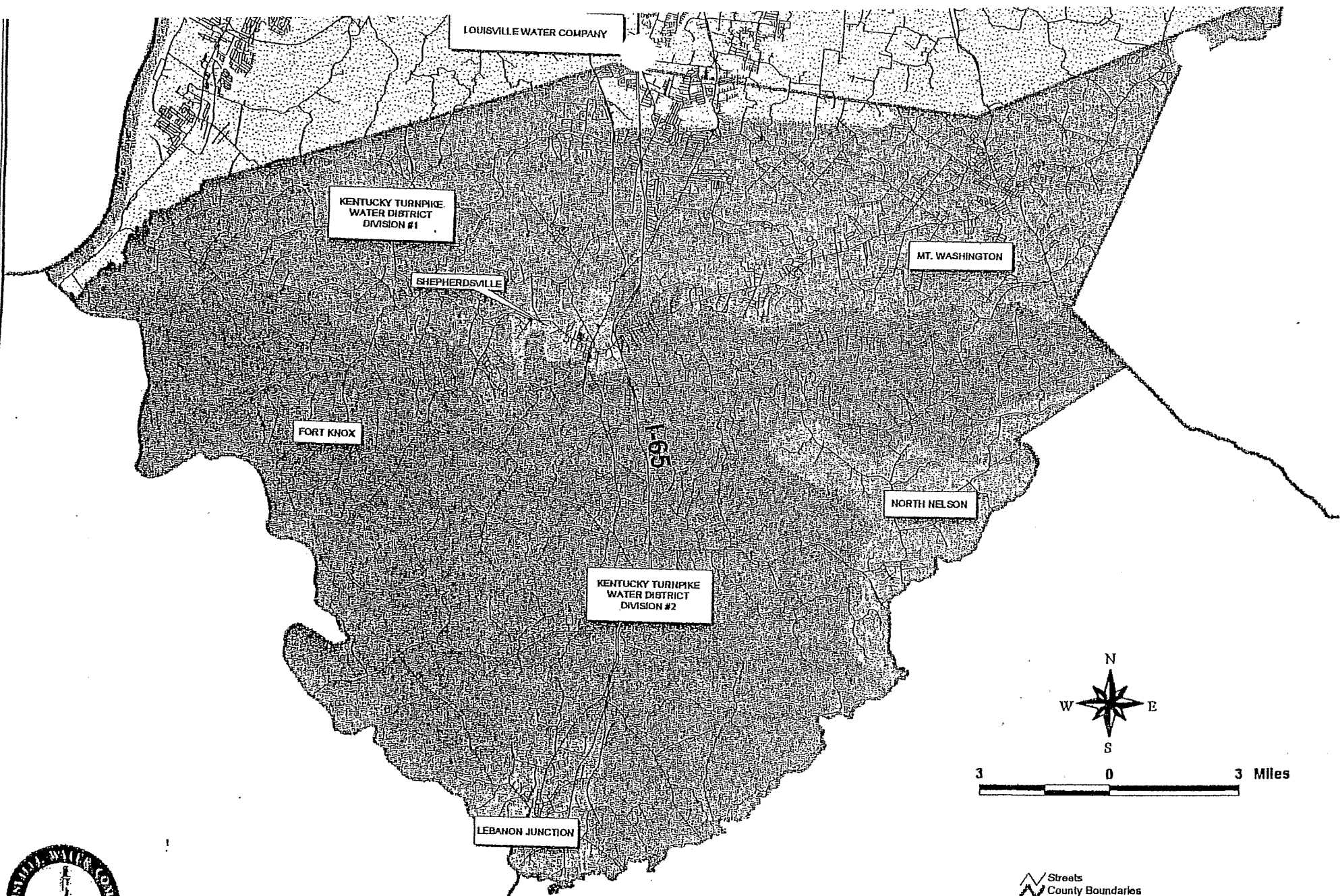


Attest

Feb. 17, 2000

Date

**EXHIBIT 1**  
**Map of KTWD Division #1 & Division #2 Service Areas**



2/15/00

# Exhibit 1

## KENTUCKY TURNPIKE WATER DISTRICT DIVISION #1 AND KENTUCKY TURNPIKE WATER DISTRICT DIVISION #2 SERVICE AREAS

- Streets
- County Boundaries
- Water Districts**
- FORT KNOX
- KENTUCKY TURNPIKE WATER DISTRICT DIVISION #1
- KENTUCKY TURNPIKE WATER DISTRICT DIVISION #2
- LEBANON JUNCTION
- LOUISVILLE WATER COMPANY
- MT. WASHINGTON
- SHEPHERDSVILLE
- NORTH NELSON

## EXHIBIT 2

## LWC I-65 Transmission Improvements, Installations &amp; Other Improvements

Table 1 - I-65 Transmission System Improvements

LOCATION		TYPE	SIZE/ CAPACITY	LENGTH (Ft)
STREET	DESCRIPTION			
County Road 1020	County Road 2673 to Gap in Knob Storage Tank	Main	12"	6,700
Highway 61 & I-65	Convert Gap in Knob Storage Tank to LWC 660 Pressure Zone	Tank	350,000 gal.	-
Highway 61 & I-65	Install a Booster Pump Station	BPS	3 MGD	-
Lebanon Junction Project				
Adjacent to I-65	Highway 61 & I-65 to Salt River	Main	16"	12,100
Highway 61	North of Highway 251 to Highway 733	Main	12"	8,750
Highway 733	Highway 61 to Sanders Lane	Main	12"	1,000
Sanders Lane	Highway 733 to Lebanon Junction Corporate Limits	Main	12"	5,375
Highway 480	12" Tee from Salt River Line to I-65	Main	16"	2,500
Highway 480 Bypass	Highway 480 to Highway 61	Main	12"	4,200
Highway 61	Highway 480 Bypass to Salt River	Main	12"	6,250
Highway 61	Highway 480 Bypass to Coopers Run Road	Main	12"	2,300
Coopers Run Road	Highway 61 north end to Highway 61 south end	Main	12"	3,200
Highway 61	South end of Coopers Run Road to County Road 1494	Main	12"	11,000
Highway 61	County Road 1494 to Highway 245	Main	12"	2,000
Highway 61	Tank to Highway 251	Main	12"	11,850
Highway 61 & Highway 245 Vicinity	Elevated Storage Tank		1,500,000 gal.	-
Highway 61 & Highway 245 Vicinity	Tank Supply/Suction Line	Main	12"	1,000

\* - To be verified prior to execution of the Agreement.

## EXHIBIT 3

## KTWD Division #1 and KTWD #2 System Improvements

Table 1 - Existing KTWD # 1 System Improvements \*

LOCATION		TYPE	SIZE/ CAPACITY	LENGTH (Ft.)
STREET	DESCRIPTION			
Blue Lick Road (Cty.Rd. 2673)	Blue Lick Creek Rd. to existing 12" near Phelps Knob Tank	Main	12"	6,000
Bluelick Road	Rogers Lane to National Turnpike	Main	12"	6,500
Cool Spring Road	Cool Spring Road to Bates Lane	Main	6"	6,000
Harper Parkway	Blue Lick Road to Highway 61	Main	12"	1,500
Lakeview Drive	National Turnpike to Barricks Lane	Main	12"	5,500
Brooks Hill Road	National Turnpike (Hwy. 1020) to Willabrook	Grid Tie	12"	1,900
Cedar Creek Road	Cedar Creek to Carrington Court	Grid Tie	8"	1,150
Oreland Mill Rd./Zoneton Road Easement Connector	Oreland Hill Rd. to Zoneton Rd.	Grid Tie	12"	9,000
Stallings Lane	Stallings Lane to Reader Road	Grid Tie	6"	1,000
Stave Mill Road	Stave Mill Rd. to Zoneton Rd.	Grid Tie	6"	1,300
Sandy Hill Road @ Lakeview Drive	Hydro-Pneumatic Booster Pump Station	BPS	-	NA
Average of one fire hydrant for 1,000 ft. of public road mains	Approximately 135 new Fire Hydrants with a 750 gpm @ 20 psig minimum capacity	Hydrants	6"	NA
Various as determined by LWC	Approximately 100 Valves for System Operation	Valves	6", 8" & 12"	NA

\* - To be verified prior to execution of the Agreement. Subject to resizing to meet Hydraulic Analysis requirements.

Table 2 - Existing KTWD # 2 System Improvements \*

LOCATION		TYPE	SIZE/ CAPACITY	LENGTH (Ft.)
STREET	DESCRIPTION			
Highway 44	County Road 1494 to Highway 251	Main	12"	
Average of one fire hydrant for 1,000 ft. of public road mains	Approximately 385 new Fire Hydrants with a 750 gpm @ 20 psig minimum capacity	Hydrants	6"	NA
Various as determined by LWC	Approximately 250 Valves for System Operation	Valves	6", 8" & 12"	NA

\* - To be verified prior to execution of the Agreement. Subject to resizing to meet Hydraulic Analysis requirements.



EXHIBIT 4

Bullitt County Extension Program (BCEP) - Backbone Improvements, Installations & Other Improvements

Table 1 - Backbone Transmission Main System \*

LOCATION		TYPE	SIZE/ CAPACITY	LENGTH (Ft.)
STREET	DESCRIPTION			
Knob Creek Rd (Cty. Rd. 1526)	Highway 44 east to Lake Elmo Rd.	Main	12"	31,000
Highway 44	Booster Pump Station between County Line and Knob Creek Road	BPS	700 gpm	NA
Knob Creek Road	Storage Tank (OF at 700-720 Ft Elevation)	Tank	750,000 gal.	NA
Martin Hill Rd (Cty. Rd. 1417)	Knob Creek Road to Highway 44	Main	8"	11,900
Martin Hill Road	Booster Pump Station near Knob Creek Rd.	BPS	700 gpm	NA
Highway 44	Main from Martin Hill Rd. to Mt. Elmira Rd.	Main	8"	2,500
Mt. Elmira Road	Main from Highway 44 to Brooks Hill Road	Main	8"	18,700
Gospel Kingdom (near Highway 44 & Mt. Elmira Road)	Storage Tank (OF at 1030 Ft Elevation)	Tank	250,000 gal.	NA
Highway 44	Main from Martin Hill Rd. to Mt. Eden Church Rd.	Main	8"	4,000
Mt. Eden Church Rd.	Main from Highway 44 to Ft. Knox Boundary	Main	8"	5,300
Average of one fire hydrant for 1,000 ft. of public road mains	Fire Hydrants with 750 gpm @ 20 psig minimum capacity	Hydrants	6"	NA
Various as determined by LWC	Valves for System Operation	Valves	6", 8" & 12"	NA

\* - To be verified prior to execution of the Agreement. Subject to resizing to meet Hydraulic Analysis requirements.

