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JUL 31 2007

PUBLIC SERVICE
COMMISSION

No. 1



LOUISVILLE WATER COMPANY

550 SOUTH THIRD STREET • LOUISVILLE, KENTUCKY 40202
TEL 502-569-3600 FAX 502-569-0815

JOHN L. HUBER
PRESIDENT

RECEIVED

November 16, 1998

JUL 31 2007

PUBLIC SERVICE
COMMISSION

Mr. Herbert A. Miller, Jr.
Corporate Counsel
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502

Dear Herb:

Enclosed are four fully executed copies of the Water Supply Agreement.

Design of the water main from English Station Road and U. S. Highway 60 to Kentucky Highway 55 at Interstate 64 is being initiated in accordance with Mr. Mundy's recent letter.

Please extend our appreciation to the Kentucky-American staff for the professionalism and courtesy exhibited throughout these negotiations.

Sincerely,

A handwritten signature in cursive script, appearing to read "John L. Huber".

John L. Huber
President

jcm
enclosures

cc: Mr. Joseph B. Helm
Mr. Lindsey W. Ingram, Jr.

bcc: Greg Heitzman, with copy of agreement
Steve Hubbs, with copy of agreement
Bob Miller, with copy of agreement
Karla Teasley, with copy of agreement

WATER SUPPLY AGREEMENT

THIS WATER SUPPLY AGREEMENT, dated as of this 7th day of NOVEMBER, 1998, between

LOUISVILLE WATER COMPANY,
550 South Third Street
Louisville, Kentucky 40202

("Seller").

and

KENTUCKY-AMERICAN WATER COMPANY,
2300 Richmond Road
Lexington, Kentucky 40502

("Buyer")

RECITALS

A. Seller, a Kentucky corporation all of the stock of which is owned by the City of Louisville, is governed by the Board of Water Works pursuant to Sections 96.230 through 96.310 of the Kentucky Revised Statutes and is statutorily permitted to sell water to customers taking service in Jefferson, Oldham, Shelby, Spencer, Bullitt and Hardin Counties, Kentucky.

B. Seller owns and operates water treatment and distribution facilities and utilizes its facilities to provide water service on a retail and wholesale basis throughout Jefferson County, Kentucky and in large areas of Oldham, Shelby, Spencer, and Bullitt Counties, including, among others, wholesale service to West Shelby Water District, North Shelby Water District and the City of Taylorsville;

C. Seller has available treatment and storage capacity sufficient to meet Buyer's needs set forth in this Agreement;

D. Buyer, a Kentucky corporation, engages in the manufacture of water for sale and service to customers in the counties of Fayette, Bourbon, Clark, Harrison, Jessamine, Scott, and Woodford; and

E. Buyer is desirous of securing a continuing, dependable source of water to meet the present and future needs of Buyer's customers and plans construction of extended transmission facilities to the Point of Delivery, defined below, to connect its existing system with Seller's.

WITNESSETH:

NOW, THEREFORE, in consideration of the mutual covenants and conditions herein contained, the parties agree as follows:

1. DEFINITIONS. In this Agreement, these terms have the meanings indicated below:

(a) Project Facilities: Fixtures, equipment, water transmission mains, metering equipment, vaults, storage facility, pipes, pump station, and other improvements and facilities designed and to be constructed to Seller's specifications and approved by Buyer to be used for delivery of Service under this Agreement together with easements and other real property rights acquired with respect thereto. Such facilities shall be owned by the Seller.

(b) Point of Delivery: The connection of the Project Facilities to Buyer's facilities. The connection will be at a point in Shelby County, Kentucky at or near the intersection of Interstate Highway 64 and Kentucky Highway 55.

(c) Service: The delivery of treated, potable water by Seller to the Point of Delivery under this Agreement pursuant to the standards set forth in Section 9, subsections (a) and (b) and as may be changed by operation of Section 13.

2. DESIGN OF PROJECT FACILITIES:

(a) The Project Facilities will be designed by Seller, Buyer retaining the right to approve the selection by Seller of outside professional engineering assistance in creating such design, such approval not to be unreasonably withheld, and to approve the scope of the design within the framework set forth immediately below. To the extent this Agreement is not executed by August 1, 1998, then the design completion date shall be extended by the time subsequent to August 1, 1998, until execution of this Agreement.

(b) The design of the Project Facilities shall include, among other things, a 60-inch transmission main from Seller's English Station Road Reservoir to the intersection of Interstate Highway 265 and Interstate Highway 64 in Jefferson County, a 36-inch transmission main from such intersection eastwardly to the intersection of Interstate Highway 64 and Kentucky Highway 55 in Shelby County (the location of the Point of Delivery), a 23 million gallon per day pump station situated in the Interstate 265-Interstate 64 intersection area, and a water storage facility with a minimum capacity of 1.0 million gallons situated along the 36-inch transmission main in Shelby County west of the Point of Delivery. Attached, designated EXHIBIT A, is a plat indicating the general location and route of the Project Facilities. Any subsequent change in the design/route which, individually or in the aggregate, increases the costs of the construction or operation of the Project Facilities to be paid by Buyer shall be subject to Buyer's prior written approval, which approval shall not be unreasonably withheld.

(c) Seller understands that the design of the Project Facilities must be fully completed in a form and substance satisfactory to Buyer prior to Buyer's application to the Kentucky Public Service Commission (the "PSC") for a Certificate of Convenience and Necessity. Consequently, the date of completion for such design shall not be later than December 1, 1998, time being of the essence.

(d) Also, on or before December 1, 1998 Seller will provide Buyer with its estimated cost of the portion of the Project Facilities for which Buyer is agreeing to pay as hereinafter provided and an estimate of the cost of the remaining (Seller's) portion.

3. PROPERTY ACQUISITION: Upon receipt by the Seller of Buyer's written instructions and within the limitations of such, Seller will initiate an effort to acquire easements and other property rights needed in the construction and installation of the Project Facilities, keeping Buyer advised from time to time as to its progress and as to any obstacles encountered in such procurement. Seller's efforts to acquire easements and other property rights shall be made expeditiously and in good faith. With respect to property rights being acquired at Buyer's cost, Seller will not purchase any of them without the costs thereof being approved by the Buyer and will not file condemnation actions without Buyer's direction to do so.

4. BIDDING ON CONSTRUCTION OF PROJECT FACILITIES: Upon receipt of written instructions from Buyer, and within the limitations contained therein which shall not be contrary to law or Seller's written contract bidding procedures, Seller will initiate its construction contract bidding process for the Project Facilities, including the advertising for and the taking of bids in accordance with its invitation to bid.

5. CONSTRUCTION OF PROJECT FACILITIES:

(a) Upon receipt of written instructions from Buyer, Seller will proceed with the awarding (preceded by rebidding if previously submitted bids have expired) of the Project Facilities construction contract(s) to the qualified bidder(s) submitting the lowest and best bid(s).

(b) Seller, using a professional engineering firm, registered in Kentucky, will supervise the construction of the Project Facilities and will complete same to the Point of Delivery no later than eighteen months from the date Seller receives the initial written instructions, set forth in Section 5(a), immediately above, time being of the essence. The completion of construction of the Project Facilities with water service being available at the Point of Delivery is referred to as the "Construction Completion Date".

(c) Delays in construction may cause reasonable extension of the Construction Completion Date provided such delays are the result of unanticipated adverse weather conditions, labor unrest, natural disasters, legal obstacles encountered in easement acquisition or other circumstances beyond Seller's control. Also, if Seller deems it necessary to rebid the construction contract(s) because of the expiration of the previous bids, the Construction Completion Date will be extended to accommodate the delay caused by such rebidding.

6. PROJECT FACILITIES' COSTS ALLOCATION:

(a) Except as otherwise provided in Section 6(c) Buyer agrees to pay the reasonable and necessary costs of design, site acquisition and construction of the Project Facilities, which costs include, but are not limited, to the following:

Consulting Engineering Services
Easement and other Property Rights
Easement Acquisition Agent
Recording of Real Estate Documents
Real Property Appraisals
Miscellaneous Out-of-Pocket Expenses

Bid Publication
Construction Contract(s) Obligations
Materials
Reproduction and Printing
Measurable In-house Engineering Planning,
Design and Construction Administration

(b) In addition, Buyer agrees to pay Seller's costs incurred with respect to the financing of Buyer's share of the Project Facilities, which costs include but are not limited to, financial advisor charges, bond counsel and other legal expenses, printing and other reproduction costs and marketing and travel expenses and pre-issuance financing costs, referenced in Section 7(a), below.

(c) Seller will be responsible for the costs of the design, site location and construction of the pump station and the Shelby County water storage facility. In addition, Seller shall be responsible for the incremental costs of material and installation of any portion of the transmission main, the diameter of which is greater than 36 inches so long as such increase in diameter is not the requirement of Buyer. Provided, however, in the event the Project Facilities are not built, Buyer will reimburse Seller for the design cost of the pump station and the storage facility in return for which Seller will assign all of its right, title and interest in and to such design to Buyer.

7. INVOICING AND PAYMENT OF BUYER'S COSTS:

(a) Inasmuch as most, if not all, of the costs incurred by Seller on Buyer's behalf in the design, property acquisition, bidding, and construction of the Project Facilities can be paid from the proceeds of issuance of tax-free or taxable revenue bonds, contemplated under Sections 8(a) or (b), below, Seller is agreeable to financing all pre-issuance costs with the understanding that it will be reimbursed in full from the bond proceeds for such costs, including its financing costs, to the extent permitted under the terms of the bond issue; otherwise such reimbursement is to be made by Buyer in accordance with Section 8(c), below.

(b) Seller will advise Buyer of its pre-bond issue design, property acquisition and bidding costs. Seller, within 30 days of such advice, will finance the amount thereof anticipating reimbursement from bond proceeds pursuant to Subsection (a), above.

(c) Construction costs, unless paid directly from bond financing proceeds, will be invoiced by Seller to Buyer as incurred with Buyer to be responsible for providing funds to Seller in advance of any construction contract payment deadline relating to progress and final payments.

(d) Seller's cost incurred on Buyer's behalf not reimbursable, or not to be reimbursed, from bond proceeds will be paid by Buyer in full within 30 days of receipt of Seller's invoice.

(e) Buyer reserves the right to dispute costs it deems to be unreasonable but agrees that it will indemnify Seller and hold it harmless for any judgments, settlements, legal fees

and other costs incurred by Seller as a result of Buyer's refusal to pay Seller with respect to a third party claim.

8. FINANCING OF BUYER'S SHARE OF COSTS OF PROJECT FACILITIES:

Buyer agrees to reimburse Seller for all Project Facilities' costs, the cost of which Buyer has assumed hereinabove. Such reimbursement will take one or more of the following forms:

(a) By reimbursing Seller for its costs, including, but not limited to, debt service and issuance costs, through the issuance of tax-free, municipal revenue bonds by the Seller, the proceeds of which are to be used to pay or to reimburse Seller for the Project Facilities' costs, to the extent such costs are eligible for reimbursement from bond proceeds, it being understood that the contemplated bonds will be sold on a competitive bid basis and the bid award will be made by Seller only after consultation with Buyer. Attached hereto and designated Schedule A is a Projected Debt Amortization Schedule which assumes a \$1,000,000 issue, bearing interest at 6% per annum and maturing over a 20 year period, said Schedule being attached for illustrative purposes only; or

(b) Failing the availability of above described tax-free financing, by reimbursing Seller for its costs, including, but not limited to, debt service and cost of issuance, through the issuance of corporate revenue bonds by Seller or Buyer, at Buyer's option, the proceeds of which are to be used to pay or to reimburse Seller for the cost of the Project Facilities, it being understood that the contemplated bonds, if issued by Seller, will be sold on a competitive bid basis with the winning bid to be awarded by Seller only after consultation with Buyer; or

(c) By progress payments from Buyer to Seller to be made within 30 days of invoice, the first such payment to be made within thirty days of Buyer's written advice that no bond issue financing is to be pursued and to be in an amount equal to the sum of all amounts previously incurred by Seller including those financed pursuant to Section 7(a), above, plus the financing cost thereof. The provisions of this subsection also shall be applicable to invoices from Seller that are later determined to be ineligible for reimbursement from bond proceeds.

