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September 27, 2012

Mr. Kevin Leonard
Mayfield Electric & Water
Post Office Box 329
Mayfield, Kentucky 42066

Sam Boyd Neely, Jr., Esq.
Post Office Box 708
Mayfield, Kentucky 42066-0034

VIA ELECTRONIC MAIL

Re: Case No. 2012-00358
Graves County Water District/Hickory Water District

Gentlemen:

During a telephone conversation on September 25, 2012 with Gerald Wuetcher, an employee of this agency, Mr. Neely advised that certain documents had inadvertently been omitted from the Joint Application in the above-referenced case. A list of these documents has been compiled is enclosed. With Mr. Neely's agreement, Commission Staff has obtained a copy of these documents and has this day filed them in the case record together with this letter. I have not enclosed a copy of these documents with this letter. They are, however, available for inspection on the Commission's public website at <http://psc.ky.gov/pscscf/2012%20cases/2012-00358/>.

Any objections to this action should be submitted to the Commission within five days of receipt of this letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen
Executive Director

Enclosure

MISSING DOCUMENTS TO JOINT APPLICATION

APPENDIX	DOCUMENT DESCRIPTION
C	Contract Agreement For Operations, Maintenance and Management Services (Hickory Water District – MEWS)
F	Contract Agreement For Operations, Maintenance and Management Services (Graves County Water District – MEWS)
G	Minutes of Graves County Water District Board of Commissioners Meeting of 6/22/2010
H	Minutes of Hickory Water District Board of Commissioners Meeting of 6/28/2010
I	Resolution of 8/23/2011 of Hickory Water District Board of Commissioners
J	Resolution of 8/23/2011 of Graves County Water District Board of Commissioners
K	Water District Merger Agreement

EXHIBIT C

CONTRACT AGREEMENT FOR OPERATIONS, MAINTENANCE AND MANAGEMENT SERVICES

THIS CONTRACT AGREEMENT is entered into on the **1st** day of **June 2009** with an effective commencement date of **June 1st 2009**, by and between:

The **HICKORY WATER DISTRICT**, with its principal address at Paducah Rd., Mayfield, Kentucky 42066. (hereinafter, "**District**"),

AND

The **MAYFIELD ELECTRIC AND WATER SYSTEMS**, an instrumentality of the City of Mayfield, Kentucky, with its principal address at P.O. Box 347, Mayfield, Kentucky 42066 (hereinafter, "**MEWS**").

The District and MEWS may be referred to in this Agreement individually as "**Party**" or collectively as the "**Parties**",

WHEREAS, the District owns a water treatment plant, Waste water treatment plant, distribution system and related facilities (the "**Systems**") that are more particularly described in Section 1, below; and

WHEREAS, the District desires to employ the services of MEWS in the operation, maintenance and management of its Systems, and MEWS is willing and capable to perform such services in consideration of the compensation provided for herein.

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

SECTION 1. DEFINITIONS

The following definitions shall apply to the terms used in this Agreement.

1. "**Capital Expenditures**" means those expenditures for (1) the purchase of new equipment or System items that cost more than Two Thousand Dollars (\$2,000); or (2) major repairs which significantly extend equipment or System service life and which costs more than Two Thousand Dollars (\$2,000), or (3) other planned, non-routine and budgeted facility improvements to the Systems.

2. **“Cost”** means all direct cost and indirect cost determined on an accrual basis in accordance with generally accepted accounting principles, which benefit the Systems, including, but not limited to, expenditures for Systems management and labor, employee benefits, chemicals, power, outside contract labor and services, lab supplies, repairs, repair parts, maintenance parts, safety supplies, gasoline, oil, equipment rental, legal and professional services, quality assurance, travel, office supplies, other supplies, uniforms, telephone, postage, utilities, tools, memberships and training supplies.
3. **“Management Report”** means a cumulative report of the Systems activities to be provided by MEWS in accordance with the District policies and procedures which includes a technical, financial, and managerial report on all the Systems activities. The form of report is contained in Appendix D.
4. **“Service Fee”** means that sum invoiced monthly for MEWS services. A copy of the fee formula for the first year of this Agreement is contained in Appendix C.
5. **“System”** means all equipment, tools, properties, easements and facilities now existing within the jurisdiction or control of or being used by the District to provide water service. More specifically, “system” means the District’s raw water wells and related pumping equipment, water treatment plant, water storage tanks, pump stations, distribution mains and related appurtenances, and customer meters.
6. **“Repairs”** means those non-routine/non-repetitive activities required for operational continuity, safety and performance generally due to failure, or to avert a failure of the equipment, mains, appurtenances or facilities or some component thereof.
7. **“Unforeseen Circumstances”** shall mean any event or condition which has an effect on the rights or obligations of the Parties under this Agreement, or upon the System, which is beyond the reasonable control of the Party relying thereon, and constitutes a justification for a delay in, or non-performance of, action required by this Agreement, including, but not limited to: (i) an Act of God, landslide, lightning, earthquake, tornado, fire, explosion, flood, failure to possess sufficient property rights, acts of the public enemy, war, blockade, sabotage, insurrection, riot or civil disturbance; (ii) preliminary or final order of any local, province, administrative agency or governmental body of competent jurisdiction; (iii) any change in law, regulation, rule, requirement, interpretation or

statute adopted, promulgated, issued or otherwise specifically modified or changed by any local, state or other governmental body; (iv) loss of, or inability to obtain service from a third entity necessary to furnish electric power for the operation and maintenance of the System; or (v) the failure of the District to make any Capital Expenditure previously identified as necessary for the System to attain applicable performance standards.