Table 2 - Unserved Public Road Bullitt County System Improvements \*

LOCATION		TYPE	SIZE/ CAPCITY	LENGTH (Ft.)
STREET	DESCRIPTION			
<del>Western Bullitt County</del>				
Ash Hollow	Hwy 1526 To End	Main	8"	2,600
Barrelton Hill	Pig Hill To Hwy 1526	Main	8"	7,000
Bearcamp	Jefferson County Line To Jefferson County Line	Main	8"	12,300
Blue Lick Rd.	Ashby Ln. To National Turnpike	Main	8"	6,000
Bob O Link Rd.	Hwy 44 To End	Main	8"	4,800
Brooks Hill Rd. Hwy 1526	Knob Creek Rd To Mt. Elmira Rd	Main	8"	11,000
Cardinal Rd.	Hwy 1417 To End	Main	8"	10,600
Castleman Branch Rd.	Castleman Br. @ High Water Rd	Main	8"	7,900
Chester Ln.	Hwy 1526 To End	Main	8"	4,000
Cow Branch	Hwy 44 To End	Main	8"	5,700
Cupio Ln.	Cupio Lodge Rd. To End	Main	8"	4,000
Cupio Lodge Rd.	Hwy 44 To End	Main	8"	4,800
E. Martin Pl.	Hwy 44 To End	Main	8"	3,300
Fisher Rd.	Hwy 44 To End	Main	8"	4,800
Highway 44	Hwy 1526 To Hilltop Rd	Main	8"	17,200
Highway 44	Hilltop Rd To Mount Eden Rd	Main	8"	4,200
Highway 44	Mount Eden Rd To Martin Hill	Main	8"	4,000

## EXHIBIT 4

## Bullitt County Extension Program (BCEP) - Backbone Improvements, Installations &amp; Other Improvements

LOCATION		TYPE	SIZE/ CAPCITY	LENGTH (Ft.)
STREET	DESCRIPTION			
Highway 44	Martin Hill Rd To Mt. Elmira Rd	Main	8"	2,500
Highway 44	Mt. Elmira Rd. To Raymond Rd.	Main	8"	5,500
Hilltop Rd.	Hwy 44 To End	Main	8"	11,400
Hillview Lane	Hwy 44 To End	Main	8"	2,000
Hurst Rd.	Hwy 1526 To End	Main	8"	3,500
Johnson Hollow Rd.	Pryor Valley To End	Main	8"	4,400
Keith Hollow Rd.	Castleman Br. To End	Main	8"	3,300
Kings Hollow Rd.	Hwy 1526 To End	Main	8"	4,000
Knob Creek Range	Hwy 44 To End	Main	8"	2,200
Knob Creek Rd.	Brooks Hill Rd. To Lake Elmo	Main	8"	5,000
Knob Creek Road	Lake Elmo To Jefferson County Line	Main	8"	5,600
Lake Elmo	Hwy 2672 To End	Main	8"	4,800
Martin Hill Rd. Hwy 1417	Hwy 44 To Hwy 1526	Main	8"	11,900
Mount Eden Rd.	Hwy 44 To End	Main	8"	5,300
Mt. Elmira	Brooks Hill Rd. To Hwy 44	Main	8"	18,700
Nichol Hill	Hwy 44 To End	Main	8"	3,800
Oakcrest Rd.	Mt. Elmira Rd. To End	Main	8"	2,000
Pauley Gap	Weavers Run To Jefferson County Line	Main	8"	3,700
Pendleton Hill	Barrelton To Bearcamp	Main	8"	3,600
Pryor Valley Rd.	Pryor Valley To End	Main	8"	9,500
Rodgers	Wilderness Way To End	Main	8"	2,800
Roe Hill Rd.	Hwy 1526 To End	Main	8"	5,500
Samuels	Mt. Elmira To End	Main	8"	2,500
Sandstone Rd.	Mt. Elmira To End	Main	8"	5,200
Skyview Rd.	Hwy 44 To Barrelton	Main	8"	16,500
Smith Landfill Rd.	Big Valley To End	Main	8"	6,000
Trappers Rd.	Johnson Hollow To End	Main	8"	3,000
Twin Acres	Johnson Hollow Rd To End	Main	8"	2,000
Walls Hollow Rd.	Raymond Rd. To End	Main	8"	4,800
Walls Hollow Rd., N.	Walls Hollow Rd To End	Main	8"	5,200
Weavers Run	Hwy 44 To Applegate Ln.	Main	8"	16,500
Weird Rd.	Hwy 1526 To End	Main	8"	3,400
Wilderness Way	Raymond Rd. To End	Main	8"	6,700
Wolfe Rd.	Bearcamp To End	Main	8"	3,500
Yorkshire Blvd.	Hwy 44 To End	Main	8"	4,000
Highway 44	Jeff County Line To Nichols School	Main	12"	8,400
Highway 44	Nichols School To Hwy 1526	Main	12"	4,900
Highway 1526	Hwy 44 To Brooks Hill Rd	Main	12"	26,000
Highway 1526	Storage Tank (OF at ____ Ft Elevation)	Tank	500,000 Gallon	NA
	Booster Pump Station near _____	BPS	700 gpm	NA
	Storage Tank (OF at ____ Ft Elevation)	Tank	150,000 Gallon	NA
	Storage Tank (OF at ____ Ft Elevation)	Tank	150,000 Gallon	NA
	Booster Pump Station near _____	BPS	700 gpm	NA
	Booster Pump Station near _____	BPS	700 gpm	NA

## EXHIBIT 4

## Bullitt County Extension Program (BCEP) - Backbone Improvements, Installations &amp; Other Improvements

LOCATION		TYPE	SIZE/ CAPACITY	LENGTH (Ft.)
STREET	DESCRIPTION			
	Hydro Booster Station near _____	BPS		NA
Average of one fire hydrant for 1,000 ft. of public road mains	Fire Hydrants with 750 gpm @ 20 psig minimum capacity	Hydrants	6"	NA
Various as determined by LWC	Valves for System Operation	Valves	6", 8" & 12"	NA
<b>Southern Bullitt County</b>				
Big Cedar Creek Ct.	Big Cedar Ck Tr @ Pine Ck To End	Main	500	4"
Cave Spring Dr	Big Spring Rd To End	Main	500	4"
High Pine Dr	Lick Skillet To End	Main	500	4"
Lakeside Dr	Pine Creek Tr To End	Main	500	4"
Woodrow Ln	Lovers Leap To End	Main	500	4"
Apache Way	Tanglewood Rd To End	Main	1,600	6"
Apple Valley Way	Ridge Rd To End	Main	1,600	6"
Big Spring Ct	W. Indian Stone Rd To End	Main	800	6"
Bishop Tr	Hwy 480 To End	Main	1,400	6"
Cedar Creek Ln	Ridge Rd To End	Main	1,500	6"
Deer Run Ct	Clarks Ln (Hwy 1442) To End	Main	1,500	6"
Eva Michelle	Happy Hollow Rd To End	Main	1,800	6"
Falls Ln	Hwy 1494 To End	Main	900	6"
Forest Hill Ct	Forest Hill Rd To End	Main	900	6"
High Ridge Dr	Ridge Rd To End	Main	1,600	6"
E. Indian Stone Rd	Lick Skillet Rd To Lick Skillet Rd	Main	1,500	6"
Ironwood Ct	Maple Tr To End	Main	700	6"
Lick Skillet	E. Indian Stone To Big Country Rd	Main	4,500	6"
Little Dove Tr	Wilderness Tr To End	Main	1,700	6"
Log Cabin Ln	Hwy 480 To End	Main	1,400	6"
Longview Dr	Hwy 480 To End	Main	900	6"
Meyer Dr	Pine Creek Tr To End	Main	1,300	6"
Millers Ln.	Hwy 480 To End	Main	2,000	6"
Mitchell Dr	Beech Grove Rd (Hwy 1494) To End	Main	1,300	6"
Moore Ln	Happy Hollow Rd To End	Main	1,500	6"
Patridge Run Rd	Valley View Dr To End	Main	1,700	6"
Perkins Ln	Happy Hollow Rd Past Cave Hollow To End	Main	1,000	6"
Pine Creek Ct	Pine Creek Rd To End	Main	600	6"
Rhodes Ln	Horse Fly Hollow To End	Main	900	6"
Slate Bluff Tr	Forest Hill Rd To End	Main	1,300	6"
Thunder Rd	E Indian Stone Rd To Lick Skillet Rd	Main	1,000	6"
Timberline Rd	Rams Run Rd To End	Main	1,000	6"
Vine Hill Rd	Happy Hollow Rd To End	Main	1,700	6"
Big Cedar Creek Tr	Wilderness Tr To Pine Creek Rd	Main	1,400	8"
Big Spring Rd	W. Indian Stone Rd To W. Big Country Rd	Main	5,600	8"
Big Spring Rd	W. Big Country To Timberline	Main	2,400	8"
Cave Hollow	Perkins Ln To End	Main	5,000	8"
Cedar Springs	Old Boston Rd To End	Main	3,100	8"
Collings Hill Rd	Hwy 251 To Lebanon Junction	Main	13,500	8"
Country Manor Ln	Millers Ln To Wilderness Tr	Main	2,000	8"

## EXHIBIT 4

## Bullitt County Extension Program (BCEP) - Backbone Improvements, Installations &amp; Other Improvements

LOCATION		TYPE	SIZE/ CAPACITY	LENGTH (Ft.)
STREET	DESCRIPTION			
Dever Farm Rd	Ridge Rd (Hwy 1442) To End	Main	3,100	8"
Foley Rd	Hwy 480 To End	Main	3,800	8"
Forest Hill Rd	Hwy 61 To End	Main	7,500	8"
Greenwell Ford Rd	Ridge Rd To End	Main	18,000	8"
Greenwell Rd	Pumpkin Rd To End	Main	5,500	8"
Horse Fly Hollow Rd	Hwy 1494 To Hwy 251	Main	19,800	8"
Hwy 1494	End Of 8" To Pumpkin	Main	11,000	8"
Hwy 245	Hwy 480 To County Line	Main	34,000	8"
Hwy 733	Hwy 61 To Old Boston Rd	Main	15,600	8"
E. Indian Stone Rd	Lick Skillet To Big Country Rd.	Main	6,300	8"
Hicks Ln	Ridge Rd To End	Main	2,000	8"
Ironwood Tr	Highway 480 To End	Main	8,000	8"
Jackson Hill Rd	Clarks Ln To End	Main	1,900	8"
John Lee Rd	Horse Fly Hollow Rd To End	Main	3,000	8"
Lick Skillet	Hwy 480 To E. Indian Stone	Main	4,000	8"
Lights Ln	Ridge Rd To End	Main	2,900	8"
Maple Tr	Ironwood Tr To End	Main	1,600	8"
Mccubbins Farm Ln	Ridge Rd To End	Main	6,100	8"
Mooney Ln	Hwy 480 To End	Main	3,800	8"
Mount Caramel	Hwy 733 To County Line	Main	20,500	8"
Newman Hill Rd	Hwy 61 To End	Main	6,600	8"
Oakwood Dr	Wilson Creek Rd (Hwy 733) To End	Main	4,000	8"
Old Boston Rd	Hwy 733 To Lebanon Junction	Main	10,600	8"
Old Clermont Rd	Hwy 245 To End	Main	5,300	8"
Old Davis	Hwy 245 To End	Main	2,200	8"
Peacock Hollow Rd	Beech Grove Rd (Hwy 1494) To End	Main	4,200	8"
Pine Creek Rd	Pine Creek Tr To Pine Creek Ct	Main	3,500	8"
Pine Creek Tr	Hwy 480 To End	Main	8,800	8"
Pine Valley Dr	Lick Creek Rd To End	Main	3,900	8"
Pumpkin	Hwy 1494 To Hwy 1494	Main	15,400	8"
Quail Hollow	Valley View Dr To End	Main	2,100	8"
Rams Run Road	Apache Rd To End	Main	6,500	8"
Reichmuth Ln	Hwy 1494 To End	Main	1,900	8"
Ridge Road	Hwy 480 To Clarks Lane	Main	37,000	8"
Ridgeview	Hwy 480 To End	Main	4,500	8"
River Ridge Rd	Ridge Rd To End	Main	2,100	8"
Roy Layne Rd	Beech Grove Rd (Hwy 1494) To End	Main	6,500	8"
Samuels Farm Rd	Old Boston Rd. To End	Main	2,000	8"
Sanders Rd	Hwy 733 To Lebanon Junction	Main	6,400	8"
Stargel Ln	Ridge Rd To End	Main	2,100	8"
Streble Farm Ln	Collings Hill Rd To End	Main	4,000	8"
Timberline	Rams Run Rd To Happy Hollow	Main	1,500	8"
Valley Ln	Valley View Dr To End	Main	2,900	8"
Valley View	Hwy 480 To End	Main	5,200	8"
White Run	Hwy 480 To End	Main	1,300	8"
W. Big Country	Big Spring To E. Indian Stone	Main	1,400	8"

**EXHIBIT 4**

**Bullitt County Extension Program (BCEP) - Backbone Improvements, Installations & Other Improvements**

LOCATION		TYPE	SIZE/ CAPACITY	LENGTH (Ft.)
STREET	DESCRIPTION			
W. Indian Stone Rd	Lick Skillet To Big Spring Rd	Main	1,500	8"
Wilderness Tr	Country Manor Ln	Main	3,000	8"
Average of one fire hydrant for 1,000 ft. of public road mains	Fire Hydrants with 750 gpm @ 20 psig minimum capacity	Hydrants	6"	NA
Various as determined by LWC	Valves for System Operation	Valves	6", 8" & 12"	NA

\* - To be verified prior to execution of the Agreement. Subject to resizing to meet Hydraulic Analysis requirements.