(d) If Seller's bond instruments permit prepayment of part or all of the debt obligation, and if Buyer is not in default of any of its payments to Seller under this Section and Section 11 of this Agreement, then Buyer has the right to instruct Seller on a timely basis to exercise the prepayment privilege and shall simultaneously pay to Seller the amount of the prepayment needed, including premium, if any, to remit to the holders of the debt instruments being redeemed and any redemption expenses.

(e) Failure of Buyer to provide Seller with readily available funds in time to meet any debt payment requirements or construction contract obligation will result in a 5% penalty on the delinquent amount to be added to such delinquent payment for each month or partial month such payment and penalties thereon are delinquent.

(f) The parties understand and agree that the pledge securing the proposed revenue bonds will be Buyer's promise to pay the debt service thereon. Buyer agrees to cooperate

with Seller in good faith in preparing for and marketing the bond issue, including, but not limited to, the meeting of all disclosure requirements..

9. SERVICE AT THE POINT OF DELIVERY:

(a) Condition. Seller will provide Buyer Service at the Point of Delivery, which meets or exceeds all applicable drinking water standards in effect at the time of delivery.

(b) Flow Rate and Pressure. Seller shall design and construct the Project Facilities to make them capable of delivering water to Buyer at the Point of Delivery having a flow rate of up to 23 million gallons per day and water pressure of not less than thirty pounds per square inch (30 psi).

(c) Rate of Flow Demand. While Buyer is reserving up to 23 million gallons per day of Seller's production capacity, its requirements will be, as presently contemplated, substantially less than that during much of the duration of this Agreement. Such is recognized in Exhibit B, referenced in Section 11, setting forth the parties' rate arrangements. Nevertheless, Buyer may at any time and from time to time be in need of 23 million gallons per day, or significant portions thereof. At the same time, Seller desires as much advance notice as it can get with respect to any significant demand increase by Buyer in order that Seller's operations will not be adversely affected by a sudden, out of the ordinary demand on its production and transmission facilities. With such in mind, the parties pledge to each other open communications, from the Buyer to the Seller of any operational situations that may cause it to significantly increase its water needs in the near future, i.e. plant/equipment outage, drought predictions, etc., and from Seller to Buyer of Seller's operational situations that might adversely affect Seller's ability to immediately respond to any sudden need of Buyer for a significant increase in volume of water at the Point of Delivery, i.e. plant/equipment outages, planned and unplanned, and other factors that might affect its ability to deliver water. Regardless, Seller agrees to supply Buyer's demands, as same may be altered from time to time, and with reference to any sudden significant demand increase, as soon as possible after notification by Buyer, barring problems beyond Seller's control.

(d) Service to Others. Seller warrants and represents that any water service to others prior to the Point of Delivery provided through or from the Project Facilities shall not interfere with its service or diminish its obligations to the Buyer under this Agreement.

(e) Failures. Buyer acknowledges that unexpected supply or treatment problems may occur which are beyond Seller's control. In the event Seller, when called upon, is unable to provide Buyer with Service under the terms of this Agreement for reasons beyond Seller's control, Seller shall use its best efforts to restore the Service to the quality, rate of flow and pressure required. Time is of the essence in all situations where such failure and duty of restoration exists. In the event delivery problems limit or prevent the delivery of water to any of Seller's other customers, then Seller agrees that any restrictions, placed by it or upon it by others as to water delivery, shall apply to the Buyer in the same manner as applied by Seller to other customers.

10. METERING ARRANGEMENTS: Seller agrees to furnish, install, maintain, repair and replace at the Point of Delivery a service meter or battery of meters, including meter house or vault, for properly measuring the quantity of water being delivered to Buyer and to test such metering equipment whenever requested by Buyer but no more frequently than once every six months with the results of such tests provided to Buyer. Buyer may require Seller to conduct tests more often than every six months, but at its own expense. A meter registering between 98.5% and 101.5% of the actual flow shall be deemed to be accurate. Previous readings of any meter disclosed by test to be inaccurate shall be corrected for three months previous to such test in accordance with the percentage of inaccuracy found by such test. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless Seller and Buyer shall agree otherwise. An appropriate official of the Buyer shall have access to the meter at reasonable times for the purpose of inspecting and reading such metering facilities.

11. RATES AND PAYMENT:

(a) Buyer shall pay Seller for the Service as determined by the methodology set forth in Exhibit B, attached hereto and incorporated herein, Buyer agreeing that the rate-making methodology contained therein is reasonable for the anticipated annual rate adjustment filings by the Seller with the Kentucky Public Service Commission relating to the provision of Service under this Agreement.

(b) Buyer's meter will be read at the end of each month of Service and shall be invoiced by Seller in accordance with the provisions of Exhibit B, provided, however, the rate paid by Buyer for Service shall never exceed Seller's Wholesale Rate plus its Elevated Service Area Surcharge, if applicable, as adjusted from time to time.

(c) Buyer shall remit payment to Seller for each invoice no later than the 30 calendar days following the mailing or facsimile transmission of such invoice. Failure to make timely payments will cause a penalty of five percent (5%) per month or partial month on each invoice remaining unpaid. Buyer shall have the option of paying such monthly invoices by automatic bank drafts.

12. RESERVATION OF CAPACITY: Seller reserves production capacity to Buyer of 23 million gallons per day (flow rate) for the term of this Agreement.

13. RIGHT TO INCREASE DELIVERY CAPACITY OF PROJECT FACILITIES:

(a) Recognizing that the Project Facilities being financed by Buyer will have a delivery capacity of 23 million gallons of water per day and further recognizing that the Seller financed additions thereto of a pumping station, a Shelby County storage facility and main upsizing will make the Project Facilities expandable to 35 million gallons per day, Seller hereby agrees to give Buyer the right, and the right of first refusal, to acquire up to all of the additional 12 million gallons per day capacity on the following terms and conditions:

(i) When Seller receives a bona fide, acceptable proposal to sell water service from or through the Project Facilities, it will notify Buyer in writing who will have 60 days to exercise its right of first refusal for the acquisition of the capacity contemplated in such proposal. If Buyer chooses to acquire the additional capacity offered, or on its own volition to acquire additional available capacity, it will be obligated as follows:

(ii) To pay Seller a percentage of the then book value of the Seller-financed part of the Project Facilities and any improvements made thereto that is represented by the capacity being acquired as same relates to the total 12 million gallons per day available.

(iii) Pay to Seller all costs incurred by it in any upgrading of the Project Facilities needed to provide the increase in rate of flow to the Point of Delivery.

(iv) To an increase in its Exhibit B capacity Request in an amount equal to the increased daily capacity being acquired, effective at the time that the Seller has made the increase available at the Point of Delivery, it being understood that Seller will make such increased capacity available no later than 12 months from the date of exercise of the right.

(v) To an increase in its Exhibit B minimum monthly usage by an amount equal to 50% of the increased monthly capacity being acquired, effective at the same time the Request increase takes effect.

(b) Upon Buyer's exercise of its rights set forth above in this Section 13, Seller will consider, at Buyer's request, issuance of Seller's debt instrument(s) to finance Buyer's obligations under subsection (a)(ii) and (iii), above, an issuance similar to that contemplated in Section 8(a).

14. ADDITIONAL EXPANSION BY SELLER: Seller agrees that before undertaking any expansion or enlargement of any of the Project Facilities or the Payne plant treatment capacity, it will notify Buyer of its intention to do so and will afford Buyer with a reasonable opportunity to participate in the expansion or enlargement upon terms and conditions mutually agreeable.

15. NOTICE: In addition to the communications called for in subsection 9(c), Buyer will timely notify Seller of any condition or situation, which would adversely affect the quality, quantity or pressure of the water in Seller's system and, likewise, Seller will timely notify Buyer of any condition or situation, which would adversely affect the quality, quantity or pressure of the water at the Point of Delivery.

16. TERM AND EXTENSIONS: The term of this Agreement shall begin on the date it is executed by both parties hereto and shall terminate 50 years after the date Service is initiated. The parties shall execute an addendum showing the date Service is initiated and the termination date 50 years later. One year prior to the termination date the parties hereto shall begin to negotiate in good faith an extension of this Agreement with due and proper consideration for the principles and concepts contained herein, being mindful that the parties are hopeful that their relationship, created herein, will be one of mutual benefit and respect that will last longer than the initial 50 year term.

17. BUYER'S REPRESENTATION AND WARRANTY:

Buyer is a Kentucky corporation with the authority to enter into this Agreement, subject to regulatory approval, and has the authority to perform under the terms of this Agreement.

18. SELLER'S REPRESENTATION AND WARRANTY:

Seller is a Kentucky corporation with the statutory authority through the Board of Water Works to enter into this Agreement and to perform under the terms of this Agreement.

19. TERMINATION:

(a) Buyer may terminate this Agreement upon six (6) months written notice in the event of:

(1) Repeated failure of Seller to provide the Service set forth in this Agreement.

(2) Revocation of Seller's authority to do business.

(b) Seller may terminate this Agreement upon six (6) months written notice in the event of:

(1) Failure of Buyer to deliver to Seller written instructions to proceed with the construction of the Project Facilities within six months of receipt by Buyer of a final, non-appealable Order from the PSC in the form of a Certificate that public convenience and necessity requires the construction.

(2) Buyer's failure to receive after five or more years from the date of this Agreement a final, nonappealable Order, referenced in subsection (1), immediately above, unless at the time of such termination election by Seller, Buyer is pursuing, and continues to pursue, in good faith and with reasonable diligence the desired PSC Order.

(3) Repeated failure of Buyer to pay its invoices for water service on a timely basis.

(4) Repeated failure of Buyer to pay on a timely basis its debt service obligations to Seller, time being of the essence in that regard.

(5) Revocation of Buyer's authority to do business.

20. MISCELLANEOUS PROVISIONS:

(a) This Agreement is subject to the approval of the PSC and receipt by Buyer of a final, non-appealable Order, in a form and written content acceptable to Buyer, from the PSC

in the form of a Certificate of Convenience and Necessity for the facilities to be constructed pursuant to this Agreement. Provided, however, failure to obtain such an Order shall not relieve Buyer of its duties hereunder to reimburse Seller for costs incurred pursuant to the provisions of Sections 2, 3 and 4, above. In the event such Order alters, directly or indirectly, one or more provisions of this Agreement (including the one or more provisions of Exhibit B) and such modification(s) is not acceptable to either party, then this Agreement terminates so long as the terminating party communicates such action to the other party within 60 days of receipt of such Order.

(b) This Agreement does not constitute a partnership, joint venture, agency or other relationship between Buyer and Seller, and Buyer and Seller expressly state that they owe no fiduciary duties to one another and that the relationship is based upon Contract.

(c) This Agreement is binding on the successors and assigns of the parties hereto.

(d) The parties agree that each will have access upon reasonable notice to the books and records of the other relating to the subject matter of this Agreement, such access to exclude records that are subject to a recognized privilege or to protection under the Kentucky Open Records Law. Without limitation, the information subject to access shall include all costs of design, construction, financing, and costs of operation and maintenance of the facilities contemplated by this Agreement.

(e) Buyer reserves the right to develop and use other water supply sources and may obtain water from sources other than the Seller.

(f) The parties agree to operate and maintain their respective facilities in an efficient and economical manner and in accordance with all applicable local, state and federal laws, regulations and performance standards.

(g) This Agreement may be amended at any time by mutual agreement, in writing, of the parties.

(h) Both parties agree to use their best efforts to obtain all regulatory and legal approvals required for the accomplishment of the terms of this Agreement.