SECTION 2. GENERAL PROVISIONS

- 2.1 All land, buildings, facilities, easements, licenses, rights-of-way, equipment and appurtenances presently owned or hereafter acquired by the District shall remain the exclusive property of the District, unless specifically provided for otherwise in this Agreement.
- 2.2 This Agreement shall be governed by and interpreted in accordance with the laws of the Commonwealth of Kentucky and any action arising under this agreement or as a result of performance hereunder shall be in the venue of the appropriate court in Graves County, Kentucky.
- 2.3 This Agreement shall be binding upon the successors and assigns of each of the Parties, but neither Party shall assign this Agreement without the prior written consent of the other Party, which consent shall not be unreasonably withheld.
- 2.4 All notices shall be in writing and transmitted to the Party's address stated above. All notices shall be deemed effectively given:
 - 2.4.1 If delivered personally, or by courier mail service (e.g., United Parcel Service, Airborne Express, etc.) upon delivery.
 - 2.4.2 If mailed by certified or registered U.S. mail, return receipt requested or upon deposit in the United States mail, postage prepaid.
 - 2.4.3 If in any other manner, with written acknowledgement of such receipt of notice.
- 2.5 This Agreement, including appendices, is the entire Agreement between the Parties. This Agreement may be modified only by subsequent written amendments signed by both Parties.
- 2.6 Wherever used, the terms "District" and "MEWS" shall include the respective officers, agents, directors, elected or appointed officials and employees and, where appropriate, subcontractors of, or anyone acting on their behalf.

- 2.7 If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.
- 2.8 It is understood and agreed by the Parties that the relationship of MEWS to the District is that of independent contractor to owner. The services provided for under this Agreement are of a professional nature, and shall be performed in accordance with good and accepted industry practices typical for professional contract operators similarly situated in the Commonwealth of Kentucky, and which are providing such services during the time period generally co-terminus with the dates of the term of this Agreement.
- 2.9 The District and MEWS are the only parties to this Agreement. No third party rights or benefits are intended to or shall arise by reason of this Agreement.
- 2.10 If any litigation is necessary to enforce the terms of this Agreement, the prevailing Party shall be entitled to reasonable attorney's fees, which are directly attributed to such litigation in addition to any other relief to which it may be entitled.
- 2.11 The District and MEWS respectively represent that each has the authority to enter into this Agreement, and each represents that it has complied with all governmental action necessary to bind it to the terms hereof.

SECTION 3. SCOPE OF SERVICES TO BE PROVIDED BY MEWS

- MTI* 3.1 Effective ^{JUNE} ~~April~~ 1st 2009, MEWS shall initiate service under this Agreement and shall deploy staff who are qualified and are capable of and have met appropriate licensing and certification requirements of the Commonwealth of Kentucky to operate, maintain and manage the System.
- 3.2 MEWS shall operate, maintain and manage the System such that District customers receive service 24-hours per day, 7 day per-week. It is understood that routine service activities and office access is provided during the normal business day, 7:00 a.m. through 4:00 p.m., Monday – Friday, except holidays. Operational services shall be performed by certified personnel and may be provided either by onsite presence or by remote monitoring as permitted.

- 3.3 MEWS shall be responsible for all aspects of the day-to-day operations, maintenance and management of the water treatment plant, waste water plant, water distribution system, customer service, billing, collection, accounting and reporting in compliance with regulatory requirements and District policy. A delineation of these activities is set out in Appendix A. Included in its management responsibilities, MEWS shall provide a comprehensive monthly Management Report to the District substantially in the same form as that contained in Appendix E, and prepare a listing of payable invoices, a check register and draft checks for signature by the District at its monthly meetings.
- 3.4 MEWS shall manage, operate and maintain the District's System within the existing design capacity and permit limitations of the System so that water produced and delivered to customers meets the requirements specified in Appendix B.
- 3.5 Within sixty (60) days after MEWS begins service under this Agreement, it shall provide the District with a physical inventory of the District's equipment and tools in use at the time of initiation of service under this Agreement, and shall make recommendations to the District regarding capital needs, if any, required by the District to rehabilitate, expand or modify the System's facilities or equipment to comply with governmental regulations or to improve operability to best achieve compliance with, but not limited to the Safe Drinking Water Act and the Clean Water Act.
- 3.6 MEWS shall be responsible for maintaining all manufacturers' warranties on new equipment purchased by the District and shall assist the District in enforcing existing equipment warranties and guarantees.
- 3.7 Within six (6) months after MEWS begins service under this Agreement, MEWS shall provide the District with documentation that preventive maintenance is being performed on the District owned equipment in accordance with manufacturer's recommendations at intervals, and in sufficient detail, as may be feasibly determined by MEWS.
- 3.8 MEWS shall utilize its existing computerized programs relating to financial accounting and reporting on the System.