**Table 3 - Unserved Private Road Bullitt County System Improvements**

LOCATION		TYPE	SIZE/ CAPACITY	LENGTH (Ft.)
STREET	DESCRIPTION			
Applegate Lane	Provide private road water service distribution	Main	6"	3,900
Cardinal Road	Provide private road water service distribution	Main	6"	10,600
Cockeral Road	Provide private road water service distribution	Main	6"	900
Eagles Rd	Provide private road water service distribution	Main	6"	1,500
Ferguson Lane	Provide private road water service distribution	Main	6"	1,800
Hurst Road	Provide private road water service distribution	Main	6"	3,500
Kings Hollow Road	Provide private road water service distribution	Main	6"	4,000
Leisure Drive	Provide private road water service distribution	Main	6"	1,500
Miller Drive	Provide private road water service distribution	Main	6"	1,500
Oakcrest Road	Provide private road water service distribution	Main	6"	2,000
Perkins Court	Provide private road water service distribution	Main	6"	700
Samuels Court	Provide private road water service distribution	Main	6"	1,200
Sandstone Road	Provide private road water service distribution	Main	6"	5,200
Smith Landfill Road	Provide private road water service distribution	Main	6"	6,000
Twin Acres	Provide private road water service distribution	Main	6"	2,000
Wolfe Road	Provide private road water service distribution	Main	6"	3,500

\* - To be verified prior to execution of the Agreement. Subject to resizing to meet Hydraulic Analysis requirements.

### Composition and Duties of the Bullitt County Extension Program Advisory Workgroup

The Bullitt County Extension Program Advisory Workgroup (BCEP Workgroup) is formed in order to advise LWC on the direction of the BCEP and future system improvements.

1. The Bullitt County Extension Workgroup will be comprised of members representing the former KTWD Commissioners (2), Bullitt County Fiscal Court (2), Bullitt County Planning (1), Bullitt County Health Department (1), Bullitt County Fire Protection Districts (1), Bullitt County state legislators (2), City of Lebanon Junction (1), City of Mount Washington (1), the City of Shepherdsville (1) and LWC (1).
2. The Bullitt County Extension Workgroup is to develop a plan within six months of execution of the Agreement to make water service available to all Bullitt County residents over a ten year period. Additionally, the Bullitt County Extension Workgroup will evaluate funding from various sources including, but not limited to, water rates, connection fees, grants (federal, state, local), loans, system development charges, fire protection district tax hydrant fees, etc.
3. The Bullitt County Extension Workgroup will incorporate a review of the Bullitt County Comprehensive Land Use Plan and Public Infrastructure Policy into their ongoing activities.

Table 1 - LWC 2000 Retail Rate Schedule including KTWD Division #1 Customers

2000 WATER RATES

LOUISVILLE WATER COMPANY  
LOUISVILLE, KENTUCKY

BOARD OF WATER WORKS RULES AND REGULATIONS

6.00 RATES

6.01 For the purpose of classifying revenues, and to provide for different classes of rates, there shall be established seven (7) classes of customers and two (2) areas of service.

The classes of customers shall be identified as:

Residential  
Commercial  
Industrial  
Fire Service  
Fire Hydrants  
Municipal  
Wholesale

The areas of service shall be identified as:

Retail Service Area  
KT District served by the Company through leased facilities

6.02 The rate charge for metered water service shall be comprised of three components except for municipal customers as defined in KRS 96.270 who shall be served as provided therein at no cost to the customer and publicly owned fire hydrants:

- (1) A service charge based on the size of the meter through which the customer receives such service, and
- (2) A commodity charge based on the amount of water consumed, and
- (3) An elevated service area surcharge if applicable in Rule 6.02.3.

6.02.1 Service Charge

The service charge for classes of customers taking metered service and situated within the *Retail Service Area or the KT District* shall be charged in accordance with the following schedule:

<u>Meter Size</u>	<u>Service Charge</u> <u>Monthly Bill</u>
5/8" x 3/4"	\$ 3.90
1"	\$ 9.75
1 1/2"	\$ 19.50
2"	\$ 31.20
3"	\$ 68.25
4"	\$ 117.00
6"	\$ 273.00
8"	\$ 487.50
10"	\$ 741.00
12"	\$ 1,131.00
16"	\$ 2,242.50

**EXHIBIT 6**  
**Water Rate and Fee Schedules**

**6.02.2 Commodity Charge**

The commodity charge for monthly usage for customers within the *Retail Service Area or the KT District* shall be computed in accordance with the following schedule:

	Thousand Gallons Per Month	
First	3	at \$1.44 Per 1,000 Gallons
Next	3	at \$1.59 Per 1,000 Gallons
Next	194	at \$1.83 Per 1,000 Gallons
Next	1,300	at \$1.71 Per 1,000 Gallons
Next	3,500	at \$1.52 Per 1,000 Gallons
Next	5,000	at \$1.15 Per 1,000 Gallons
All Over	10,000	at \$1.09 Per 1,000 Gallons

**6.02.3 Elevated Service Area Surcharge**

All customers shall pay a surcharge of \$0.19 per thousand gallons if water must be delivered at a higher elevation than the general pressure plane served by the Crescent Hill/Cardinal Hill System.

**6.03 Wholesale Customers**

Wholesale customers which purchase water for resale wherever situated shall be charged: \$1.16 per thousand gallons for all water purchased, the elevated service area surcharge specified in Rule 6.02.3, if applicable, and the service charge specified in Rule 6.02.1.

**6.04 Fire Service Charges**

The charge for fire service, where water may be taken for fire protection only, shall be in accordance with the following schedule. This charge will also be applicable to such fire hydrants as may be provided by private agencies.

Size	Monthly Charge
4"	\$ 10.75
6"	\$ 22.25
8"	\$ 43.00
10"	\$ 85.00
12"	\$ 170.50

**6.05** At the Company's option, bills may be rendered monthly or bimonthly.

**6.06** In the event that payment for any charge is not made within twenty (20) days from the billing date, the net amount of the bill shall be increased by 5% and the gross amount thus determined must be paid. One late payment will be accepted every twelve (12) billing periods at net amount if the bill is paid before the next billing date.

**6.07** Where water is used without proper authorization, the estimated quantity of unmetered water used shall be paid for at the rate of \$10.00 per thousand gallons.

**6.08** Water taken from a Louisville Water Company public fill station shall be paid for at the rate of \$2.50 per thousand gallons plus such deposits as may be established from time to time.

Upon adoption, these rates shall become effective and apply to statements mailed on and after January 1, 2000.



Table 2 - KTWD Division #2's 2000 Rate Schedule

FOR Bullitt County, Kentucky - Division II  
P.S.C. Ky. No. 1  
First Revised Sheet No. 1

Kentucky Turnpike Water District - Division II

Canceling P.S.C. Ky. No. 1  
Original Sheet No. 1

RULES AND REGULATIONS

SCHEDULE OF RATES

5/8 inch and 3/4 inch connection

First	2,000	\$15.67 Monthly Minimum	(I) (N)
Next	3,000	4.75 per 1,000 gallons	(I) (N)
Next	5,000	4.27 per 1,000 gallons	(I) (N)
Next	15,000	4.04 per 1,000 gallons	(I) (N)
Over	25,000	3.55 per 1,000 gallons	(I) (N)

1 inch connection

First	5,000	\$29.92 Monthly Minimum	(I) (N)
Next	5,000	4.27 per 1,000 gallons	(I) (N)
Next	15,000	4.04 per 1,000 gallons	(I) (N)
Over	25,000	3.55 per 1,000 gallons	(I) (N)

1-1/2 inch to 4 inch connection

First	10,000	\$51.27 Monthly Minimum	(I) (N)
Next	15,000	4.04 per 1,000 gallons	(I) (N)
Over	25,000	3.55 per 1,000 gallons	(I) (N)

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

Bernheim Forest \$100.00 per month

JUL 01 1997

PURSUANT TO 807 KAR 5:011,  
SECTION 9 (1)

BY: Stephan B. Bui  
SECRETARY OF THE COMMISSION

DATE OF ISSUE	July 1, 1999	DATE EFFECTIVE	July 1, 1999
	Month Day Year		Month Day Year
SIGNED BY: <u>Paul C. Ceele</u>		District Manager 3396 Burkland Ave. Shepherdsville, Ky. 40165	
Name of Officer		Address	

SIGNED BY AUTHORITY OF: PSC Order Dated June 30, 1999, Case No. 98-398

EXHIBIT 6  
Water Rate and Fee Schedules

Table 4 - LWC 2000 System Development Charge Schedule

<i>Service Size</i>	<i>Fee</i>
3/4"	\$700
1"	\$1,750
1 1/2"	\$3,500
2"	\$5,600
3"	\$11,000
4"	\$17,500
6" & Larger	Negotiated

The System Development Charge (SDC) is payable for service connections to water mains installed after January 1, 1992, unless the main was identified in the County-wide Water Extension Program.

**EXHIBIT B**

**SCHEDULE OF ASSETS AGREED TO BY THE PARTIES  
(INCLUDING INVENTORY OF PERSONAL PROPERTY)**

**TO BE PROVIDED ON THE CLOSING DATE, BY AGREEMENT OF THE PARTIES**

**EXHIBIT C**  
**LIST OF "ASSUMED LIABILITIES"**

**TO BE PROVIDED ON THE CLOSING DATE, BY AGREEMENT OF THE PARTIES**

**EXHIBIT D**

**LIST OF KTWD EMPLOYEES  
(WITH CURRENT POSITIONS AND LWC CONTINGENT OFFERS OF EMPLOYMENT)**

## EXHIBIT D

### List of KTWD Employees

<u>NAME</u>	<u>KTWD POSITION</u>	<u>LWC PLANNED POSITION</u>
Ray Abell	District Manager	Resource Coordinator
Jean Clark	Water Accounts Coordinator	Customer Service Clerk I
Don Dowell	Backhoe Operator	General Laborer, Union
Cynthia Klein	General Clerk	Engineering Clerk I
Tom Metcalf	District Foreman	Construction Inspector I
Viola Toney	Administrative Assistant	Accounting Clerk I