(i) The parties acknowledge that the water to be purchased hereunder will be resold in the regular course of business of Buyer and is therefore exempt from Kentucky sales and use tax. To evidence this exemption, Buyer will furnish Seller with a duly executed "Resale Certificate" or such other documentation as the parties deem appropriate.

(j) Seller agrees, subject to its right hereby reserved to self-insure itself up to the first Two Million Dollars in liability, to carry public liability insurance in the minimum amount of Ten Million Dollars per occurrence during the term of this Agreement.

IN WITNESS WHEREOF, the parties have set forth their hand the day and year first above written.

BUYER:

SELLER:

Kentucky-American Water Company

Louisville Water Company

By: Roy W. Mundy, II

By: John L. Huber

Roy W. Mundy, II

John L. Huber

President

President

Date: November 7, 1998

Date: November 12, 1998

Attest: Herbert A. Miller, Jr.

Attest: Robert K. Miller

Name: Herbert A. Miller, Jr.
Secretary

Name: Robert K. Miller

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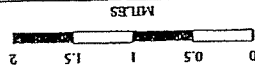
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Schedule A

Bluegrass Water Project Agreement

Projected Debt Amortization Schedule
per \$1,000,000 of debt with level debt service payments
at 6% interest for 20 years

Year	Beginning Balance	Interest	Principal	Ending Balance
1	\$ 1,000,000	\$ 60,000	\$ 27,185	\$ 972,815
2	\$ 972,815	\$ 58,369	\$ 28,816	\$ 944,000
3	\$ 944,000	\$ 56,640	\$ 30,545	\$ 913,455
4	\$ 913,455	\$ 54,807	\$ 32,377	\$ 881,078
5	\$ 881,078	\$ 52,865	\$ 34,320	\$ 846,758
6	\$ 846,758	\$ 50,805	\$ 36,379	\$ 810,379
7	\$ 810,379	\$ 48,623	\$ 38,562	\$ 771,817
8	\$ 771,817	\$ 46,309	\$ 40,876	\$ 730,942
9	\$ 730,942	\$ 43,857	\$ 43,328	\$ 687,614
10	\$ 687,614	\$ 41,257	\$ 45,928	\$ 641,686
11	\$ 641,686	\$ 38,501	\$ 48,683	\$ 593,002
12	\$ 593,002	\$ 35,580	\$ 51,604	\$ 541,398
13	\$ 541,398	\$ 32,484	\$ 54,701	\$ 486,697
14	\$ 486,697	\$ 29,202	\$ 57,983	\$ 428,715
15	\$ 428,715	\$ 25,723	\$ 61,462	\$ 367,253
16	\$ 367,253	\$ 22,035	\$ 65,149	\$ 302,104
17	\$ 302,104	\$ 18,126	\$ 69,058	\$ 233,045
18	\$ 233,045	\$ 13,983	\$ 73,202	\$ 159,843
19	\$ 159,843	\$ 9,591	\$ 77,594	\$ 82,249
20	\$ 82,249	\$ 4,935	\$ 82,250	\$ (0)



BLUEGRASS WATER PROJECT EXHIBIT A

- STATIONARY RESERVOIR
- MASTER METER
- ELECTRIC SUBSTATIONS
- WATER DISTRICT BOUNDARIES (APPROX.)
- PROPOSED 36" WATER MAIN (LWC)
- PROPOSED 36" WATER MAIN (KA)
- PROPOSED 24" WATER MAIN (LWC)
- PROPOSED 24" WATER MAIN (KA)
- PROPOSED 18" WATER MAIN (LWC)
- PROPOSED 18" WATER MAIN (KA)
- PROPOSED 12" WATER MAIN (LWC)
- PROPOSED 12" WATER MAIN (KA)
- PROPOSED 6" WATER MAIN (LWC)
- PROPOSED 6" WATER MAIN (KA)
- PROPOSED 4" WATER MAIN (LWC)
- PROPOSED 4" WATER MAIN (KA)
- PROPOSED 2" WATER MAIN (LWC)
- PROPOSED 2" WATER MAIN (KA)
- PROPOSED 1" WATER MAIN (LWC)
- PROPOSED 1" WATER MAIN (KA)
- PROPOSED 1/2" WATER MAIN (LWC)
- PROPOSED 1/2" WATER MAIN (KA)
- PROPOSED 1/4" WATER MAIN (LWC)
- PROPOSED 1/4" WATER MAIN (KA)
- PROPOSED 1/8" WATER MAIN (LWC)
- PROPOSED 1/8" WATER MAIN (KA)
- PROPOSED 1/16" WATER MAIN (LWC)
- PROPOSED 1/16" WATER MAIN (KA)
- PROPOSED 1/32" WATER MAIN (LWC)
- PROPOSED 1/32" WATER MAIN (KA)
- PROPOSED 1/64" WATER MAIN (LWC)
- PROPOSED 1/64" WATER MAIN (KA)
- PROPOSED 1/128" WATER MAIN (LWC)
- PROPOSED 1/128" WATER MAIN (KA)
- PROPOSED 1/256" WATER MAIN (LWC)
- PROPOSED 1/256" WATER MAIN (KA)
- PROPOSED 1/512" WATER MAIN (LWC)
- PROPOSED 1/512" WATER MAIN (KA)
- PROPOSED 1/1024" WATER MAIN (LWC)
- PROPOSED 1/1024" WATER MAIN (KA)
- PROPOSED 1/2048" WATER MAIN (LWC)
- PROPOSED 1/2048" WATER MAIN (KA)
- PROPOSED 1/4096" WATER MAIN (LWC)
- PROPOSED 1/4096" WATER MAIN (KA)
- PROPOSED 1/8192" WATER MAIN (LWC)
- PROPOSED 1/8192" WATER MAIN (KA)
- PROPOSED 1/16384" WATER MAIN (LWC)
- PROPOSED 1/16384" WATER MAIN (KA)
- PROPOSED 1/32768" WATER MAIN (LWC)
- PROPOSED 1/32768" WATER MAIN (KA)
- PROPOSED 1/65536" WATER MAIN (LWC)
- PROPOSED 1/65536" WATER MAIN (KA)
- PROPOSED 1/131072" WATER MAIN (LWC)
- PROPOSED 1/131072" WATER MAIN (KA)
- PROPOSED 1/262144" WATER MAIN (LWC)
- PROPOSED 1/262144" WATER MAIN (KA)
- PROPOSED 1/524288" WATER MAIN (LWC)
- PROPOSED 1/524288" WATER MAIN (KA)
- PROPOSED 1/1048576" WATER MAIN (LWC)
- PROPOSED 1/1048576" WATER MAIN (KA)
- PROPOSED 1/2097152" WATER MAIN (LWC)
- PROPOSED 1/2097152" WATER MAIN (KA)
- PROPOSED 1/4194304" WATER MAIN (LWC)
- PROPOSED 1/4194304" WATER MAIN (KA)
- PROPOSED 1/8388608" WATER MAIN (LWC)
- PROPOSED 1/8388608" WATER MAIN (KA)
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- PROPOSED 1/33554432" WATER MAIN (KA)
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- PROPOSED 1/2535301200456458802993406410752" WATER MAIN (KA)
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- PROPOSED 1/20282409603651670423947251286016" WATER MAIN (KA)
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- PROPOSED 1/170141183460469231731687303715884105728" WATER MAIN (KA)
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- PROPOSED 1/340282366920938463463374607431768211456" WATER MAIN (KA)
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- PROPOSED 1/2787593149816327892691964784081043876247552" WATER MAIN (KA)
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- PROPOSED 1/17840596158824498513228574618118680079043328" WATER MAIN (KA)
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- PROPOSED 1/3568119231764899702645714923623736015808656" WATER MAIN (KA)
- PROPOSED 1/7136238463529799405291429847247472031617312" WATER MAIN (LWC)
- PROPOSED 1/7136238463529799405291429847247472031617312" WATER MAIN (KA)
- PROPOSED 1/14272476927059598810582859694494944063234624" WATER MAIN (LWC)
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WATER SUPPLY AGREEMENT

EXHIBIT B

Rate Arrangements

Because of the unusual situation impacting upon the relationship, i.e. Buyer owning and operating production facilities sufficient, much of the time, to meet its present needs but desiring a second reliable source of water, and Seller presently having production capacity available and being asked to commit to Buyer more capacity than Buyer plans to use for a number of years, the parties have developed the rate arrangements set forth below.

1. Buyer's Capacity Request. On or before July 1 of each calendar year, beginning with the year preceding the first full calendar year of Service, Buyer will notify Seller in writing of its capacity request (the "Request") for the succeeding calendar year, which Request may be any number between 2.5 million gallons per day and 23 million gallons per day; provided, however, Buyer's Request, beginning in the sixth full calendar year of service must be at least 5 million gallons per day. Buyer's Request for the first partial calendar year of service delivered under this Agreement, assuming the initial Service commences after January 1 of any calendar year and the first full calendar year is set at 2.5 million gallons per day unless such amount is raised on a timely basis by Buyer. Subsequent Requests for the next four full calendar years will not be less than 3 million gallons per day for the second full calendar year, 3.5 million gallons per day for the third, 4 million gallons per day for the fourth and 4.5 million gallons per day for the fifth full calendar year.

2. Water Service Rate. The rate for the Service for the term of the Agreement shall be determined by totaling the following components:

(a) The Operating Expense Component, determined for the billing period by dividing the Buyer's usage by the Seller's total sales and multiplying the quotient by Seller's Operating Expenses, less expenses common only to retail customer expenses and to customers generally.

(b) The Depreciation Expense Component, determined for the billing period by dividing the Buyer's Request by the Seller's production capacity and multiplying the quotient by the Seller's Depreciation Expense, less depreciation on contributed capital and depreciation common only to retail customers and to customers generally.

(c) The Return on Plant Investment Component, determined for the billing period by dividing the Buyer's Request by the Seller's production capacity and multiplying the quotient by Seller's Return on Plant Investment, excluding return on plant investment common only to retail customers and to customers generally.

(d) Customer Cost Component, determined for the billing period by the Service Charge, as it may change from time to time, currently contained in Section 6.02.1 of Seller's rate schedule, applied to the number and size of meters installed at Buyer's request.

3. Minimum Usage. Minimum usage of water during the first full calendar year of Service, and for any months of Service prior thereto, shall be, for the months of January, February, March, April, November and December (the "Nonirrigation Months") 36 million gallons per month and for the months of May through October (the "Irrigation Months") 54 million gallons per month. Buyer will be billed for such minimum usage if same is not consumed by it. During the second full calendar year, the minimum usage for the Nonirrigation Months shall be 38.4 million gallons per month and for the Irrigation Months, shall be 57.6 million gallons per month. For the third full calendar year, the minimum usage of water during the Nonirrigation Months shall be 40.8 million gallons per month and 61.2 million gallons per month for the Irrigation Months. For the fourth full calendar year, the minimum usage for water during the Nonirrigation Months shall be 43.2 million gallons per month and for the Irrigation months, 64.8 million gallons per month. During the fifth full calendar year of Service, the minimum usage of water during the Nonirrigation Months shall be 45.6 million gallons per month and during the Irrigation Months, 68.4 million gallons per month. Thereafter, for the remaining months of the Agreement the minimum usage shall be 54.0 million gallons per month for the Nonirrigation months and 66 million per month for the Irrigation months. However, in determining whether Buyer has met its minimum usage for any month, only daily usage by Buyer up to its capacity Request, then in effect, will be considered, usage exceeding such Request not to be included in such computation.

4. Usage Exceeding Request. Usage of water during any 24 hour period in excess of Buyer's Request will result in a charge to Buyer, with respect to the excess consumption, of Seller's Wholesale Rate, as set by the Board of Water Works from time to time, including its Elevated Service Area Surcharge (which Rate, including the surcharge, is presently \$1.35 per 1000 gallons).

5. Emergency Excess or Minimum Usage. In the event Buyer's usage is enhanced or diminished for a brief period of time due to unforeseeable or uncontrollable circumstances, for example emergency flushing, Seller agrees to equitably adjust Buyer's Service billing with respect to such emergency.

6. Supporting and Explanatory Schedules. Attached to this Exhibit B are the following described supporting and explanatory schedules:

(a) Schedule 1, entitled Calculation of Rate Components where a Request of 2.5 million gallons per day is in effect and making references to schedules found in "Seller's 1997 Rate Study for 1998."

(b) Schedule 2, relating to the Operating Expense Component.

(c) Schedule 3, relating to the Depreciation Expense Component.

(d) Schedule 4, relating to the Return on Plant Investment Component.

(e) Schedule 5, entitled Calculation of Monthly Water Bill Example.

7. Seller's Production Capacity. As shown in Schedule 1, attached, Seller's present daily production capacity has been determined to be 240,000,000 gallons, based upon data contained in Seller's 1995-2015 Facilities Plan, prepared by CH2M Hill a nationally recognized independent consulting engineering firm. Seller agrees to have its production capacity reviewed and redetermined at least every five years during the term of this Agreement by a nationally recognized independent consulting engineering firm and the redetermination used in Exhibit B computations [Sections 2(b) and 2(c)]. Production capacity, for the purposes of this Agreement, shall mean Seller's combined source pumping, treatment, and treated water pumping capability as determined from its facilities existing at the time of such determination. Provided, however, such capacity, for the purposes of the annual computations to be made pursuant to Section 2 of this Exhibit B, shall never be lower than 240,000,000 gallons.

8. Computations. The computations contained in the attached Schedules are based upon Seller's 1997 Rate Study For FY 1998, using Seller's historical and current financial and operational records, such financial records being prepared in accordance with generally accepted accounting principles, audited annually by a reputable certificated public accounting firm and constitute the same figures used by Seller in preparing its 1998 budget, approved by the Board of Water Works and submitted to Seller's bondholder trustee, an annual exercise. Annual rate revisions will be performed using Seller's budget figures.

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EXHIBIT B
Schedule 1
LWC - KAWC WATER SUPPLY AGREEMENT
Calculation of Rate Components

10/8/98

Request (1,000 Gal.)	2,500
Divided by: LWC Production Capacity (1,000 Gal.)	240,000
Request / Production Capacity Quotient	<u>1.042%</u>

CALCULATION OF OPERATING EXPENSE COMPONENT

Net Operating Expenses	Utility Rate Schedule 2; Column 1; Line 50.	\$ 31,220,800
Less: Common to Retail Customer Costs	Utility Rate Schedule 2; Column 7; Line 50:	(5,127,330)
Customer Costs	Utility Rate Schedule 2; Column 6; Line 50.	<u>(9,803,200)</u>
Operating Cost		\$ 16,290,270
Divided by: LWC's Annual System Sales (1,000 Gal.)	Utility Rate Schedule 1; Column 3; Line 4.	37,000,000
Operating Expense Component Quotient (per 1,000 Gal.)		<u>\$ 0.44028</u>

CALCULATION OF DEPRECIATION EXPENSE COMPONENT

Depreciation Expense	Utility Rate Schedule 3; Column 1; Line 19.	\$ 11,010,480
Less: Common to Retail Customer Costs	Utility Rate Schedule 3; Column 7; Line 19.	(2,940,510)
Customer Costs	Utility Rate Schedule 3; Column 6; Line 19.	(2,663,010)
Depreciation - Plant Funded by CIAC	Utility Rate Schedule 3.	<u>(532,290)</u>
Depreciation Cost		\$ 4,774,670
Multiplied by: Request / Production Capacity Quotient		1.042%
Annual Depreciation Expense Component		\$ 49,752.06
Divided by: 12-Months		12
Monthly Depreciation Expense Component		<u>\$ 4,146.01</u>

CALCULATION OF RETURN ON PLANT INVESTMENT COMPONENT

LWC's Return on Plant Investment	Utility Rate Schedule 4; Column 1; Line 24.	\$ 28,585,310
Less: Common to Retail Customer Costs	Utility Rate Schedule 4; Column 7; Line 24.	(7,164,740)
Customer Costs	Utility Rate Schedule 4; Column 6; Line 24.	(1,488,140)
Net Return on Plant Investment		\$ 19,932,430
Multiplied by: Request / Production Capacity Quotient		1.042%
Annual Return on Plant Investment Component		\$ 207,695.92
Divided by: 12-Months		12
Monthly Return on Plant Investment Component		<u>\$ 17,307.99</u>

CUSTOMER COST COMPONENT

Example based on one 6" meter	<u>\$ 259.00</u>
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USAGE EXCEEDING REQUEST COMPONENT

Usage of water during any 24 hour period in excess of KAWC's Request will result in a charge to KAWC, with respect to excess consumption, of LWC's Wholesale Rate including its Elevated Service Area Surcharge.	<u>\$ 1.35</u>
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COMPUTATION OF TOTAL WATER BILL

The monthly water bill will be the sum of the following charges: operating expense component; depreciation expense component; return on plant investment component; customer cost component; and the usage exceeding request component.

Schedule 2

UTILITY RATE

ALLOCATION OF LOUISVILLE WATER COMPANY ESTIMATED NET OPERATING EXPENSE TO FUNCTIONAL COST COMPONENTS
YEAR ENDED DECEMBER 31, 1998 (IN THOUSAND DOLLARS)

LINE NO.	ITEM	NET OPERATING EXPENSE	ELEVATED SERVICE AREA	COMMON TO ALL CUSTOMERS			CUSTOMER	COMMON TO ONLY RETAIL CUSTOMERS
				BASE	EXTRA CAPACITY MAXIMUM DAY	MAXIMUM HOUR		
1)	SOURCE OF SUPPLY	52.44		35.31	15.13			
2)	POWER AND PUMPING							
3)	Zorn Station, Power	866.07		866.07				
4)	Zorn Station, Other	427.14		295.76	131.38			
5)	Crescent Hill Station, Power	743.19		743.19				
6)	Crescent Hill Station, Other	434.68		269.42		165.26		
7)	B.E. Payne Station, Raw Water, Power	113.98		113.98				
8)	B.E. Payne Station, Raw Water, Other	178.51		123.61	54.91			
9)	B.E. Payne Sta., Finished Water, Power	645.90	322.95	322.95				
10)	B.E. Payne Sta., Finished Water, Other	207.41	103.70	64.28		39.43		
11)	Boosting Pumping, Power	180.86	171.82	9.04				
12)	Boosting Pumping, Other	496.64	397.31	61.56		37.76		
13)	Total Power and Pumping	4,294.38	995.78	2,869.87	186.28	242.45	0.00	
14)	PURIFICATION							
15)	Chemicals, B.E. Payne	977.05		977.05				
16)	Chemicals, Crescent Hill	308.54		308.54				
17)	Purification, Other	3,707.65		2,567.27	1,140.38			
18)	Total Purification	4,993.24	0.00	3,852.86	1,140.38	0.00	0.00	
19)	TRANSMISSION AND DISTRIBUTION							
20)	Transmission Mains	712.95		493.66	219.28			
21)	Distribution Mains	1,789.04						1,789.04
22)	Distribution Storage, Res. & Tanks	23.09	20.78	1.43		0.88		
23)	Services	1,126.75					1,126.75	
24)	Meters	485.12					485.12	
25)	Hydrants	290.26						290.26
26)	Transmission & Distribution Subtotal	4,427.20	20.78	495.09	219.28	0.88	1,611.87	2,079.30
27)	Percent	100.00%	0.47%	11.18%	4.95%	0.02%	36.41%	46.97%
28)	General Transmission and Distribution	5,052.32	23.71	565.00	250.25	1.00	1,839.47	2,372.89
29)	Total Transmission and Distribution	9,479.52	44.49	1,060.09	469.53	1.88	3,451.34	4,452.19
30)	CUSTOMER ACCOUNTS AND SERVICE							
31)	Supervision	201.12						
32)	Meter Reading	1,025.39						
33)	Customer Records	3,983.47						
34)	Uncollected Accounts	275.00						
35)	Miscellaneous Customer Accounts	96.82						
36)	Total Customer Accounts & Service	5,581.80					5,581.80	
37)	Subtotal	24,401.37	1,040.27	7,819.13	1,812.32	244.33	9,033.14	4,452.19
38)	Percent	100.00%	4.26%	32.04%	7.43%	1.00%	37.02%	18.25%
39)	ADMINISTRATIVE AND GENERAL							
40)	Administrative and General	12,610.53						
41)	Labor Related Overhead	8,653.50						
42)	Less: Operating Expenses Applied	(12,262.30)						
43)	Total Administrative and General	9,201.73	392.28	2,948.59	683.42	92.14	3,406.39	1,678.91
44)	Total	33,603.10	1,432.55	10,767.72	2,495.74	336.46	12,439.52	6,131.10
45)	Free Water in Lieu of Taxes	963.70		963.70				
46)	Amortization	(80.90)		(80.90)				
47)	Retirement of Assets	750.00		232.43		142.57	375.00	
48)	Total Operating Expenses	35,235.90	1,432.55	11,882.95	2,495.74	479.03	12,814.52	6,131.10
49)	Other Operating Income	(4,015.10)					(3,011.33)	(1,003.78)
50)	Net Operating Expense	31,220.80	1,432.55	11,882.95	2,495.74	479.03	9,803.20	5,127.33

Schedule 3

UTILITY RATE

ALLOCATION OF LOUISVILLE WATER COMPANY ESTIMATED DEPRECIATION EXPENSE TO FUNCTIONAL COST COMPONENTS
YEAR ENDED DECEMBER 31, 1998 (IN THOUSAND DOLLARS)

LINE NO.	ITEM	TOTAL DEPRECIATIO EXPENSE	ELEVATED SERVICE AREA	BASE	COMMON TO ALL CUSTOMERS			COMMON TO ONLY RETAIL CUSTOMERS
					EXTRA CAPACITY MAXIMUM DAY	MAXIMUM HOUR	CUSTOMER	
1)	Land							
2)	Land Improvements and Buildings	895.57	17.31	614.97	200.07	13.46	49.73	
3)	Basins and Ground Storage	359.24		248.75	110.49			
4)	Standpipes and Elevated Storage	162.42	43.90	73.46		45.06		
5)	High Service Pumps and Equipment	204.84	19.21	128.54	57.09			
6)	Booster Pump Equipment	34.93	24.17	6.67		4.09		
7)	Miscellaneous Pump Equipment	48.65		33.69	14.96			
8)	Sludge Disposal Equipment	64.48		64.48				
9)	Purification Equipment	536.44		371.44	165.00			
10)	Transmission Mains	2,122.63		1,459.76	662.87			
11)	Distribution Mains	1,971.82						1,971.82
12)	Meters	357.76					357.76	
13)	Services	1,302.41					1,302.41	
14)	Meter Installations	447.05					447.05	
15)	Fire Hydrants	409.90						409.90
16)	Sub-total	8,918.14	104.59	3,011.76	1,200.49	62.63	2,156.95	2,381.72
17)	Percent	100.00%	1.17%	33.77%	13.46%	0.70%	24.19%	26.71%
18)	General and Other Equipment	2,092.34	24.54	706.61	281.65	14.69	506.06	558.79
19)	TOTAL	11,010.48	129.13	3,718.37	1,482.14	77.33	2,663.01	2,940.51

Schedule 3

Schedule 4

UTILITY RATE

ALLOCATION OF ESTIMATED LOUISVILLE WATER COMPANY NET INVESTMENT (1998)
INCLUDING WORK-IN-PROGRESS
(THOUSAND DOLLARS)