# **Kentucky Turnpike Water District**

3396 Burkland Blvd., Shepherdsville, KY 40165

Office - 955-9281 or 955-7567

Fax - 957-6724

**The following Kentucky turnpike Water District employees will be going to Louisville Water Company:**

**Abell, Ray**

**Clark, Jean**

**Dowell, Donald**

**Emly, Jim (part-time)**

**Klein, Cindy**

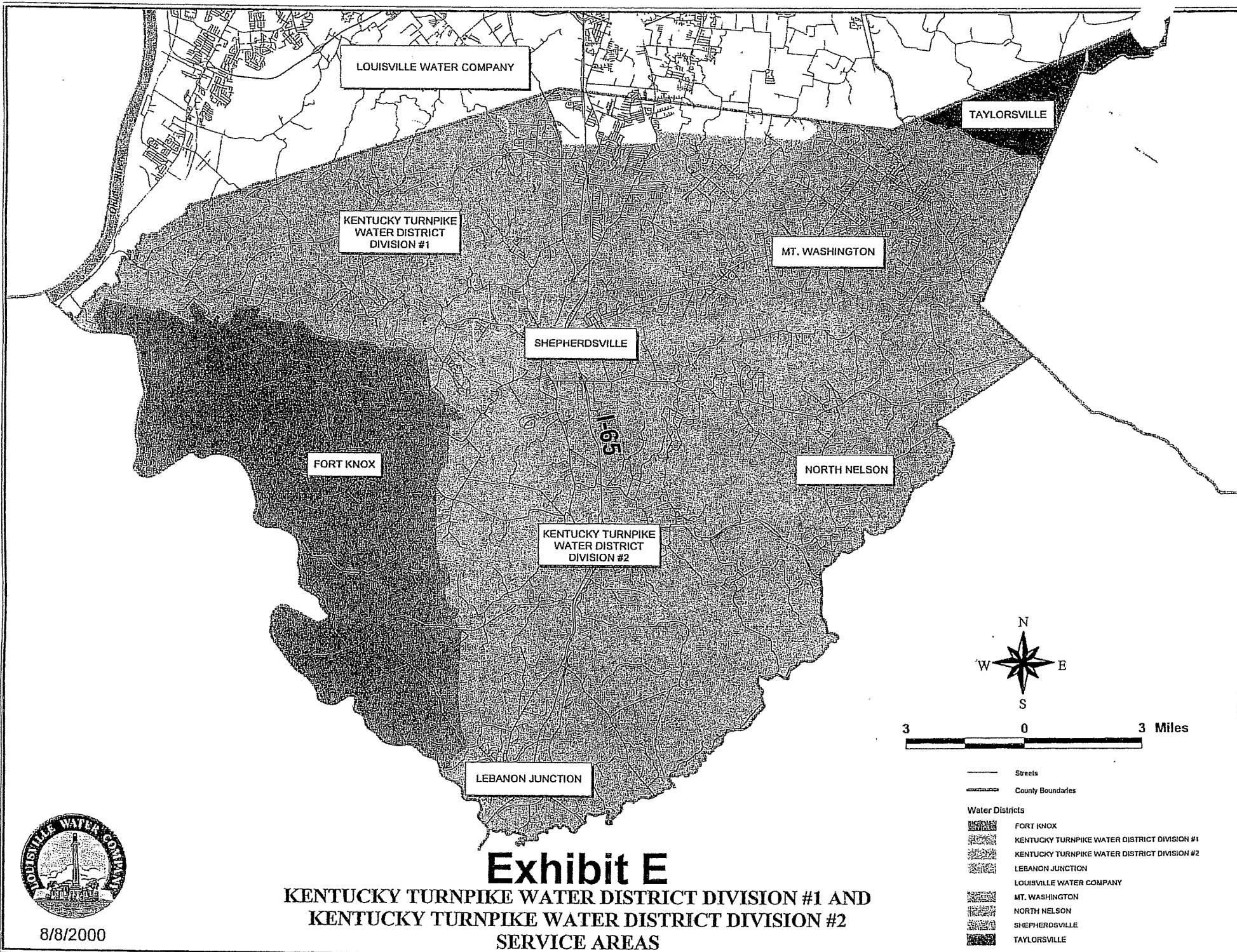
**Metcalf, Tom**

**Toney, Vi**

**EXHIBIT E**

**MAP OF KTWD DIVISION #1 AND DIVISION #2**





8/8/2000

# Exhibit E

## KENTUCKY TURNPIKE WATER DISTRICT DIVISION #1 AND KENTUCKY TURNPIKE WATER DISTRICT DIVISION #2 SERVICE AREAS

## EXHIBIT F

### I-65 Transmission Main System

**EXHIBIT F**  
**TABLE 1: I-65 TRANSMISSION MAIN SYSTEM**

PROJECT DESCRIPTION	LOCATION OR ITEM	FROM	TO	LENGTH FEET	PIPE SIZE	UNIT COST	ESTIMATED COST	YEAR	COMMENTS
	National Turnpike	Lakeview Drive	Hwy 1526	8,350	16"	\$70	\$584,500	2001-2002	Replace 6" & 8" along Hwy 1020
Gap-in-Knob Imp	National Turnpike	Hwy 2673	Hwy 61	5,200	12"	\$50	\$260,000	2001	Cut across easement at curve
	Railroad Crossing			70	24" casing	\$210	\$14,700	2001	
	Hwy 61 Crossing	Hwy 1020	east side	100	24" casing	\$210	\$21,000	2001	
	Gap-in-Knob Tank Feed	Hwy 61	tank	600		\$50	\$30,000	2001	Pipe to tank.
Lebanon Junction Project (North Portion)	East of and adjacent to I-65	Hwy 61	Salt River 12" Water Main	13,050	16"		\$0	2000	KT to install, value of \$620,328+ Engr. fees.
USEPA Project	Salt River Crossing			300	30" casing	\$290	\$87,000	2000-2001	
	16" parallels existing 12"	end of Tom Brown project	Hwy 480	4,500	16"	\$70	\$315,000	2000-2001	Funded by proposed USEPA Grant of \$380,000
Cedar Grove Road	Hwy 480 BPS						\$200,000	2000	3 MGD capacity
Peaceful Valley	Cedar Grove Business Pk BPS						\$120,000	2000	1.5 MGD capacity
Cedar Grove-Shep Indust Park	Waterline- west side of park	Buffalo Run	Cedar Grove tank	5,500	16"	LS	\$50,000	2000	LWC to pay to upsize from 12"
	Cedar Grove Tank	New 500,000 gallon elev tank	O.F. 692'			LS	\$700,000	2000	LWC to buy from Salt River Development
	Additional Storage Tank	New 1,000,000 gallon					\$750,000	2004	
	East of I-65	S. end of 16" in Shep. Park	Main in Chapeze	10,900	16"	\$70	\$763,000	2002-2003	parallels I-65
Hwy 480 Bypass	Existing KT Line	16" LWC Pipe	Bypass piping	800	12"		\$0		Existing KT pipe under I-65
	New Bypass piping	KT's 12" Under I-65	Hwy 61	4,200	12"	\$50	\$210,000	2001	
Hwy 61/Coopers Run	Hwy 61/Coopers Run	Hwy 480 Bypass	South end of Coopers Run	5,500	12"	\$50	\$275,000	2001	
Tie for gap	Hwy 61	South end of Coopers Run	N. end of Rose Turlock section	1,800	12"	\$30	\$54,000	2001	Assumes 3T Const. change order for needed sect
Rose Turlock	Hwy 61	County Road 1494	9,400 feet north of C.R. 1494	9,400	12"	LS	\$275,000	2000	KT has bids. 25 subscriber fees @ \$75,000.
Belmont Section	Hwy 61	County Road 1494	Highway 251(Belmont)	12,800	12"	\$50	\$640,000	2003	New 12" main parallels exist 8"
Lebanon Junction Project (South Portion)	Hwy 61	Hwy 251, end of exist 8" main	Hwy 733	8,750	12"	\$0	\$0		EDA Grant funded
	Hwy 733	Hwy 61	Sanders Lane	1,000	12"	\$0	\$0		EDA Grant funded
	Sanders Lane	Hwy 733	Lebanon Junction Boundary	5,400	8" to 12"	\$15	\$81,000	2000	
	Sanders Lane	Lebanon Junction Boundary	Hwy 1113, Oak Street	6,200	8" to 12"	\$0	\$0	2000	Funded by Lebanon Junction, includes Master M.
Total for Exhibit F, Table 1							\$5,430,200		

**EXHIBIT G**

**KTWD Division #1 and Division #2  
System Improvements**

**EXHIBIT G**  
**TABLE 1: KTWD DIVISION #1 SYSTEM IMPROVEMENTS**

STREET NAME OR ITEM	DESCRIPTION	QUANTITY	MAIN SIZE	UNIT COST	ESTIMATED COST	YEAR
Brooks Hill Road	Highway 1020 to Willabrook	1,900 Ft	12"	\$50	\$95,000	2003
Cedar Creek Road	Grid Tie from end of existing 8" pipe to Zoneton Rd. <sup>1</sup>	1,150 Ft	8"	\$55	\$63,250	2003
Stave Mill Road	Grid Tie from end of existing 8" to Zoneton Rd. <sup>1</sup>	1,150 Ft	8"	\$55	\$63,250	2003
Pitts Point South Supply	Beech Grove Rd to Pitts Point Subdivision <sup>2</sup>	3,500 Ft	12"	\$65	\$227,500	2003
Oreland Easement	Grid Tie Connector from Oreland Mill Rd to Zoneton Rd.	9,000 Ft	12"	\$50	\$450,000	2005
National Turnpike	County Road 1526 to County Road 2673	11,000 Ft	16"	\$80	\$880,000	2004-2005
Lakeview Drive	Replace from National Turnpike to Barricks Lane	5,500 Ft	12"	\$60	\$330,000	2001-2002
Highway 44	Replace and upsize from Raymond Road to Pitts Point Rd	3,782 Ft	12"	\$60	\$226,920	2004
Raymond Road	Replace main from Chilicoop Road to Highway 44	8,970 Ft	12"	\$60	\$538,200	2003
Raymond Road	Replace and upsize from Chilicoop Road south to end of main	2,840 Ft	8"	\$45	\$127,800	2003
Sandy Hill/Lakeview Drive	Add Hydro-Pneumatic Booster Pump Station and piping	1			\$30,000	2001-2002
Brooks Hill #1	Improve the access to Booster Pump Station	1			\$15,000	2001-2002
Zoneton	Upgrade the existing Booster Pump Station	1			\$15,000	2001-2002
Cabin Creek	Booster Pump Station- Waterproof, add sump, replace hatch and hydro-tanks.	1			\$10,000	2001-2002
Pryor Valley	Booster Pump Station- Waterproof, add sump, replace hatch and hydro-tanks.	1			\$10,000	2002-2002
Oak Point	Booster Pump Station- Waterproof, add sump, replace hatch and hydro-tanks.	1			\$10,000	2001-2002
Fire Hydrants	To avg. 1,000'/hyd, the total need is 512, existing number 180 <sup>3</sup>	377		2,000	\$754,000	2001-2005
Line Valves	To avg. 1,500'/valve, the total need is 341, existing number 397 <sup>4</sup>	100		1,500	\$150,000	2001-2005
Total for Exhibit G, Table 1					\$3,995,920	
System Development Charge to fund grid ties and main upsizing.						
<sup>1</sup> Includes Creek Crossing						
<sup>2</sup> Includes Salt River Crossing						
<sup>3</sup> Based on number from 1999 PSC Report plus 25% renovation.						
<sup>4</sup> Based on number from 1997 Engineering Evaluation Report plus 25% renovation.						