LINE NO.	ITEM	NET PLANT INVESTMENT	ELEVATED SERVICE AREA	BASE	COMMON TO ALL CUSTOMERS		CUSTOMER	COMMON TO ONLY RETAIL CUSTOMERS
					EXTRA CAPACITY MAXIMUM DAY	MAXIMUM HOUR		
1)	Land	4,827.66	133.83	2,817.58	889.91	107.15	879.19	
2)	Land Improvements and Buildings	34,449.58	448.15	20,410.16	8,446.36	776.15	6,368.74	
3)	Basins and Ground Storage	9,866.34		6,831.71	3,034.63			
4)	Standpipes and Elevated Storage	5,457.51	1,711.29	2,321.96		1,424.26		
5)	High Service Pumps and Equipment	6,127.01	543.55	3,866.13	1,717.33			
6)	Booster Pump Equipment	1,025.46	733.14	181.18		111.14		
7)	Miscellaneous Pump Equipment	3,510.21		2,430.56	1,079.65			
8)	Sludge Disposal Equipment	1,704.07		1,704.07				
9)	Purification Equipment	18,576.16		12,862.62	5,713.54			
10)	Transmission Mains	148,269.67		102,665.77	45,603.90			
11)	Distribution Mains	102,856.67						102,856.67
12)	Meters	2,887.58					2,887.58	
13)	Services	40,176.18					40,176.18	
14)	Meter Installations	13,588.90					13,588.90	
15)	Fire Hydrants	16,854.21						16,854.21
16)	Sub-total	410,177.19	3,569.96	156,091.75	64,485.33	2,418.69	63,900.59	119,710.88
17)	Percent	100.00%	0.87%	38.05%	15.72%	0.59%	15.58%	29.19%
18)	Gen. Plant & Unamortized Capital Charges	10,906.02	94.92	4,150.25	1,714.57	64.31	1,699.02	3,182.94
19)	Total Plant	421,083.21	3,664.88	160,242.00	66,199.90	2,483.00	65,599.61	122,893.82
20)	Other Rate Base Items (1)	9,451.20	82.26	3,596.63	1,485.85	55.73	1,472.38	2,758.35
21)	Sub-total	430,534.41	3,747.14	163,838.63	67,685.75	2,538.73	67,071.99	125,652.17
22)	Contributions and Grants (2)	(132,149.10)		(24,183.29)			(51,538.15)	(56,427.67)
23)	Total Net Plant Investment	298,385.31	3,747.14	139,655.35	67,685.75	2,538.73	15,533.84	69,224.50
	Annual Return @ 9.58%	28,585.31	358.98	13,378.96	6,484.30	243.21	1,488.14	7,164.71

1. Line 20, "Other Rate Base Items", includes: Materials - \$3,500,000, Prepayments - \$250,000, and Working Capital - \$5,701,200 for a total of \$9,451,200.

2. Line 22, "Contributions and Grants", excludes federal government grants of \$3,550,900.

Schedule 4
11/25/97

Schedule 5
LWC - KAWC Water Supply Agreement
Calculation of Monthly Water Bill Example

Monthly Minimum Usage (1,000 Gal.)		45,000
Buyer's Daily Request (1,000 Gal.)		2,500
	Daily Usage (1,000 Gal.)	Usage Exceeding Request (1,000 Gal.)
Day		
1	1,500	0
2	1,500	0
3	2,000	0
4	2,000	0
5	3,000	500
6	3,000	500
7	4,000	1,500
8	4,000	1,500
9	5,000	2,500
10	5,000	2,500
11	6,000	3,500
12	6,000	3,500
13	7,000	4,500
14	7,000	4,500
15	8,000	5,500
16	8,000	5,500
17	9,000	6,500
18	9,000	6,500
19	10,000	7,500
20	10,000	7,500
21	9,000	6,500
22	9,000	6,500
23	8,000	5,500
24	8,000	5,500
25	7,000	4,500
26	7,000	4,500
27	6,000	3,500
28	6,000	3,500
29	5,000	2,500
30	5,000	2,500
Totals	181,000	109,000
Usage Within the Request (1,000 Gal.)		72,000
Multiplied by: Operating Expense Component Quotient (per 1,000 Gal.)		\$ 0.44028
Operating Expense Component		\$ 31,700.16
Usage Exceeding Request (1,000 Gal.)		109,000
Multiplied by: Seller's Wholesale Rate (per 1,000 Gal.)		\$ 1.35
Usage Exceeding Request Component		\$ 147,150.00
Operating Expense Component		\$ 31,700.16
Depreciation Expense Component		4,146.01
Return on Plant Investment Component		17,307.99
Usage Exceeding Request Component		147,150.00
Customer Cost Component		259.00
Monthly Water Bill		\$ 200,563.16
Monthly Water Bill / Buyer's Usage for Month (1,000 Gal.)		\$ 1.10808
Monthly Debt Service Cost		\$ XXX,XXX.XX
Total		\$ XXX,XXX.XX

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JUL 31 2007

PUBLIC SERVICE
COMMISSION

No. 2 & 3

GREG HEITZMAN



Engineers, Inc.

ROUTE EVALUATION

RECEIVED

JUL 31 2007

PUBLIC SERVICE
COMMISSION

**LOUISVILLE WATER COMPANY
BLUEGRASS WATER SUPPLY PROJECT**

LWC Project 98-755

December 14, 1998

**PDR ENGINEEERS, INC.
400 Meidinger Tower
Louisville, Kentucky 40202
(502) 584-5555**

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SUMMARY

This report evaluates three pipeline route scenarios for delivery of water to Kentucky-American Water Company (KAWC). Project cost, hydraulics, construction, easement and property acquisition, operation, maintenance, and public acceptance of these scenarios is considered. Significant analysis elements for each route are tabulated in a matrix format for comparison.

Each pipeline route alternative provides KAWC a delivery point west of Highway 55 in Shelby County approximately one-half mile south of I-64 near the LG&E/Western gas transmission main. The LWC English Station Reservoir serves as the origin for all three routes.

This report considers siting a LWC 35 MGD pumping station in Jefferson County in the vicinity of I-265 between Shelbyville Road (US-60) and I-64 and a LWC 2.5 million-gallon elevated storage tank in Shelby County near the end of the project. Detailed site selection analysis for the pumping station and elevated tank has not been conducted as of this time. However, based on information available, preliminary recommendations can be made for siting the pump station and elevated storage tank. Formal recommendations shall be forwarded as a letter amendment.

The primary characteristic of the recommended pipeline route is its northern adjacency to I-64. The recommended route begins west of English Station Road across from the 10 million gallon LWC English Station Reservoir using 60-inch PCCP. The route heads south and crosses US-60 and proceeds in a western adjacency to Urton Lane, then crosses Urton Lane to form a western adjacency to I-265 and an existing LG&E easement. The pipeline will convert to 36-inch Pressure Class 350 DIP (or 36-inch PCCP alternate) approximately 2500 feet north of I-64 where it crosses I-265 and forms an eastern adjacency to I-265. Then, the route forms a northeast adjacency to the LG&E gas pipeline easement in the northeast corner of the I-64/I-265 intersection until it reaches I-64 where it follows a northern adjacency until approximately 1250 feet west of Highway 55 in Shelby County. At this point, the pipeline route crosses I-64 to a proposed KAWC pump station site located approximately one-half mile south of I-64 near the LG&E/Western gas transmission main.

Three site alternatives located adjacent to I-265 between I-64 and US-60 are considered for siting the LWC 35 MGD pumping station. At this time, the recommended pump station site is located west of I-265 approximately 2500 feet north of I-64 indicated as Pump Station Site 1. Access can be from Urton Lane along I-265 in easement acquired for the pipeline.

At this time, the recommended elevated storage tank site is located on the seven acre site adjacent to Highway 55 and Brunerstown Road identified by KAWC for their pumping station which is expected to require two acres, leaving five acres available for the LWC elevated tank. This site has elevations up to 790 feet. Three additional areas are considered for siting the elevated tank. These sites located near the I-64 Veechdale exit have elevations up to 810 feet.

The estimated length of the recommended route is 78,900 feet – 6300 feet of 60-inch PCCP and 72,600 feet of 36-inch DIP (or PCCP). Approximately 60 easements will be required. The preliminary estimated cost for the project including engineering and inspection, property rights and acquisition, and construction is \$29,004,250.

EVALUATION NARRATIVE

Three routes, two of which have alternates, all providing KAWC a delivery point west of Highway 55 in Shelby County approximately one-half mile south of I-64 near the LG&E/Western gas transmission main and beginning at the LWC English Station Reservoir have been analyzed. This report considers project cost, hydraulics, construction, easement and property acquisition, operation, maintenance, and public acceptance of these scenarios. Significant analysis elements for each route are tabulated in a matrix format for comparison.

ROUTE 1

Route 1 begins at English Station Road across from the 10 million gallon LWC English Station Reservoir using 60-inch PCCP. Proceeding southeast, it crosses Shelbyville Road (US-60) and proceeds southeast in a western adjacency to Urton Road, then crosses Urton Road and forms a western adjacency to I-265 and an existing LG&E easement. Upon exiting the LWC pumping station, the pipeline will reduce to a 36-inch Pressure Class 350 DIP (or 36-inch PCCP alternate) approximately 2,500 feet north of I-64 where it crosses I-265 and proceeds south in an eastern adjacency along I-265. It then heads southeast in an eastern adjacency to a LG&E gas pipeline easement until it reaches I-64 where it follows a northern adjacency until approximately 1,250 feet west of Highway 55 in Shelby County. Then it crosses I-64 to a KAWC proposed pumping station site located approximately one-half mile south of I-64 near the LG&E/Western Gas Transmission Main.

ROUTE 1 ALTERNATE

Route 1 Alternate (1A) begins at English Station Road across from the 10 million gallon LWC English Station Reservoir using 60-inch PCCP. Proceeding southeast, it crosses Shelbyville Road (US-60) and proceeds southeast in a western adjacency to Urton Road, then crosses Urton Road and forms a western adjacency to I-265 and an existing LG&E easement. Upon exiting the LWC pumping station, the pipeline will reduce to a 36-inch Pressure Class 350 DIP (or 36-inch PCCP alternate) approximately 2,500 feet north of I-64 where it crosses I-265 and proceeds south in an eastern adjacency along I-265. It then heads southeast in an eastern adjacency to a LG&E gas pipeline easement until it reaches I-64 where it follows a northern adjacency until it crosses I-64 south of the Lincoln Ridge Job Corps Center. The route then proceeds in a south adjacency to I-64 until approximately 1250 feet west of Highway 55 in Shelby County to a KAWC proposed pumping station site located approximately one-half mile south of I-64 near the LG&E/Western Gas Transmission Main.

ROUTE 2

Route 2 begins at English Station Road across from the 10 million gallon LWC English Station Reservoir using 60-inch PCCP. Proceeding southeast, it crosses Shelbyville Road (US-60) and proceeds southeast in a western adjacency to Urton Road, then crosses Urton Road and forms a western adjacency to I-265 and an existing LG&E easement. Upon exiting the LWC pumping station, the pipeline will reduce to a 36-inch Pressure Class 350 DIP (or 36-inch PCCP alternate) approximately 2,500 feet north of I-64 where it crosses I-265 and proceeds south in an eastern adjacency along I-265. It then heads southeast in an eastern adjacency to the LG&E gas pipeline easement until it reaches I-64 where the route crosses I-64 and continues south approximately 800 feet, then turns east and runs adjacent to an unimproved road for approximately 2,000 feet where it crosses English Station Road. Turning northwest, the route proceeds to I-64 where it proceeds eastward following a southern adjacency to I-64 until approximately 1250 west of Highway 55, where it heads southward to the KAWC proposed pumping station site located approximately one-half mile south of I-64 near the LG&E/Western Gas Transmission Main.

ROUTE 2 ALTERNATE

Route 2 Alternate (2A) begins at English Station Road across from the 10 million gallon LWC English Station Reservoir using 60-inch PCCP. Proceeding southeast, it crosses Shelbyville Road (US-60) and proceeds southeast in a western adjacency to Urton Road, then crosses Urton Road and forms a western adjacency to I-265 and an existing LG&E easement. Upon exiting the LWC pumping station, the pipeline will reduce to a 36-inch Pressure Class 350 DIP (or 36-inch PCCP alternate) approximately 2,500 feet north of I-64 where it crosses I-265 and proceeds south in an eastern adjacency along I-265. It then heads southeast in an eastern adjacency to a LG&E gas pipeline easement until it reaches I-64 where it follows a northern adjacency until it crosses I-64 approximately 2,000 feet east of Clark Station Road. The route then proceeds southeast adjacent to a telephone easement until it intersects with Conner Station Road and continues adjacent to the road for approximately 600 feet where it crosses Conner Station Road. Then the route continues adjacent to Conner Station Road for approximately 600 feet where it turns southeast adjacent to an unimproved road until it reaches Majestic Oaks Subdivision. After traversing through Majestic Oaks Subdivision, the route reaches Highway 1399, and follows Highway 1399 until it intersects a road approximately 900 feet north of Highway 1848. There, the route turns east following adjacent to a road until it reaches I-64 where it proceeds east in a southern adjacency to I-64. Approximately 1250 feet west of Highway 55 in Shelby County, the route turns south to a KAWC proposed pumping station site located approximately one-half mile south of I-64 near the LG&E/Western Gas Transmission Main.

ROUTE 3

Route 3 is nearly similar to Route 3b discussed in LWC Preliminary Route Analysis dated May 1, 1998. Route begins at English Station Road across from the 10 million gallon LWC English Station Reservoir using 60-inch PCCP. Proceeding southeast, it crosses Shelbyville Road (US-60) and proceeds southeast in a western adjacency to Urton Road, then crosses Urton Road and forms a western adjacency to I-265 and an existing LG&E easement. Upon exiting the LWC pumping station, the pipeline will reduce to a 36-inch Pressure Class 350 DIP (or 36-inch PCCP alternate) approximately 1,500 feet north of I-64 where it crosses I-265 and proceeds south in an eastern adjacency along I-265. It then heads southeast in an eastern adjacency to the LG&E gas pipeline easement until it reaches I-64 where the route crosses I-64 and continues south approximately 400 feet where it turns east to form a northern adjacency to the existing cross-country LG&E gas transmission main. It then follows the LG&E/Western Gas transmission main to a KAWC proposed pumping station site along Highway 55 located approximately one-half mile south of I-64.

OBSERVATIONS

As shown on the pipeline routes on the USGS maps, all the routes have the same amount of Interstate, highway, railroad, and creek crossings. Therefore, these issues are neutral from an analysis perspective. All routes are expected to encounter significant rock. Trees encountered on the routes will primarily be in wooded areas. Overhead electric and communication towers do not appear to pose significant difficulty to any route. Wetlands and Archeological studies have yet to be conducted so these issues are neutral for all routes. The above mentioned issues are rated neutral for all routes considered. All routes have the same beginning and end.

ROUTE 1

Route 1 appears to be the most favorable, primarily for the following reasons: least amount of property easements and crossings of improved property; and closest proximity to potential in-route markets. Route 1 crosses no signature entries. Driveway crossings and residential/improved landscaping is minimal. The terrain is primarily gentle and has some rolling and hilly areas. The creek bottoms on Route 1 appear to be easier to cross than in Routes 2 and 3. There are approximately 60 property easements required, the majority them being adjacent to Interstates. Traffic control requirements will be minimal except at highway and roadway entries to easements and hard surface secondary road crossings.

Accessibility for equipment and materials delivery, both future and present, is good. The main drawback to this route is a pond, located in the Lincoln Ridge area that will encroach the 50-foot easement necessary for the water line installation.

ROUTE 1 ALTERNATE

Route 1A is the same as Route 1 until it crosses I-64 south of Lincoln Ridge avoiding the pond. Evaluation features of Routes 1 and 1A are closely similar. By making the I-64 crossing at Lincoln Ridge, the approximate number of easements necessary increases to 69. Future service extensions are less desirable with this alignment compared to Route 1.

ROUTE 2

Route 2 follows the same alignment as Routes 1 and 1A until just east of the I-265 and I-64 interchange where it crosses I-64 and forms a southern adjacency to I-64. The terrain and crossings are similar to Routes 1 and 1A. Creek crossings are considered more difficult. The number of easements necessary increases to 79 and includes an active sod farm being operated at Beckley Station Road and Wibble Hill Road adjacent to Floyds Fork. Accessibility for equipment, material, and future service extensions are approximately the same as Route 1A and less desirable than Route 1.

ROUTE 2 ALTERNATE

Route 2A follows Route 1 until approximately 2,000 feet east of Clark Station Road where it turns south and crosses I-64. This route then follows adjacent to improved roads until it once again runs in a southern adjacency to I-64 approximately 1,400 feet east of Highway 1848. The water line from the point east of Highway 1848 then follows Route 1A to its conclusion at Highway 55. Route 2 passes through Majestic Oaks Subdivision which is currently under development and has a significant and completed signature entry. Residential landscaping restoration and public acceptance will become an issue with Route 2A. The terrain and crossings remain nearly the same as Route 2, except where the pipeline follows the cross-country telephone easement between Clark Station Road and Conner Station Road.

The number of easements necessary increases to 88 due mostly to single family lots within the Majestic Oaks Subdivision. Due to proximity to existing roads and the Majestic Oaks Subdivision, traffic control becomes an issue. Accessibility for equipment, material, and future service extensions are approximately the same as Route 1A and 2, and less desirable than Route 1.

ROUTE 3

Route 3 follows the previous routes except that it continues south in a western adjacency to I-265 to approximately 1,500 feet from I-64. It crosses I-265, runs adjacent to an existing LG&E easement, crosses I-64, and then runs in a northern adjacency to the LG&E/Western Gas easement.

Route 3 passes through random properties therefore creating problems with landscaping and driveways. The cross-country terrain for this alignment is more rugged and access for construction material and equipment will be more difficult. The number of easements necessary will increase to 95; many are single family residences. Traffic control will be approximately the same as Route 2 Alternate. The proposed 50 foot LWC easement intersects rather than running adjacent to many of the property lines thus creating a less than desirable reaction from property owners. An additional 50 foot water pipeline easement adjacent to an existing 32 foot gas pipeline easement will be less acceptable to the public than an additional 50 foot water pipeline easement adjacent to an existing 350 foot Interstate Highway right-of-way. Accessibility for equipment, material, and future service extensions will be considerably more difficult than the other routes.

LWC BLUEGRASS WATER SUPPLY ROUTE EVALUATION

ROUTE CHARACTERISTICS

ROUTE CHARACTERISTICS					
SCENARIO	DESCRIPTION	MAJOR FEATURES	LENGTH (Esi)	EASEMENTS (Esi)	PRELIMINARY COST (Esi)
1 Alternative	West of English Sta across US 60, west of Union, then into field west of I-265, across I-265 approx 2500 ft north of I-64, northwest of 40 ft gas easement to I-64, north of I-64, then across I-64 south of Lincoln Ridge, then adjacent to and south of I-64 to proposed PS site west of Hwy 55 & north of cross-county gas pipeline easement.	US-60 Long Run Baldwin Creek I-265 Floyd's Fork Southern RR I-64	78,900 ft 60 25 MGD on 2 Acres 2.5 MG on 3 Acres \$29,004,250	PS & TANK SITE ALTERNATIVES HYDRAULICS LANDSLIDING DIVERSIONS SIGNATURE ENTRY	POSITIVE NEUTRAL NEGATIVE
2 Alternative	West of English Sta across US 60, west of Union, then into field west of I-265, across I-265 approx 2500 ft north of I-64, northwest of 40 ft gas easement to I-64, then adjacent to subdivision street, across I-64, then adjacent to and south of I-64 to proposed PS site west of Hwy 55 & north of cross-county gas pipeline easement.	US-60 Floyd's Fork Baldwin Creek I-265 Southern RR I-64	79,900 ft 79 25 MGD on 2 Acres 2.5 MG on 3 Acres \$29,241,750	CONSTRUCTIBILITY WETLANDS ARCHAEOLOGICAL UST POTENTIAL OVERHEAD ELECTRIC COMMUNICATIONS TOWERS PIPELINES STRAY CURRENT ANODE BEDS TRAFFIC CONTROL SEWERAGE EXTENSION EASEMENT ACQUISITION JEFFERSON COUNTY SHELBY COUNTY OPERABILITY PUBLIC ACCEPTANCE	POSITIVE NEUTRAL NEGATIVE
3 Alternative	West of English Sta across US 60, west of Union, then into field west of I-265, across I-265 approx 1750 ft north of I-64, northwest of 40 ft gas easement to I-64, then across I-64 to north adjacent to 32 ft cross-county gas pipeline easement, then to PS site west of Hwy 55. Refer to LWC report of May 1, 1998	US-60 Floyd's Fork Baldwin Creek I-265 Southern RR I-64	77,200 ft 95 25 MGD on 2 Acres 2.5 MG on 3 Acres \$29,260,500	PS & TANK SITE ALTERNATIVES HYDRAULICS LANDSLIDING DIVERSIONS SIGNATURE ENTRY TERRAIN CONSTRUCTIBILITY WETLANDS ARCHAEOLOGICAL UST POTENTIAL OVERHEAD ELECTRIC COMMUNICATIONS TOWERS PIPELINES STRAY CURRENT ANODE BEDS TRAFFIC CONTROL SEWERAGE EXTENSION EASEMENT ACQUISITION JEFFERSON COUNTY SHELBY COUNTY OPERABILITY PUBLIC ACCEPTANCE COLUMN TOTAL ROUTE RATING TOTAL	POSITIVE NEUTRAL NEGATIVE



Louisville • Lexington • Owensboro • Memphis • Huntsville • Indianapolis • Cincinnati
Suite 400 Weldinger Tower • Louisville, Kentucky 40202 • (502) 584-5555

BLUEGRASS WATER SUPPLY PROJECT ROUTE EVALUATION

LOUISVILLE WATER COMPANY
650 S. 3RD STREET • LOUISVILLE, KENTUCKY 40202 • (502) 589-3600
JOHN L. HUBER - PRESIDENT
GREGORY C. HEITZMAN - VICE PRESIDENT/CHIEF ENGINEER

SCALE: AS NOTED

DATE: 12-1-88



Engineers, Inc.