**EXHIBIT G**  
**TABLE 2: KTWD DIVISION #2 SYSTEM IMPROVEMENTS**

STREET NAME OR ITEM	DESCRIPTION	QUANTITY	MAIN SIZE	UNIT COST	ESTIMATED COST	YEAR
Chapeze Road	Presently 8" Replace with 12" from I-65 to Hwy 245	10,000 Ft	12"	\$60	\$600,000	2003
Circle Drive	Presently 4" Replace with 6" and set fire hydrants	1,800 Ft	6"	\$30	\$54,000	2004
Coopers Run	Presently 2" Replace with 6" and set fire hydrants	1,800 Ft	6"	\$30	\$54,000	2002
Cundiff Lane	Presently 4" Replace with 8" and set fire hydrants	3,800 Ft	8"	\$45	\$171,000	2004
Eastview Drive	Presently 4" Replace with 6" and set fire hydrants	1,100 Ft	6"	\$30	\$33,000	2004
Highway 44	Presently 4" Replace with 8" and set fire hydrants	2,300 Ft	8"	\$45	\$103,500	2002
Highway 245	Presently 8" Replace with 12" from Chapeze to Clermont	4,100 Ft	12"	\$60	\$246,000	2002
Jackie Way	Presently 4" Replace with 6" and set fire hydrants	3,000 Ft	6"	\$30	\$90,000	2004
McElvain Lane	Presently 4" Replace with 6" and set fire hydrants	300 Ft	6"	\$30	\$9,000	2004
N. Hickory Lane	Presently 2" Replace with 6"	800 Ft	6"	\$30	\$24,000	2002
Old Ford Road	Presently 2" Replace with 6"	600 Ft	6"	\$30	\$18,000	2002
Old Highway 61	Presently 4" Replace with 16" from 480 Bypass to Hwy 480	2,500 Ft	12"	\$60	\$150,000	2004
Old Highway 61	Presently 6" Replace with 16" from Hwy 480 to 1st Avenue	2,000 Ft	12"	\$60	\$120,000	2004
Road Off Highway 245	Presently 4" Replace with 6" and set fire hydrants	200 Ft	6"	\$30	\$6,000	2004
Road Off South Beech Grove Road	Presently 4" Replace with 6" and set fire hydrants	1,600 Ft	6"	\$30	\$48,000	2004
Salt River Drive	Presently 4" Replace with 6" and set fire hydrants	1,900 Ft	6"	\$30	\$57,000	2004
Shuffit Lane	Presently 4" Replace with 6" and set fire hydrants	2,600 Ft	8"	\$45	\$117,000	2004
Toll View Road	Presently 4" Replace with 6" and set fire hydrants	2,100 Ft	6"	\$30	\$63,000	2004
Fire Hydrants	To avg. 1,000'/hyd, the total need is 428, existing number 193 <sup>1</sup>	285		\$2,000	\$470,000	2001-2004
Line Valves	To avg. 1,500'/valve, the total need is 286, existing number is minimum of 151 <sup>2</sup>	190		\$1,500	\$285,000	2001-2004
Telemetry System	For Cedar Grove Tank	1			\$10,000	2001
Telemetry System	KT Tanks to Crescent Hill	1			\$10,000	2001
Communications Relay Tower	Radio Repeater Tower & equipment	1			\$30,000	2001
Meter Replacements	2,300 total X 20% for Replacements	460		\$100	\$46,000	2001-2003
Mapping	Pipeline maps, Hydrants, Valves, Service locations, addresses <sup>3</sup>				\$150,000	2001-2002
Telephone Upgrades	T1 Line, 800#/Long Distance, Telephone system upgrade				\$15,000	2001
Computer Upgrade	PC'S/Equipment/Software				\$14,000	2001
Transfer of Customer Data	Transfer customer data to LWC CIS System				\$10,000	2001
Peaceful Valley Tank	Altitude Valve, fence repairs, sampling ports, convert telemetry system to LWC				\$20,000	2001
Gap in Knob Tank	Road repairs, fencing, upgrade electrical service, sampling ports, convert telemetry system to LWC				\$40,000	
Sample Stations	Add new	25		\$1,200	\$30,000	2001-2003
Total for Exhibit G, Table 2					\$3,093,500	
System Development Charge to fund grid ties and main upsizing.						
<sup>1</sup> Amount of pipe taken from 1999 PSC Report, Total number of hydrants from KT-2 listing + 25% Renovation						
<sup>2</sup> Number of Valves from KT-2 listing + 25% Renovation						
<sup>3</sup> Includes purchase of GPS equipment						

## **EXHIBIT H**

### **Bullitt County Extension Program Improvements**

EXHIBIT H TABLE 1: BCEP BACKBONE WATER MAINS KTWD DIVISION #1						
STREET NAME OR ITEM	DESCRIPTION	LENGTH FT	MAIN SIZE	UNIT COST \$/FT	ESTIMATED COST	UNSERVED RESIDENTS
Brooks Hill Road, Hwy 1526	Knob Creek Road to end of 8" main	7,200	8"	\$35	\$252,000	40
Highway 44	Highway 1526 to Raymond Road	33,400	12"	\$50	\$1,670,000	111
Knob Creek Road	End of 12" main to Brooks Hill Road	21,284	12"	\$50	\$1,064,200	116
Martin Hill Road, Hwy 1417	Highway 44 to Highway 1526	11,900	8"	\$35	\$416,500	28
Mt. Elmitra	Brooks Hill Road to Highway 44	18,700	8"	\$35	\$654,500	54
Gospel Kingdom Tank	250,000 gallon elevated tank, O.F. elevation 1080 ft.				\$321,000	
Booster Pump Station for Gospel Kingdom Tank	1 MGD capacity				\$75,000	
Barrellon Hill Road	Pig Hill Road to Highway 1526	7,000	8"	\$35	\$245,000	11
Barrellon Hill Tank	500,000 gallon tank, O.F. elevation 560				\$621,000	
Booster Pump Station for Barrellon Hill Tank	1 MGD capacity				\$75,000	
Total for Exhibit H, Table 1						360

EXHIBIT H TABLE 2: BCEP BACKBONE WATER MAINS KTWD DIVISION #2						
STREET NAME OR ITEM	DESCRIPTION	LENGTH FT	MAIN SIZE	UNIT COST \$/FT	ESTIMATED COST	UNSERVED RESIDENTS
Chapeze Road	End of 8" main to Highway 61	3,800	12"	\$50	\$190,000	6
Highway 245	Clermont Road to Lotus	19,000	8"	\$35	\$665,000	6
Highway 733	Highway 733 to Old Boston Road	14,600	8"	\$35	\$511,000	64
Ridge Road	Highway 480	37,000	8"	\$35	\$1,295,000	99
East Highway 480 Elevated Tank	500,000 gallon elevated tank, O.F. elevation 760'				\$600,000	
Highway 245 Booster Pump Station	1.5 MGD Capacity				\$120,000	
Total for Exhibit H, Table 2						175



**EXHIBIT H**  
**TABLE 3: BCEP DISTRIBUTION MAINS IN KTWD DIV. #1, PUBLIC ROADS**

STREET NAME	DESCRIPTION	LENGTH FT.	MAIN SIZE	UNIT COST \$/FT.	ESTIMATED COST	UNSERVED RESIDENCES	BELOW 550 ELEV
Bivins Point Rd.	Yorkshire Blvd. To End	500	4"	20	\$10,000	8	NO
Burden Circle	Yorkshire Blvd. To Yorkshire	900	6"	25	\$22,500	5	NO
Church View	Hwy. 44 To End	1,300	6"	25	\$32,500	9	YES
Colliers	Wilderness Way To End	1,800	6"	25	\$45,000	7	YES
Downs Lane	Hwy. 1417 To End	1,800	6"	25	\$45,000	4	NO
Ferguson Lane	Blue Lick Rd. To End	1,800	6"	25	\$45,000	12	YES
Keith Dr.	Yorkshire Blvd. To End	1,300	6"	25	\$32,500	5	NO
Kerr Ln.	Roe Hill Rd. To End.	1,800	6"	25	\$45,000	6	NO
Klapper Rd	Brooks Hill To End	1,800	6"	25	\$45,000	7	NO
Knob Creek Circle	Hwy 1526 To End	1,100	6"	25	\$27,500	11	NO
Leisure Dr.	Hwy 44 To End	1,500	6"	25	\$37,500	6	YES
Lobb Point Rd.	Yorkshire Blvd To End	700	6"	25	\$17,500	5	NO
Nalley Ln.	Hwy 1526 To End	1,300	6"	25	\$32,500	6	NO
P'poole Lane	Roe Hill Rd. To End.	1,700	6"	25	\$42,500	7	NO
Samuels Ct.	Samuels Ln. To End	1,200	6"	25	\$30,000	1	NO
Skyview Ct.	Skyview Rd. To End	1,300	6"	25	\$32,500	6	NO
W. Martin Pl.	Hwy 44 To End	1,700	6"	25	\$42,500	9	NO
Ash Hollow	Hwy 1526 To End	2,600	8"	35	\$91,000	6	YES
Bates Lane	From Cool Spring To End Of Exist 8"	2,700	8"	35	\$94,500	7	NO
Bearcamp	End Of 8" Main To Jeff Cly Line	7,700	8"	35	\$269,500	40	YES
Bob O Link Rd.	Hwy 44 To End	4,800	8"	35	\$168,000	9	YES
Castleman Branch Rd.	High Water Rd To Fort Knox Line	7,900	8"	35	\$276,500	20	YES
Chester Ln.	Hwy 1526 To End	4,000	8"	35	\$140,000	11	NO
Cow Branch	Hwy 44 To End	6,000	8"	35	\$210,000	14	YES
Cupio Ln.	Cupio Lodge Rd. To End	2,100	8"	35	\$73,500	7	YES
Cupio Lodge Rd.	Hwy 44 To End	4,800	8"	35	\$168,000	11	YES
E. Martin Pl.	Hwy 44 To End	3,300	8"	35	\$115,500	8	NO
Fisher Rd.	Hwy 44 To End	4,800	8"	35	\$168,000	15	NO
Hilltop Rd.	Hwy 44 To End	11,400	8"	35	\$399,000	25	NO
Hillview Lane	Hwy 44 To End	2,000	8"	35	\$70,000	12	NO
Johnson Hollow Rd.	Pryor Valley To End	4,400	8"	35	\$154,000	17	1/2 BELOW

**EXHIBIT H**  
**TABLE 3: BCFP DISTRIBUTION MAINS IN KTWD DIV. #1, PUBLIC ROADS (PAGE 2)**

STREET NAME	DESCRIPTION	LENGTH FT.	MAIN SIZE	UNIT COST \$/FT.	ESTIMATED COST	UNSERVED RESIDENCES	BELOW 550 ELEV
Katherine Station Rd.	Buildit Cty. Line To End	2,800	8"	35	\$98,000	8	YES
Knob Creek Rd.	Castileman Br. To End	3,300	8"	35	\$115,500	6	NO
Knob Creek Road	Brooks Hill Rd. To Lake Elmo	5,000	8"	35	\$175,000	9	1/2 BELOW
Lake Elmo	Lake Elmo To Jeff. Cty Line	5,600	8"	35	\$195,000	2	NO
Lake Elmo	Hwy 2672 To End	4,800	8"	35	\$168,000	17	NO
Mount Eden Rd.	Hwy 44 To End	5,300	8"	35	\$185,500	12	NO
Nichol Hill	Hwy 44 To End	3,800	8"	35	\$133,000	3	NO
Pauley Gap	Weavers Run To Jeff Cty Line	3,700	8"	35	\$129,500	21	1/2 BELOW
Pendleton Hill	Barrelton To Bearcamp	3,600	8"	35	\$126,000	5	NO
Pryor Valley Rd.	Pryor Valley To End	9,500	8"	35	\$332,500	7	1/3 BELOW
Rodgers	Wilderness Way To End	2,800	8"	35	\$98,000	5	YES
Roe Hill Rd.	Hwy 1526 To End	5,500	8"	35	\$192,500	23	1/3 BELOW
Samuels	Mt. Elmira To End	2,500	8"	35	\$87,500	10	NO
Skyview Rd.	Hwy 44 To Barrelton	16,500	8"	35	\$577,500	37	NO
Trappers Rd.	Johnson Hollow To End	3,000	8"	35	\$105,000	7	NO
Walls Hollow Rd.	Raymond Rd. To End	4,800	8"	35	\$168,000	10	YES
Walls Hollow Rd., N.	Walls Hollow Rd To End	5,200	8"	35	\$182,000	8	YES
Weavers Run	Hwy 44 To Pauley's Gap Road	14,000	8"	35	\$490,000	41	YES
Weavers Run	Pauley's Gap Rd To Applegate Run	2,500	8"	35	\$87,500	9	YES
Weird Rd.	Hwy 1526 To End	3,400	8"	35	\$119,000	6	YES
Wilderness Way	Raymond Rd. To End	6,700	8"	35	\$234,500	17	YES
Yorkshire Blvd.	Hwy 44 To End	4,000	8"	35	\$140,000	40	NO
Blue Lick Rd	Ashby Lane To National Turnpike	6,500	12"	50	\$325,000	9	YES
Bps For Weaver'S Run/Pauley'S Gap	1 Mgd Capacity				\$75,000		
Total for Exhibit H, Table 3		216,800			\$7,523,000	628	
964 Feet Currently Served With 6"							