Louisville • Lexington • Owensboro • Memphis • Huntsville • Indianapolis • Cincinnati

Suite 400 Meldinger Tower • Louisville, Kentucky 40202 • (502) 584-5555

Design Consultant

BLUEGRASS WATER SUPPLY PROJECT ROUTE EVALUATION

LOUISVILLE WATER COMPANY
650 S. 3RD STREET • LOUISVILLE, KENTUCKY 40202 • (502) 569-3600
JOHN L. HUBER - PRESIDENT
GREGORY C. HEITZMAN - VICE PRESIDENT/CHIEF ENGINEER

SCALE: AS NOTED

DATE: 12-1-98

LOUISVILLE WATER COMPANY
BLUEGRASS WATER SUPPLY
PRELIMINARY PROJECT ESTIMATE

12/1/98

Item Description	Approximate Quantity	Unit	Preliminary Estimate	
			Unit Price	Total Price
ENGINEERING				
Survey and Engineering Design				\$800,000.00
Construction Administration & Inspection				\$700,000.00
CONSTRUCTION				
60" PCCP Water Main, Fittings, & Appurtenances Installed	6300	LF	\$435.00	\$2,740,500.00
96" Tunnel at US-60	300	LF	\$1,000.00	\$300,000.00
36" DIP PC 350 Water Main, Fittings, & Appurtenances Installed	72,600	LF	\$225.00	\$16,335,000.00
52" Bore & Jack at I-265, I-64, & RR	900	LF	\$650.00	\$585,000.00
Rock Excavation	80,000	CY	\$30.00	\$2,400,000.00
25 MGD Pump Station	1	LS	\$1,500,000.00	\$1,500,000.00
2.5 MG Elevated Storage Tank	1	LS	\$2,500,000.00	\$2,500,000.00
PROPERTY RIGHTS & ACQUISITION				
Pipeline Easements (50-foot width)	3,895,000	SF	\$0.25	\$973,750.00
Pump Station Site	2	Acre	\$40,000.00	\$80,000.00
Elevated Storage Tank Site	3	Acre	\$30,000.00	\$90,000.00
TOTAL				\$29,004,250.00

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JUL 31 2007

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COMMISSION

No. 4

RECEIVED

JUL 31 2007

PUBLIC SERVICE
COMMISSION

WATER PURCHASE AGREEMENT

This Water Purchase Agreement (hereafter referred to as the "Agreement") is entered into this 11 day of JAN, 2005, by and between:

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

("LWC")

And

CITY OF LEBANON JUNCTION, KENTUCKY
A city of the 5th class of the
Commonwealth of Kentucky

("Lebanon Junction")

WHEREAS, Kentucky Turnpike Water District (hereafter referred to as "KTWD") and Lebanon Junction executed an emergency water purchase agreement on or about April 3, 2000, whereby KTWD sold water to Lebanon Junction in the event of an emergency; and

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

WHEREAS, LWC, as successor in interest to KTWD, assumed KTWD's responsibilities for the April 3, 2000 emergency water purchase agreement between KTWD and Lebanon Junction; and

WHEREAS, LWC and Lebanon Junction have expressed interest in executing a new wholesale water purchase agreement;

WITNESSETH:

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

1. Quantity and Quality of Water to Be Supplied.

LWC agrees to furnish water to Lebanon Junction at a maximum rate of 800 to 1,000 gallons per minute through the existing master meter located on Pine Tavern Road between Highway 61 and Highway 733 (hereafter referred to as the "Initial Point of Delivery"). Water furnished shall be treated water that complies with applicable state and federal water quality.

2. Pressure at Point of Delivery.

LWC's water pressure at the Initial Point of Delivery to Lebanon Junction will be sufficiently high to provide water service at a hydraulic grade adequate to operate the existing Lebanon Junction storage tank with a 683 foot, mean sea level overflow. Emergency failures of pressure or failures of supply due to main breaks, power failure, flood, fires and/or use of water to fight fires, labor unrest, earthquake, tornado and/or other extraordinary circumstances shall excuse LWC from any failure to comply with this paragraph for such reasonable period of time as may be necessary to resolve the situation.

Metering.

LWC will test the two inch (2") and four inch (4") master meter located at the Initial Point of Delivery every six months. Additional testing of this master meter may be performed by LWC at its sole discretion, at any time. LWC will provide a 24-hour notice to Lebanon Junction prior to conducting any meter tests and allow access to the metering site during testing to an appropriate official or agent designated by Lebanon Junction. A meter registering within two percent (2%) above or below the test result shall be deemed to be accurate. A reading of the meter determined by test results to be inaccurate (registering more than two percent (2%) above or below the test result) shall cause billings for six months previous to such test to be adjusted by the percentage of inaccuracy found by such test. If any meter shall fail to register usage for any regular billing period, the amount of water furnished during such billing period shall be considered to be the same as the amount of water furnished during the corresponding billing period immediately prior to the failure, unless the parties agree in writing to determine the amount of water furnished by some other method. An appropriate official or agent designated by Lebanon Junction shall have access to the meter at reasonable times for the purpose of verifying the meter's readings.

3. Rates and Payments.

LWC agrees to charge and Lebanon Junction agrees to pay LWC's wholesale rate, as identified in Rule 6.03 of the Board of Water Works Rules and Regulations (attached as Exhibit A), of \$1.27 per thousand gallons of water, plus a flat monthly service charge of \$142.50 per month. The Parties further agree

and acknowledge that LWC's wholesale water rate may be adjusted annually, or from time to time, by the Board of Water Works, and therefore, LWC may adjust the rate it charges to Lebanon Junction. The Parties further acknowledge that LWC currently forecasts an increase of approximately seven cents (\$.07) per thousand gallons of water for 2005 wholesale water rates, but acknowledge that this amount is an estimate only. Lebanon Junction and LWC acknowledge the LWC wholesale water rate is determined by LWC's rate-making methodology, and agree that LWC's rate-making methodology is a reasonable basis for the rate adjustments both Lebanon Junction and LWC expect during the term of this Water Purchase Agreement. That methodology requires that the wholesale rate be determined by considering the following components:

- a) Operating expenses;
- b) Depreciation expenses;
- c) Return on plant investment;
- d) minus expenses common to only retail customers.

4. Warranties Provided By the City of Lebanon Junction.

Lebanon Junction covenants and warrants as follows:

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

5. Warranties Provided By the Louisville Water Company.

LWC covenants and warrants as follows:

- a) LWC will reserve for the term of this Agreement the water treatment capacity necessary to meet LWC's obligations under this Agreement.
- b) LWC will communicate with Lebanon Junction as soon as LWC becomes aware of an event within LWC's system that will result in interruption of service to Lebanon Junction, and, further, that LWC will restore full service to Lebanon Junction as soon as reasonably possible. In the event of an extended shortage of water, or, in the event that the overall supply of water available from LWC is diminished over an extended period of time, water service to Lebanon Junction shall be reduced or diminished in the same ratio or proportion as the water service to LWC's other customers within the same customer class (excepting health service related customers).

6. Term and Termination of Agreement.

This Agreement commences effective immediately upon execution by both LWC and Lebanon Junction and shall expire forty (40) years from the date of execution of this Agreement. Upon commencement, this Agreement shall supersede any and all previous wholesale water purchase agreements between the Parties. Either party may terminate this Agreement with twelve (12) months advance written notice to the other party, with such notice to be provided to the other party at the addresses set forth in Paragraph 9 of this Agreement, in the event of any of the following:

a) For Lebanon Junction to terminate:

- 1) Failure of LWC to meet water delivery requirements stated herein (except for failures related to the temporary interruptions described at 6 (b), above);
- 2) Failure of LWC to meet state and federal water quality regulations (except for failures related to the temporary interruptions described at 6 (b), above).
- 3) Revocation of LWC's authority to operate a water system by one or more governmental authorities having jurisdiction over such matters;
- 4) LWC's breach of any duty, warranty or covenant contained in this Agreement, provided, however, that Lebanon Junction cannot exercise such termination right until it has given LWC thirty (30) days from LWC's receipt of written notice of breach to correct such breach.

b) For LWC to terminate:

- 1) Failure of Lebanon Junction to pay within twenty (20) days of due date for monthly wholesale water service described in this Agreement;
- 2) Revocation of Lebanon Junction's authority to operate a water system by one or more governmental authorities having jurisdiction over such matters;

- 3) Failure of Lebanon Junction to consistently meet water quality requirements of the Natural Resources and Environmental Protection Cabinet of Kentucky resulting in classification as a significant non-complier
- 4) Lebanon Junction's breach of any duty, warranty or covenant contained in this Agreement, provided, however, that LWC cannot exercise such termination right until it has given Lebanon Junction thirty (30) days from Lebanon Junction's receipt of written notice of breach to correct such breach.

7. Authorization to Enter Into Agreement.

Lebanon Junction shall obtain any approvals required for the purchase of water contemplated by this Agreement, and LWC agrees to cooperate as necessary to obtain any such approvals.

8. Waiver.

LWC's failure to assert its rights under any provision or term of this Agreement shall not be construed as a waiver of that right at any time.

9. Assignment.

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

10. Notices.

Unless otherwise advised by the other party in writing, all notices to the Parties shall be as follows:

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

If to LEBANON JUNCTION:

Mayor
City of Lebanon Junction
Post Office Box 69
Lebanon Junction, KY 40150

11. Severability of Provisions.

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

12. Entire Agreement

This Agreement represents the entire agreement by the parties regarding wholesale water sales by LWC to Lebanon Junction and supercedes any and all other agreements regarding this matter.

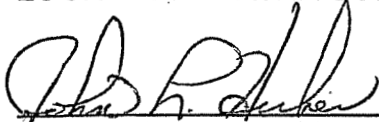
13. Jurisdiction.

Any dispute arising under this Agreement shall be filed and be heard in the Circuit Court of Jefferson County, Kentucky.

IN TESTIMONY WHEREOF, witness the signatures of the Parties by their duly authorized officers (as evidenced by law, action or resolution of their

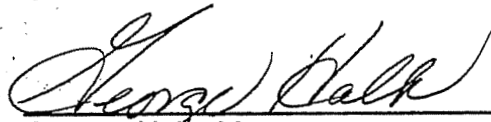
respective governing boards) as of the day and year first above written, it being understood and agreed that this Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

For the
LOUISVILLE WATER COMPANY



John L. Huber, President

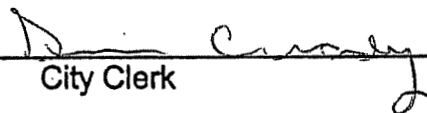
For the
CITY OF LEBANON JUNCTION



George Hark, Mayor

Attest:

Secretary



City Clerk

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JUL 31 2007

PUBLIC SERVICE
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WATER SUPPLY AGREEMENT

This agreement made this 17th day of Feb, 2006, by and between

LOUISVILLE WATER COMPANY,
A Municipally Owned Corporation
Governed by the Board of Water Works
Pursuant to KRS 96.230 through 96.310
550 S. 3rd Street
Louisville, KY 40202

("LWC")

and

CITY OF TAYLORSVILLE
A city of the 6th Class of the
Commonwealth of Kentucky

("Taylorsville")

WHEREAS, Taylorsville, pursuant to a Water Purchase Agreement dated October 21, 1987, purchases water from LWC at a point of delivery located on Bardstown Road, near the vicinity of Jefferson/Bullitt County line in Central Jefferson County, Kentucky, (hereafter, "1987 Agreement"); and

WHEREAS, Taylorsville, pursuant to a Water Purchase Agreement dated January 8, 1998 also purchases water from LWC at a point of delivery located on Highway 155, near the vicinity of Jefferson/Spencer County line in Eastern Jefferson County, Kentucky, (hereafter, "1998 Agreement"); and

WHEREAS, LWC desires to purchase and Taylorsville is willing to sell treated water to LWC to serve approximately 200 customers in Jefferson County until such time as LWC may construct a water storage tank in the area; and

NOW THEREFORE, in consideration of the terms and covenants herein, the receipt and adequacy of which are hereby acknowledged, LWC and Taylorsville (hereafter, collectively, the "parties") agree as follows:

1. **Term and Termination of Agreement** The Agreement commences effective immediately upon execution by both LWC and City of Taylorsville and shall expire forty (40) years from the date of execution of this Agreement. Either party may terminate the agreement prior to the expiration of the Agreement upon 36 months written notice to the

other party, with such notice to be provided to the other party at the addresses set forth in Paragraph 3 of this Agreement. The parties agree that the termination provisions contained in the Agreements remain in full force and effect throughout the term of the Agreement.

2. **Metering Arrangements.**

- a. **Use of 4-Inch Master Meter:** The parties agree that LWC will install at its own cost, a 4-inch master meter at the intersection of Old Heady Road and the Jefferson/Spencer County boundary line and about 40 feet of 8-inch water main, to serve approximately 200 customers in Jefferson County from the 8 inch water main currently located in Old Heady Road within the limits of City of Taylorsville retail territory within Spencer County, according to Exhibit A. In the event LWC determines there is sufficient growth in the future to warrant construction of an elevated water storage tank in this area, in consideration of the terms and covenants herein, LWC shall transfer usage of the 4 inch master meter to Taylorsville for the purpose of utilizing this 4 inch master meter as an additional master metering location into their system at no cost to City of Taylorsville.
- b. **Testing of Metering Equipment:** LWC agrees to test such metering equipment when requested by Taylorsville, but not more frequently than once every twelve months. A meter registering not more than two percent above or below the test result shall be deemed to be accurate. A reading of any meter disclosed by tests to be inaccurate (in excess of 2%) shall be corrected for the six months previous to any such test in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless LWC and Taylorsville agree otherwise. A designated agent of Taylorsville shall have access to the meter at reasonable times for the purpose of verifying its readings.
- c. **Wholesale Water Rates:** This master meter installation and ownership shall have no bearing whatsoever on the wholesale water purchase from LWC by the City of Taylorsville, and at all times consumption by Taylorsville shall be billed at the wholesale rate that is approved by the Board of Water Works and that is current at the time of billing.