**EXHIBIT H**  
**TABLE 4: BCEP DISTRIBUTION MAINS IN KTWD DIV. #2, PUBLIC ROADS**

STREET NAME	DESCRIPTION	LENGTH FT.	MAIN SIZE	UNIT COST \$/FT.	ESTIMATED COST	UNSERVED RESIDENCES	ELEVATION
Big Cedar Creek Cl.	Big Cedar Ck Tr @ Pine Ck To End	500	4"	\$20	\$10,000	16	560-580
Cave Spring Dr	Big Spring Rd To End	500	4"	\$20	\$10,000	3	560
High Pine Dr	Lick Skillet To End	500	4"	\$20	\$10,000	6	500-560
Lakeside Dr	Pine Creek Tr To End	500	4"	\$20	\$10,000	2	560
Woodrow Ln	Lovers Leap To End	500	4"	\$20	\$10,000	6	520
Apache Way	Tanglewood Rd To End	1,600	6"	\$25	\$40,000	0	500
Apple Valley Way	Ridge Rd To End	1,600	6"	\$25	\$40,000	0	630-640
Big Spring Ct	W. Indian Stone Rd To End	800	6"	\$25	\$20,000	1	500
Bishop Tr	Hwy 480 To End	1,400	6"	\$25	\$35,000	4	640
Cedar Creek Ln	Ridge Rd To End	1,500	6"	\$25	\$37,500	0	520
Deer Run Ct	Clarks Ln (Hwy 1442) To End	1,500	6"	\$25	\$37,500	5	540-580
Eva Michelle	Happy Hollow Rd To End	1,800	6"	\$25	\$45,000	0	460-540
Falls Ln	Hwy 1494 To End	900	6"	\$25	\$22,500	6	420
Forest Hill Ct	Forest Hill Rd To End	900	6"	\$25	\$22,500	7	610
High Ridge Dr	Ridge Rd To End	1,600	6"	\$25	\$40,000	15	590
E. Indian Stone Rd	Lick Skillet Rd To Lick Skillet Rd	1,500	6"	\$25	\$37,500	2	580
Ironwood Ct	Maple Tr To End	700	6"	\$25	\$17,500	4	580
Lick Skillet	E. Indian Stone To Big Country Rd	4,500	6"	\$25	\$112,500	19	520-540
Little Dove Tr	Wilderness Tr To End	1,700	6"	\$25	\$42,500	4	560-580
Longview Dr	Hwy 480 To End	900	6"	\$25	\$22,500	5	640-660
Meyer Dr	Pine Creek Tr To End	1,300	6"	\$25	\$32,500	5	570
Millers Ln.	Hwy 480 To End	2,000	6"	\$25	\$50,000	16	580-620
Partridge Run Rd	Valley View Dr To End	1,700	6"	\$25	\$42,500	14	520-540
Pine Creek Ct	Pine Creek Rd To End	600	6"	\$25	\$15,000	2	600
State Bluff Tr	Forest Hill Rd To End	1,300	6"	\$25	\$32,500	4	480
Thunder Rd	E Indian Stone Rd To Lick Skillet Rd	1,000	6"	\$25	\$25,000	6	540
Vine Hill Rd	Happy Hollow Rd To End	1,700	6"	\$25	\$42,500	0	540
Big Cedar Creek Tr	Wilderness Tr To Pine Creek Rd	1,400	8"	\$35	\$49,000	6	580
Big Spring Rd	W. Indian Stone Rd To W. Big Country Rd	5,600	8"	\$35	\$196,000	3	480-560
Big Spring Rd	W. Big Country To Timberline	2,400	8"	\$35	\$84,000	3	560-680
Cave Hollow	Perkins Ln To End	5,000	8"	\$35	\$175,000	0	500-580
Collings Hill Rd	End Of 6" To Lebanon Junction	11,100	8"	\$35	\$388,500	26	460-520
Country Manor Ln	Millers Ln To Wilderness Tr	2,000	8"	\$35	\$70,000	8	620
Cromwell Road	Hwy 480 To End	2,500	8"	\$35	\$87,500	4	650-660
Foley Rd	Hwy 480 To End	3,800	8"	\$35	\$133,000	30	480-600
Forest Hill Rd	Hwy 61 To End	7,500	8"	\$35	\$262,500	26	460-600
Greenwell Ford Rd	Ridge Rd To End	18,000	8"	\$35	\$630,000	5	450-520

**EXHIBIT H  
TABLE 4: BGEF DISTRIBUTION MAINS IN KTWD DIV. #2, PUBLIC ROADS (PAGE 2)**

STREET NAME	DESCRIPTION	LENGTH FT.	MAIN SIZE	UNIT COST \$/FT.	ESTIMATED COST	UNSERVED RESIDENCES	ELEVATION
Greenwell Rd	Pumpkin Rd To End	5,500	8"	\$35	\$192,500	4	440
Horse Fly Hollow Rd	Hwy 1494 To End Of 8"	16,800	8"	\$35	\$588,000	86	450-510
E. Indian Stone Rd	Lick Skillet To Big County Rd.	6,300	8"	\$35	\$220,500	21	540
Highway 61	Hwy 251 To Lebanon Junction Border	8,550	8"	\$35	\$299,250	6	480-560
Hicks Ln	Ridge Rd To End	2,000	8"	\$35	\$70,000	7	640
Ironwood Tr	Highway 480 To End	8,000	8"	\$35	\$280,000	34	540-600
Jackson Hill Rd	Clarks Ln To End	1,900	8"	\$35	\$66,500	3	640
John Lee Rd	Horse Fly Hollow Rd To End	3,000	8"	\$35	\$105,000	14	540
Lick Skillet	Hwy 480 To E. Indian Stone	4,000	8"	\$35	\$140,000	19	500
Lights Ln	Ridge Rd To End	2,900	8"	\$35	\$101,500	9	660
Maple Tr	Ironwood Tr To End	1,600	8"	\$35	\$56,000	10	580
Mooney Ln	Hwy 480 To End	3,800	8"	\$35	\$133,000	4	520
Mount Caramel	Hwy 733 To County Line	20,500	8"	\$35	\$717,500	20	450-530
Newman Hill Rd	Hwy 61 To End	6,600	8"	\$35	\$231,000	6	460-580
Oakwood Dr	Wilson Creek Rd (Hwy 733) To End	4,000	8"	\$35	\$140,000	6	520-600
Old Clemont Rd	Hwy 245 To End	5,300	8"	\$35	\$185,500	5	
Old Davis	Hwy 245 To End	2,200	8"	\$35	\$77,000	10	
Peacock Hollow Rd	Beech Grove Rd (Hwy 1494) To End	4,200	8"	\$35	\$147,000	11	530-660
Pine Creek Rd	Pine Creek Tr To Pine Creek Cl	3,500	8"	\$35	\$122,500	16	560-600
Pine Creek Tr	Hwy 480 To End	8,800	8"	\$35	\$308,000	22	540-570
Pine Valley Dr	Lick Creek Rd To End	3,900	8"	\$35	\$136,500	12	440
Pumpkin	Hwy 1494 To Hwy 1494	15,400	8"	\$35	\$539,000	20	500-540
Quail Hollow	Valley View Dr To End	2,100	8"	\$35	\$73,500	9	480-750
Rams Run Road	Apache Rd To End	6,500	8"	\$35	\$227,500	18	500
Ridgeview	Hwy 480 To End	4,500	8"	\$35	\$157,500	11	500
River Ridge Rd	Ridge Rd To End	2,100	8"	\$35	\$73,500	8	500-850
Roy Layne Rd	Beech Grove Rd (Hwy 1494) To End	6,500	8"	\$35	\$227,500	19	600
Sanders Rd	Hwy 733 To Lebanon Junction	5,400	8"	\$35	\$189,000	8	500
Starigel Ln	Ridge Rd To End	2,100	8"	\$35	\$73,500	7	520
Valley Ln	Valley View Dr To End	2,900	8"	\$35	\$101,500	12	520
Valley View	Hwy 480 To End	5,200	8"	\$35	\$182,000	9	500-540
W. Big County	Big Spring To E. Indian Stone	1,400	8"	\$35	\$49,000	2	540
W. Indian Stone Rd	Lick Skillet To Big Spring Rd	1,500	8"	\$35	\$52,500	4	480-540
Wilderness Tr	County Manor Ln	3,000	8"	\$35	\$105,000	5	580-600
Total for Exhibit H, Table 4							
		276,250			\$9,306,250	720	

EXHIBIT H						
TABLE 5: UNSERVED PRIVATE ROADS IN KTWD DIVISION #1*						
NAME	DESCRIPTION	LENGTH FT.	MAIN SIZE	UNIT COST \$/FT.	ESTIMATED COST	RESIDENTS
Applegate Run	Weavers Run to end	3,900	6"	35	\$136,500	6
Buckman Hollow Rd	Hwy 44 to end	2,000	6"	25	\$50,000	3
Cardinal Road	Martin Hill Rd to end	10,600	8"	35	\$371,000	10
Cockeal Road	Lake Elmo Rd to end	900	6"	25	\$22,500	3
Eagles Road	Mt. Elmira Rd to end	1,500	6"	25	\$37,500	6
Flintstone Road	Mt. Elmira Rd to end	2,700	6"	35	\$94,500	2
Fugerson Court	Mitchell Way to end	2,200	6"	25	\$77,000	1
Hurst Road	Knob Creek Rd to County line	3,500	8"	35	\$122,500	13
Kings Hollow Road	Hwy 1526 to end	4,000	8"	35	\$140,000	3
Knob Creek Range	Hwy 44 to end	2,200	6"	25	\$55,000	0
Knox Drive	Yorkshire Blvd to end	2,000	6"	25	\$50,000	4
Miller Drive	Raymond Rd. to end	1,500	6"	25	\$37,500	5
Mitchell Way	Walls Hollow Rd to end	2,500	8"	35	\$87,500	1
Oakcrest Road	Mt. Elmira Rd to end	2,000	6"	25	\$50,000	4
Perkins Court	Roe Hill Rd to end	700	6"	25	\$17,500	3
Pinecrest Drive	Mt. Elmira Rd to end	1,000	6"	25	\$25,000	5
Pike and Payne Lane	Mitchell Way to end	1,200	6"	25	\$30,000	2
Revolution Way	Ferguson Ct to end	600	6"	25	\$15,000	1
Sandstone Road	Mt. Elmira Rd to end	5,200	8"	35	\$182,000	10
Smith Landfill Road	Big Valley to end	6,000	8"	35	\$210,000	0
Stanley Drive	Pendleton Hill to end	1,100	6"	25	\$27,500	7
Swallow Road	Martin Hill Rd to end	1,200	6"	25	\$30,000	1
Thiry Road	Brooks Hill Rd to end	1,200	6"	25	\$30,000	5
Twin Acres	Johnson Hollow Rd to end	2,000	6"	25	\$70,000	1
Wolfe Road	Bearcamp to end	3,500	8"	35	\$122,500	5
Total for Exhibit H, Table 5		65,200			\$2,091,000	101
* Does not include any potential booster pumping or potential storage.						

# EXHIBIT H

TABLE 6: UNSERVED PRIVATE ROADS IN KTWD DIVISION #2\*

NAME	DESCRIPTION	LENGTH FT	MAIN SIZE	UNIT COST \$/FT	ESTIMATED COST	RESIDENTS
Dever Farm Road	Ridge Road to end	3,100	8"	35	\$108,500	1
Log Cabin Lane	Highway 480 to end	1,400	6"	25	\$35,000	5
McCubbins Farm Lane	Ridge Road to end	6,100	8"	35	\$213,500	7
Mitchell Drive	Beech Grove Road (Highway 1494) to end	1,300	6"	25	\$32,500	6
Moore Lane	Happy Hollow Road to end	1,500	6"	25	\$37,500	3
Perkins Lane	Happy Hollow Road past Cave Hollow Road to end	1,000	6"	25	\$25,000	10
Rhodes Lane	Horse Fly Hollow Road to end	900	6"	25	\$22,500	3
Timberline	Rams Run Road to Happy Hollow Road	1,500	6"	25	\$37,500	4
White Run	Highway 480 to end	1,300	6"	25	\$32,500	5
Total for Exhibit H, Table 6		18,100			\$544,500	44

\*Does not include any potential booster pumping or potential storage.

**EXHIBIT H**  
**TABLE 7: UNSERVED BULLITT COUNTY ROADS IN OTHER WATER DISTRICTS**

STREET NAME	DESCRIPTION	LENGTH FT.	COMMENTS
RUSTIC LANE	BROWNINGTON RD TO END	1,300	BY NORTH NELSON
BOHANNON LANE	LUTZ LANE TO END	2,700	BY NORTH NELSON
BROWNINGTON RD	HWY 480 TO HWY 1604	7,500	BY NORTH NELSON
CEDAR SPRINGS	OLD BOSTON RD TO END	3,100	BY CITY OF LEBANON JUNCTION
CRENSHAW RD	WOODSDALE TO END	3,200	BY NORTH NELSON
DEATSVILLE RD	HWY 1604 TO COUNTY LINE	4,000	BY NORTH NELSON
HWY 1604	HWY 480 TO HWY 245	30,000	BY NORTH NELSON
LUTZ LANE	WOODSDALE TO COUNTY LINE	5,500	BY NORTH NELSON
OLD BOSTON RD	HWY 733 TO LEBANON JUNCTION	10,600	BY CITY OF LEBANON JUNCTION
OVERHILL DR	HWY 480 TO END	3,500	BY NORTH NELSON
REICHMUTH LN	HWY 1494 TO END	1,900	BY SHEPHERDSVILLE
SALT LICK	BROWNINGTON RD TO END	2,600	BY NORTH NELSON
SAMUELS FARM RD	OLD BOSTON RD TO END	2,000	BY CITY OF LEBANON JUNCTION
S. DOWNS LANE	LUTZ LANE TO END	2,200	BY NORTH NELSON
STREBLE FARM LN	COLLINGS HILL RD TO END	4,000	BY CITY OF LEBANON JUNCTION
Total for Exhibit H, Table 7		84,100	

EXHIBIT I

Kentucky Turnpike Water District, Division #1

1999 Audited Financial Statements

February 25, 2000

&

Kentucky Turnpike Water District, Division #2

1999 Audited Financial Statements

February 26, 2000





## REPORT OF INDEPENDENT AUDITORS

Board of Commissioners  
Kentucky Turnpike Water District  
Division I  
Shepherdsville, Kentucky

We have audited the accompanying balance sheets of Kentucky Turnpike Water District Division I as of December 31, 1999 and 1998, and the related statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kentucky Turnpike Water District Division I as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

*Crowe, Chizek and Company LLP*

Crowe, Chizek and Company LLP

Louisville, Kentucky  
February 25, 2000

---

KENTUCKY TURNPIKE WATER DISTRICT  
DIVISION I  
BALANCE SHEETS  
December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
<b>ASSETS</b>		
Current assets		
Operating fund, cash and cash equivalents	\$ 117,375	\$ 113,705
Notes receivable	14,611	15,200
Other assets	<u>1,081</u>	<u>134</u>
Total current assets	133,067	129,039
Utility plant		
Depreciable property in service, at cost	7,838,883	6,630,520
Less accumulated depreciation	<u>(1,108,709)</u>	<u>(1,011,988)</u>
	6,730,174	5,618,532
Land and improvements	16,195	16,195
Construction work in progress	<u>558,446</u>	<u>1,227,119</u>
Total utility plant	7,304,815	6,861,846
Restricted assets		
Depreciation and Improvement Fund	626,446	500,843
Bond Service Fund	99,585	84,105
Bond Reserve Fund	78,374	75,753
Construction Fund	672,870	152,294
Fort Knox deposit	<u>500,000</u>	<u>-</u>
Total restricted assets	1,977,275	812,995
Unamortized debt expense	<u>33,349</u>	<u>37,055</u>
Total assets	<u>\$ 9,448,506</u>	<u>\$ 7,840,935</u>
<b>LIABILITIES AND OTHER CREDITS</b>		
Current liabilities		
Accrued interest payable	\$ 4,471	\$ 4,457
Deposits to be refunded	4,900	4,150
Notes payable, current portion	14,434	13,771
Bonds payable, current portion	<u>55,000</u>	<u>55,000</u>
Total current liabilities	78,805	77,378
Long-term debt, non-current portion	684,361	753,795
Contributions in aid of construction	6,846,112	5,372,459
Retained earnings	<u>1,839,228</u>	<u>1,637,303</u>
Total liabilities and other credits	<u>\$ 9,448,506</u>	<u>\$ 7,840,935</u>

See accompanying notes.

KENTUCKY TURNPIKE WATER DISTRICT  
DIVISION I  
STATEMENTS OF INCOME  
Years ended December 31, 1999 and 1998

---

	<u>1999</u>	<u>1998</u>
Operating revenue		
Surcharges collected	<u>\$ 328,156</u>	<u>\$ 315,896</u>
Operating expenses		
Operation expenses -		
Commissioners' fees and expenses	-	1,200
PSC assessment	527	567
Professional fees	3,242	325
Office and supplies expense	18,446	24,289
Salaries and payroll taxes	<u>-</u>	<u>19,000</u>
Total operation expenses	22,215	45,381
Depreciation	96,721	93,662
Amortization	<u>3,705</u>	<u>3,705</u>
Total operating expenses	<u>122,641</u>	<u>142,748</u>
Net operating revenue	205,515	173,148
Non-operating income (expense)		
Interest on investments	38,212	14,566
Interest expense	(50,202)	(54,110)
Rental income	<u>8,400</u>	<u>-</u>
Total non-operating expense	<u>(3,590)</u>	<u>(39,544)</u>
Net income	<u>\$ 201,925</u>	<u>\$ 133,604</u>

---

See accompanying notes.

KENTUCKY TURNPIKE WATER DISTRICT  
DIVISION I  
STATEMENTS OF RETAINED EARNINGS  
Years ended December 31, 1999 and 1998

---

Retained earnings, January 1, 1998	\$ 1,503,699
Net income	<u>133,604</u>
Retained earnings, December 31, 1998	1,637,303
Net income	<u>201,925</u>
Retained earnings, December 31, 1999	<u>\$ 1,839,228</u>

---

See accompanying notes.

KENTUCKY TURNPIKE WATER DISTRICT  
DIVISION I  
STATEMENTS OF CASH FLOWS  
Years ended December 31, 1999 and 1998

---

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities:		
Cash received from customers and others	\$ 337,145	\$ 313,494
Cash paid to suppliers and others	<u>(21,465)</u>	<u>(42,431)</u>
Net cash provided by operating activities	315,680	271,063
Cash flows from capital and related financing activities:		
Construction of utility plant	(539,690)	(51,290)
Cash contributions in aid of construction	1,473,653	169,286
Note principal payments	(13,771)	(13,136)
Bond principal payment	(55,000)	(50,000)
Interest paid on bonds and notes	<u>(50,188)</u>	<u>(53,991)</u>
Net cash used in capital and related financing activities	815,004	869
Cash flows from investing activities:		
Interest received	<u>37,266</u>	<u>14,566</u>
Net increase in cash and cash equivalents	1,167,950	286,498
Cash and cash equivalents, including \$812,995 and \$500,320, respectively, in restricted funds, beginning of year	<u>926,700</u>	<u>640,202</u>
Cash and cash equivalents, including \$1,977,275 and \$812,995, respectively, in restricted funds, end of year	<u>\$ 2,094,650</u>	<u>\$ 926,700</u>

---

(Continued)

KENTUCKY TURNPIKE WATER DISTRICT  
DIVISION I  
STATEMENTS OF CASH FLOWS  
Years ended December 31, 1999 and 1998

---

	<u>1999</u>	<u>1998</u>
Reconciliation of net operating revenue to cash flows from operating activities:		
Net operating revenue	\$ 205,515	\$ 173,148
Adjustments to reconcile net operating revenue to net cash provided by operating activities:		
Depreciation	96,721	93,662
Amortization	3,705	3,705
Non-operating income	8,400	-
Increase (decrease) in cash due to changes in assets and liabilities:		
Notes receivable	589	(2,402)
Deposits to be refunded	750	2,950
Total adjustments	<u>110,165</u>	<u>97,915</u>
Net cash provided by operating activities	<u>\$ 315,680</u>	<u>\$ 271,063</u>

---

See accompanying notes.

KENTUCKY TURNPIKE WATER DISTRICT  
DIVISION I  
NOTES TO FINANCIAL STATEMENTS  
December 31, 1999 and 1998

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Business: Kentucky Turnpike Water District Division I (the Division) is a provider of water to commercial and residential consumers in Bullitt County.

The Kentucky Turnpike Water District and Salt River Water District merged on February 10, 1993. Under the terms of the agreement, the Districts are designated as Kentucky Turnpike Water District Divisions I and II, respectively, and operate as Kentucky Turnpike Water District.

As a result of the merger, Kentucky Turnpike Water District Division I acquired certain assets from Division II. In lieu of a direct payment for the assets, Division I assumed (to the extent of the purchase price) Division II's obligation on its note and bonded indebtedness to the Kentucky Infrastructure Authority (KIA) as disclosed in Note 5. The divisions retained their respective current customers and corresponding retail rates and tariffs as set forth in the merger agreement.

The Division is funded by a surcharge levied against each customer within the district in an amount determined as necessary to meet the requirements of the various funds as stipulated in the Bond Ordinance and Lease. The Lease is with Louisville Water Company and covers the entire water distribution system for a term of forty years, terminating in October 2010.

Under the terms of the lease, Louisville Water Company, in return for the revenue derived from servicing the water customers of the Division, is obligated to operate the water district at its expense, to serve the district with an adequate water supply and to install new services at the expense of the customer upon customer application.

In addition, Louisville Water Company serves as trustee for the Division for the surcharges collected for bonded indebtedness service and retirement. Louisville Water Company determines the required surcharge amount each January 1.

Method of Accounting: The Division's accounting policies conform to generally accepted accounting principles for water utilities. Although the Company is not subject to regulation, the accounts are maintained in accordance with the uniform system of accounts prescribed by the National Association of Regulatory Utility Commissioners.

The Division is considered a component unit of the City of Shepherdsville and follows the accounting standards issued by the Governmental Accounting Standards Board.

---

(Continued)

KENTUCKY TURNPIKE WATER DISTRICT  
DIVISION I  
NOTES TO FINANCIAL STATEMENTS  
December 31, 1999 and 1998

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates in the Financial Statements: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Depreciation: The Division applies the straight-line method of depreciation to the estimated useful lives of the various classes of depreciable property. Estimated useful lives of some of the significant categories of assets are as follows:

Meters	30 years
Fire hydrants	50 years
Storage facilities	50 years
Booster equipment	50 years
Services	60 years
Mains	100 years

Depreciation is computed on additions beginning January 1 of the year after installation.

Unamortized Debt Expense: Expenses incurred in connection with the issuance of the outstanding bonds are being amortized over the life of the bond issue.

Statements of Cash Flows: For purposes of the statements of cash flows, the Division considers all highly liquid investments purchased with a maturity of three months or less to be cash and cash equivalents.

Contributions in Aid of Construction: Contributions in aid of construction represent the non-refundable cost of utility plant additions paid for by customers.

---

(Continued)



KENTUCKY TURNPIKE WATER DISTRICT  
DIVISION I  
NOTES TO FINANCIAL STATEMENTS  
December 31, 1999 and 1998

---

NOTE 2 - PURCHASE AGREEMENTS

Louisville Water Company: Under the terms of a Settlement Agreement executed in 1975 among the Louisville Water Company, Bullitt Water Company, and the Kentucky Turnpike Water District Division I, the Division has an option to purchase from Louisville Water Company anytime until October 6, 2010, all customer accounts in that portion of the previously disputed area awarded to the Division. If the option is exercised, the Division must purchase the Louisville Water Company's facilities located within and serving the Division. If the option is not exercised before October 5, 2010, it will be considered exercised on that date. If the option had been exercised on December 31, 1999, the Division would have been required to pay \$434,140 to Louisville Water Company for its facilities.

City of Shepherdsville: The Division has entered into an agreement with the City of Shepherdsville to provide water to the City through October 2016.