3. **Billing.** For purposes of billing, a "deduct" meter shall be installed. Charges for LWC's consumption shall be deducted from the amount owed to LWC by Taylorsville pursuant to the current wholesale water rates in place at the time of billing. This deduct shall be applied to the Taylorsville bill generated from their master meter located on Highway 155, in the vicinity of Jefferson/Spencer Counties. This deduct shall be calculated by subtracting the usage read from the meter on Old Heady Road from the usage read from the meter on Highway 155. The resultant usage shall be the amount billed to Taylorsville, for the meter on Highway 155.

The address for Notices to the parties are as follows:

If to Taylorsville:

Mayor

City of Taylorsville

P.O. Box 279

Taylorsville, KY 40071

If to LWC:

Vice President, Serving Customers and Business Development

Louisville Water Company

550 s. 3rd Street

Louisville, KY 40202

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

LOUISVILLE WATER COMPANY

By: Karla Olson Teasley

Date: February 28, 2006

COUNTY OF Jefferson)
) :ss
COMMONWEALTH OF KENTUCKY)

The foregoing Amendment to Wholesale Agreement was acknowledged before me on this 28th day of February, 2006 by Karla Olson Teasley to be their voluntary act and deed.

Christy Leigh Ray
NOTARY PUBLIC
My commission expires: Jun 2, 2007

CITY OF TAYLORSVILLE

By: Walter Hahn

Date: 2-17-06

COUNTY OF Spencer)
) :ss
COMMONWEALTH OF KENTUCKY)

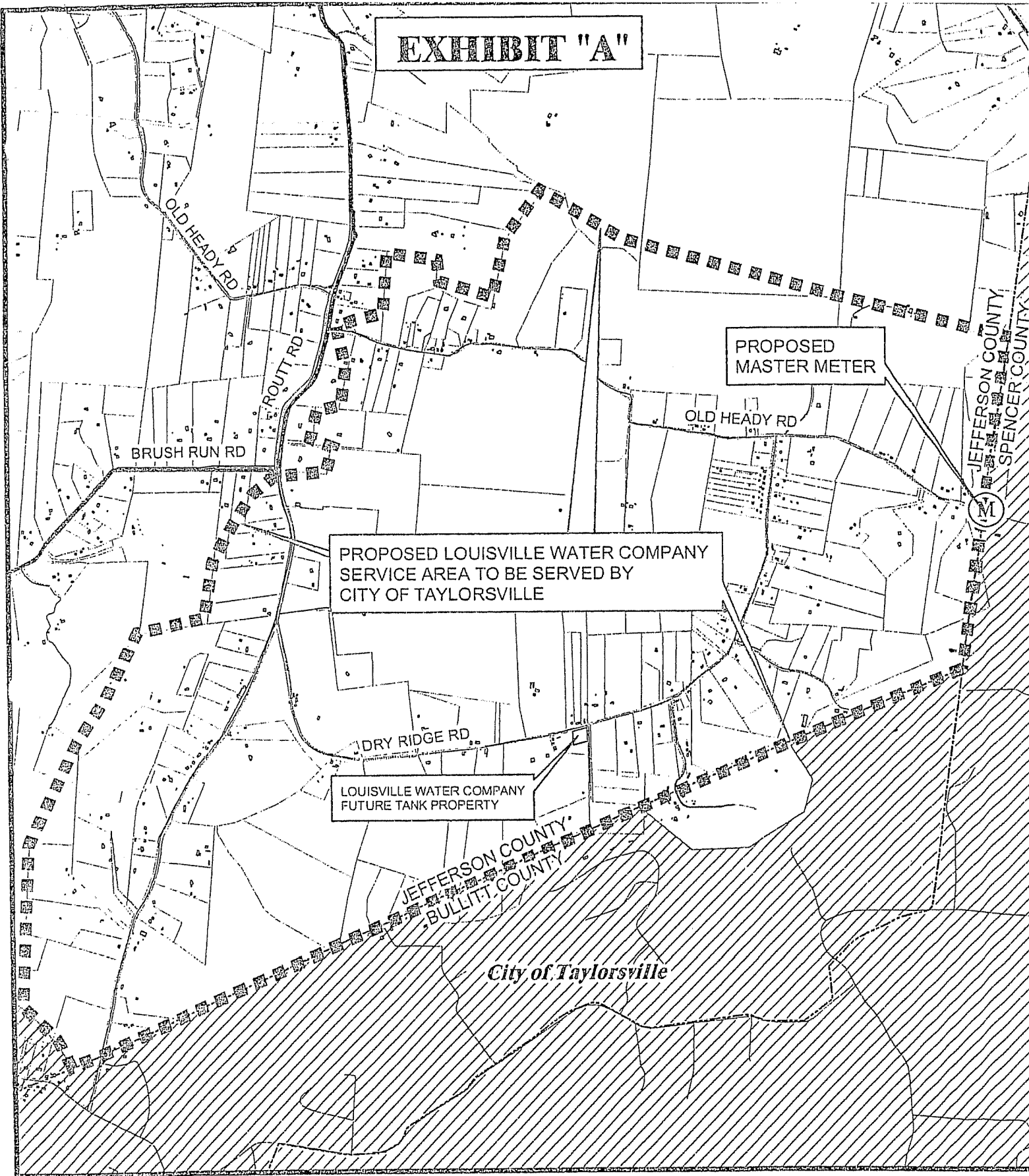
The foregoing Amendment to Wholesale Agreement was acknowledged before me on this 17~~th~~ day of February 2006 by Walter Hahn, to be their voluntary act and deed.

Russ Ward

NOTARY PUBLIC

My commission expires: September 30, 07

EXHIBIT "A"



Legend

Proposed Service Area	4" Mains	Roads
Master Meter	6" Mains	Building
Water District Boundaries	8" Mains	Parcels
	12" Mains	County Boundary
	16" Mains	Water Bodies

DATE: 11/1/05

0 1,000 2,000 Feet

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COPYRIGHT IN 2005, LOUISVILLE AND JEFFERSON COUNTY INTERGOVERNMENTAL DISTRICT (LJCD), LOUISVILLE WATER COMPANY (LWC), LOUISVILLE METRO POLICE DEPARTMENT, AND JEFFERSON COUNTY PROPERTY VALUATION ADMINISTRATOR (PVA). All Rights Reserved.

LOUISVILLE WATER COMPANY (LWC) is a Jefferson County, Kentucky, limited liability company. LWC is a subsidiary of Louisville Water Company, a public utility company. LWC is a subsidiary of Louisville Water Company, a public utility company. LWC is a subsidiary of Louisville Water Company, a public utility company.

FIRST AMENDMENT TO AGREEMENT

This is an Amendment to the Agreement effective as of December 14, 1970 (hereinafter referred to as "the Agreement"), and is made as of this 11th day of July, 2005, by and between

LOUISVILLE WATER COMPANY,
a Kentucky Corporation, all of the
stock of which is owned by the City
of Louisville, Kentucky
550 S. Third Street
Louisville, KY 40202

("LWC")

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PUBLIC SERVICE
COMMISSION

and

CITY OF MT. WASHINGTON,
a City of the 5th Class of the
Commonwealth of Kentucky

("Mt. Washington")

RECITALS

A. Whereas LWC supplies treated water to Mt. Washington pursuant to the Agreement, and Mt Washington distributes the treated water through its water lines to properties located within its retail service area in Bullitt County, Kentucky; and

B. Whereas LWC, in addition to selling water to Mt. Washington and other water suppliers for the purpose of resale, also distributes water on a retail basis to the residents of Jefferson County and parts of Oldham and Bullitt Counties, Kentucky, as well as owning and operating two water treatment plants along the Ohio River; and

C. Whereas, there are presently properties (hereinafter "Properties") outside of LWC retail service area in northern Bullitt County along a roadway known as Waterford Road, and the owner of said properties is desirous of procuring water service through the extension of distribution lines by LWC, even though such properties are not located within the LWC retail service area, and

D. Whereas, the parties have authority to enter into this Amendment pursuant to _____ for Mt. Washington and KRS 96.260 for LWC; and,

E. Whereas, the parties agree and recognize that, in addition to allowing the Properties to receive water service from LWC, there are other additions or revisions to the Agreement that are in the best interests both parties to make.

NOW THEREFORE, in consideration of the terms and covenants contained herein the parties agree to amend the Agreement as follows:

1. LWC will extend its water distribution system approximately 2,000 feet along Waterford Road from the end of their existing water main, to the entrance of the newly created Waterford Ridge Court, as shown on attached Exhibit A. This roadway was created by record plat as recorded in Plat Cabinet 2, Slides 767, and 768,

in Bullitt County, Kentucky. LWC will not recognize additional retail customers along the portion of Waterford Road located within Mt. Washington retail territory.

2. LWC will extend its distribution system within the newly created portions of Waterford Ridge Court and Hillside View Drive that are within Bullitt County, as recorded in Plat Cabinet 2, Slides 767, and 768, in Bullitt County, Kentucky, and as shown on attached Exhibit A. Future customers within this area (referred to on the attached Exhibit A as "Distribution Extension Area") will have the opportunity to become retail customers of the Louisville Water Company.

3. LWC and Mt. Washington believe there is a maximum of 25 buildable lots, and therefore, 25 possible new customers, that could be located along these sections of Waterford Ridge Court and Hillside View Drive in the future.

4. LWC and Mt. Washington agree that in exchange for allowing LWC to serve these 25 future customers within the Mt. Washington retail territory along Waterford Ridge Court and Hillside View Drive, a 4- inch master meter will be installed, at no cost to Mt. Washington, in the vicinity of Highway 44 and _____. Mt. Washington shall only pay the \$151.80 monthly service charge for the 4 – inch meter when the meter has been activated. It is understood that the monthly service charge will be billed at the then current rates approved annually by the Board of Water Works.

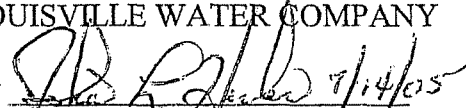
5. These additions to the Agreement shall amend the Agreement only to the extent as set forth herein. All other terms and conditions of the Agreement remain in full force and effect as if fully incorporated herein.

By their signatures below, the individuals affirm that they have authority to enter into this Amendment to the Agreement, thereby binding the parties hereto.


Attest:



LOUISVILLE WATER COMPANY

By  7/14/05
John L. Huber, President

Attest:



CITY OF MT. WASHINGTON

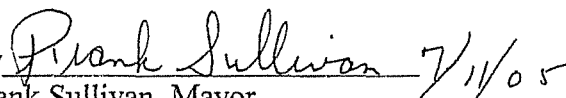
By  7/14/05
Frank Sullivan, Mayor

Exhibit A



Legend

- Proposed Water Main
- Property to be served/
Distribution Extension Area

Scale: 1" = 300'

0 75 150 300
Feet



Copyright (c) 2005, LOUISVILLE AND JEFFERSON
COUNTY METROPOLITAN SEWER DISTRICT (MSD),
LOUISVILLE WATER COMPANY (LWC),
LOUISVILLE METRO GOVERNMENT, and
JEFFERSON COUNTY PROPERTY VALUATION
ADMINISTRATOR (PVA).
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June 27, 2005
Map Compilation: jmcgarry
File Location: D:\misc_gis_users_requests
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