As stated in Note 1, Louisville Water Company (LWC) leases the entire water distribution system of the Division and LWC will therefore sell water to the City through the remaining term of its lease with the Division ending October 2010. The City has agreed to pay LWC for the credit of the Division, a monthly surcharge of \$864 to satisfy the Division's bond issue covenants. Upon termination of LWC's lease, the City will pay directly to the Division as billed according to the then applicable charges under the Division's rate schedule for water supplied to the City over the remaining term of the water purchase agreements.

NOTE 3 - DEPOSITS AND CASH EQUIVALENTS

Deposits: At December 31, 1999 and 1998, the carrying value of the Division's cash, including restricted cash, was \$956,670 and \$293,695, respectively, and the bank balance was \$916,347 and \$294,625, respectively. In 1999 and 1998, \$776,000 was insured through the Federal Deposit Insurance Corporation.

Cash Equivalents: The Division's cash equivalents of \$1,138,000 and \$633,005 at December 31, 1999 and 1998, respectively, were invested in Certificates of Deposit and held by the Division's custodial bank in the Division's name. The entire balance was insured by the Federal Deposit Insurance Corporation and government securities provided as collateral by the banks. The market value of such certificates approximated cost.

---

(Continued)

KENTUCKY TURNPIKE WATER DISTRICT  
DIVISION I  
NOTES TO FINANCIAL STATEMENTS  
December 31, 1999 and 1998

---

NOTE 4 - RESTRICTED ASSETS

Pursuant to the Bond Ordinance authorizing the 1968 water revenue bonds, the following funds were established:

Depreciation and Improvement Fund: This fund receives the balance of surcharges collected after required deposits to the Bond Service Fund and Operating Fund, and is to be used for making extensions of and improvements to the water system of the District. The required minimum addition to the fund is 1% per year of the capital value of the system and facilities then existing. In addition, any connection fees are deposited into this fund.

Bond Service Fund: This fund is for the payment of principal and interest due each year on the outstanding bonds and is funded from the surcharges collected.

Bond Reserve Fund: Under the terms of the Bond Ordinance, this fund is required to be maintained at an amount at least equal to the maximum annual interest required to be paid during one year. The minimum required amount was \$41,250 and \$44,375 in 1999 and 1998, respectively.

Construction Fund: This fund was established by a District Commissioner's resolution to receive payments made for the construction and extension of utility plant assets.

Fort Knox Deposit: This amount represents a deposit by Fort Knox to be utilized for the extension of water service into that area. An offsetting amount is recorded in Contributions in Aid of Construction. If the extension is not performed, the deposit and any accrued interest will be fully refundable.

At December 31, 1999 and 1998, restricted assets of these funds were as follows:

	<u>Depreciation and Improvement Fund</u>	<u>Bond Service Fund</u>	<u>Bond Reserve Fund</u>	<u>Construc- tion Fund</u>	<u>Fort Knox Deposit</u>	<u>Total</u>
<u>1999</u>						
Cash	\$ 161,466	\$ 1,585	\$ 3,374	\$ 672,870	\$ -	\$ 839,295
Certificates of deposit	<u>465,000</u>	<u>98,000</u>	<u>75,000</u>	<u>-</u>	<u>500,000</u>	<u>1,138,000</u>
	<u>\$ 626,466</u>	<u>\$ 99,585</u>	<u>\$ 78,374</u>	<u>\$ 672,870</u>	<u>\$ 500,000</u>	<u>\$ 1,977,295</u>

---

(Continued)

KENTUCKY TURNPIKE WATER DISTRICT  
DIVISION I  
NOTES TO FINANCIAL STATEMENTS  
December 31, 1999 and 1998

---

NOTE 4 - RESTRICTED ASSETS (Continued)

	Depreciation and Improvement <u>Fund</u>	Bond Service <u>Fund</u>	Bond Reserve <u>Fund</u>	Construc- tion <u>Fund</u>	<u>Total</u>
<u>1998</u>					
Cash	\$ 35,843	\$ 56,105	\$ 753	\$ 152,294	\$ 244,995
Certificates of deposit	<u>465,000</u>	<u>28,000</u>	<u>75,000</u>	<u>-</u>	<u>568,000</u>
	<u>\$ 500,843</u>	<u>\$ 84,105</u>	<u>\$ 75,753</u>	<u>\$ 152,294</u>	<u>\$ 812,995</u>

NOTE 5 - LONG-TERM DEBT

In December 1968, the Division issued \$1,200,000 in bonds for the construction of the water system. The bonds are payable solely from the surcharges levied as provided in the Bond Ordinance and are structured as follows:

Issue Date	December 1, 1968
Original Amount	\$1,200,000
Bonds Payable	December 1
Interest Payable	June 1 and December 1
Interest Rate	6.25%
Call Provisions	Selected by lot on any interest payment date, in whole or in part at premium of:
	2% to December 1, 1999
	1% thereafter

---

(Continued)

KENTUCKY TURNPIKE WATER DISTRICT  
DIVISION I  
NOTES TO FINANCIAL STATEMENTS  
December 31, 1999 and 1998

---

NOTE 5 - LONG-TERM DEBT (Continued)

<u>Total</u>	<u>Total Outstanding January 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Cash Requirements</u>
2000	\$ 605,000	\$ 55,000	\$ 37,812	\$ 92,812
2001	550,000	55,000	34,375	89,375
2002	495,000	60,000	30,937	90,937
2003	435,000	60,000	27,187	87,187
2004	375,000	65,000	23,437	88,437
2005	310,000	65,000	19,375	84,375
2006	245,000	75,000	15,312	90,312
2007	170,000	85,000	10,625	95,625
2008	85,000	<u>85,000</u>	<u>5,312</u>	<u>90,312</u>
Total		<u>\$ 605,000</u>	<u>\$ 204,372</u>	<u>\$ 809,372</u>

The Bond Ordinance contains covenants requiring that the rates charged for the facilities and services will produce revenues sufficient at all times to pay, as they come due, principal and interest on the related bonds, and to pay all costs of operations and maintenance of the system, and that the District will not sell or loan or in any manner dispose of the water system until all bonds have been paid in full.

Note payable: The Division acquired \$200,000 of Division II's debt obligation to the Kentucky Infrastructure Authority as part of the merger agreement (Note 1). Principal and interest payments are made semi-annually on June 1 and December 1. The note bears interest at rates ranging from 4.25% to 5.75% and is due June 1, 2008. The balance of the note at December 31, 1999 and 1998 was \$148,795 and \$162,566, respectively. Scheduled principal payments due on the note during the five years subsequent to December 31, 1999 and thereafter are as follows: 2000 - \$14,434; 2001 - \$15,152; 2002 - \$15,941; 2003 - \$16,676; 2004 - \$17,447; years thereafter - \$69,145.

NOTE 6 - INCOME TAXES

The Division, by virtue of its creation under the Kentucky Revised Statutes, Chapter 74, is a public body and exempt from both property and income taxes.

---

(Continued)

KENTUCKY TURNPIKE WATER DISTRICT  
DIVISION I  
YEAR 2000 ISSUE  
December 31, 1999  
(Unaudited)

---

NOTE 7 - SUBSEQUENT EVENT

On February 17, 2000, the Louisville Water Company signed a letter of intent to purchase the Kentucky Turnpike Districts #1 and #2. Louisville Water Company will receive all of the assets of the districts and will assume all outstanding liabilities of the districts. Effective with the purchase of the Company, the purchase agreements in Note 2 will be eliminated.

PHILIP A. FISTER, CPA  
J. STEPHEN FREEMAN, CPA  
WILLIAM E. ROUTH, CPA

**FISTER, ROUTH & FREEMAN PSC**  
CERTIFIED PUBLIC ACCOUNTANTS

1150 SOUTH THIRD STREET  
LOUISVILLE, KY 40203  
TELEPHONE 502-589-4272  
FAX 502-589-7222

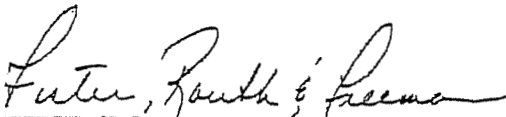
**INDEPENDENT AUDITORS' REPORT**

To The Commissioners  
Kentucky Turnpike Water District - District II  
Shepherdsville, Kentucky 40165

We have audited the accompanying balance sheets of Kentucky Turnpike Water District - Division II as of December 31, 1999 and 1998, and the related statements of operations, changes in retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the District's Commissioners. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 the District's Commissioners, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kentucky Turnpike Water District - Division II, as of December 31, 1999 and 1998, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

  
FISTER, ROUTH & FREEMAN PSC  
Louisville, Kentucky

February 26, 2000

**KENTUCKY TURNPIKE WATER  
BALANCE SHEETS  
AS OF DECEMBER 31, 1999 AND 1998**

	<u>1999</u>	<u>1998</u>
<b>ASSETS - Note H</b>		
Utility Plant - Note C		
Utility plant in service	\$ 5,944,863	\$ 5,033,113
Less accumulated depreciation	<u>(1,243,826)</u>	<u>(1,074,487)</u>
	4,701,037	3,958,626
Construction work in progress	<u>13,892</u>	<u>485,322</u>
Total utility plant	4,714,929	4,443,948
Other Property and Investments		
Money market fund	426,680	408,958
Notes receivable	-	652
Due from Division I	44,573	-
Customer deposit fund	250,614	-
Other special funds	<u>173,676</u>	<u>165,704</u>
Total other property and investments	895,543	575,314
Current Assets		
Cash - Note B	580,715	446,453
Accounts receivable	115,760	96,537
Prepaid expense	8,790	7,560
Material and supply inventory	<u>37,423</u>	<u>38,684</u>
Total current assets	742,688	589,234
Deferred Charges		
Unamortized debt cost, net	<u>55,802</u>	<u>62,367</u>
Total Assets	<u>\$ 6,408,962</u>	<u>\$ 5,670,863</u>

**FUND BALANCES, LIABILITIES AND OTHER CREDITS - Note H**

Fund Balances	\$ 35,305	\$ 45,404
Unappropriated retained earnings		
Contributions in aid of construction	<u>3,883,813</u>	<u>3,022,433</u>
- Note F		
Total fund balances	3,919,118	3,067,837
Long-Term Debt, less current portion		
- Note D	880,607	933,270
Contingent Liabilities - Note G	-	-
Current and Accrued Liabilities		
Accounts payable	31,385	68,699
Accrued interest payable	10,564	10,724
Other accrued expenses and liabilities	8,428	10,514
Current portion of long-term debt - Note D	<u>1,532,760</u>	<u>1,555,519</u>
Total current and accrued liabilities	1,583,137	1,645,456
Customer Advances for Construction		
- Note E	<u>26,100</u>	<u>24,300</u>
Total Fund Balances, Liabilities and Other Credits	<u>\$ 6,408,962</u>	<u>\$ 5,670,863</u>

See accompanying notes and independent accountants' report.

KENTUCKY TURNPIKE WATER DISTRICT - DIVISION II  
STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
Operating Revenues		
Metered sales to residential customers	\$ 641,826	\$ 522,270
Metered sales to commercial customers	320,080	255,190
Other water revenues (adjustments) - net	<u>(12,318)</u>	<u>2,058</u>
Total operating revenues	<u>949,588</u>	<u>779,518</u>
Operating Expenses		
Operation expenses	710,239	580,528
Maintenance expenses	<u>37,224</u>	<u>39,471</u>
Total operation and maintenance expenses	747,463	619,999
Depreciation expenses	171,437	144,266
Amortization expenses	<u>6,565</u>	<u>6,565</u>
Total operating expenses	<u>925,465</u>	<u>770,830</u>
Net operating revenue	<u>24,123</u>	<u>8,688</u>
Non-Operating Income (Expenses)		
Interest income	40,199	42,867
Other income	44,573	23,200
Interest expense	(119,244)	(127,808)
Gain (loss) on sale of fixed assets	<u>250</u>	<u>1,888</u>
Net non-operating expenses	<u>(34,222)</u>	<u>(59,853)</u>
Net Income (Loss) - Note B	<u>\$ (10,099)</u>	<u>\$ (51,165)</u>

See accompanying notes and independent accountant's report.