- 3.9 MEWS shall perform all routine maintenance and repair activities including modification of any process and/or any component of the System to achieve the objectives of this Agreement. However, any routine maintenance and repair activity or process or component modification which requires labor, parts, materials or services costing in excess of \$2,000 shall require prior authorization by the District.
- 3.10 In any emergency affecting the safety of persons or property, including an Unforeseeable Circumstance, MEWS may act without prior written authorization to prevent threatened damage, injury or loss. MEWS shall make reasonable effort to communicate, regarding the emergency, to the District as soon as possible. MEWS shall be compensated by the District for any such emergency work notwithstanding the lack of a written authorization. Such compensation shall include MEWS's itemized costs for labor and service required for response to the emergency.
- 3.11 As required by law, permit or regulation, MEWS shall prepare, sign, and submit System performance reports to appropriate state authorities, maintaining a complete file copy accessible to the District.
- 3.12 MEWS shall provide or coordinate the provision of labor to perform raw and treated water sampling for submission to an independent laboratory for analysis as required the Safe Drinking Water Act and/or any other applicable federal, state or local laws or regulations, the cost of which shall be borne by the District.
- 3.13 MEWS will maintain a log of customer inquiries, complaints and any and all regulatory agency notices or correspondence, and provide copies of same to the District at the monthly meeting of the District's board of commissioners.
- 3.14 MEWS may provide additional services beyond the scope of this Agreement at the District's request, subject to mutually agreeable terms and conditions and encapsulated in written amendments to this Agreement.

SECTION 4. DISTRICT'S REPRESENTATIONS AND DUTIES

- 4.1 The District shall continue, without restriction, as owner of the System, and shall control all assets and be responsible for all liabilities of same.

- 4.2 The District shall pay to MEWS the agreed upon Service Fee, as contained in MEWS's response to the District's RFQ-P, a copy of which is included in full as Appendix C, to this Agreement. Such payment shall be upon presentation of invoice at the District's monthly meeting.
- 4.3 The District shall provide MEWS with exclusive access to and use of all of the premises, tools, equipment or other components of the System at no cost to MEWS.
- 4.4 The District shall represent itself by the presence of authorized members of the Board of Commissioners at its monthly meetings and at other times as required by law or regulation. The District delegates to MEWS the authorization to represent the District only to the extent as expressed in this Agreement.
- 4.5 The District shall conduct monthly business meetings pursuant to the agenda format contained in Appendix D of this Agreement; minutes of District meetings shall be taken and maintained by the duly elected secretary of the District and the minutes of each months meeting shall be reviewed and approved at the next subsequent meeting of the District.
- 4.6 The District shall provide funding for all necessary Capital Expenditures via cash funds, when available, or via loan or bond proceeds, when and as sound financing arrangements allow. Priority for such funding shall be given to those Capital Expenditures recommended by MEWS and deemed by the District to be necessary to address system operational concerns relating to public health, the environment, property, and proper functioning of system components. Any loss, damage, or injury resulting from the District's failure to provide Capital Expenditures and/or funds for maintenance and repair materials and services, when reasonably required by MEWS, shall be the sole responsibility of the District.
- 4.7 The District shall keep in force all System related warranties, guarantees, easements, licenses and permits that have been acquired by the District.
- 4.8 The District shall review and authorize for payment, as appropriate, all invoices presented by MEWS, including the monthly Service Fee, and all System related vendor invoices for parts, materials, supplies and services.

- 4.9 The District shall make appropriate payment of all taxes, disposal charges, or other fees, if any, levied or charged to the System.
- 4.10 The District will procure an annual audit of its books by a certified public accountant (CPA) and will continue to prepare and file, on a timely basis, the annual report to the Public Service Commission and shall bear the expense of same.
- 4.11 The District shall procure professional services, such as legal representation and services as well as consulting engineering services, as may be required from time to time, and shall bear the expense of same.

SECTION 5. ADDITIONAL PROVISIONS OF MUTUAL AGREEMENT

The District and MEWS mutually agree as regards the following:

- 5.1 MEWS, at the request of the District, will assist the District in properly procuring consulting engineers, accountants, and other professional service providers necessary for the preparation of documentation for capital projects, customer rate analyses and financial analyses as may be necessary to secure funding for Capital Expenditures or improved managerial or fiscal performance of the System.
- 5.2 MEWS, at the request of the District, will assist the District in keeping in force all System related warranties, guarantees, easements, licenses and permits that have been acquired by the District.
- 5.3 MEWS, at the request of the District, will assist the District in the preparation of the Public Service Commission report.

SECTION 6. COMPENSATION, ADJUSTMENT AND PAYMENT

- 6.1 MEWS's compensation under this Agreement shall consist of a service fee, governed my metered connections. Also Labor and Equipment will be billed on a per hour basis. In addition mileage will be billed to the district for actual miles driven per IRS guidelines.

- 6.2 The Service Fee shall be reviewed and adjusted each year, to become effective as of the anniversary of the Commencement Date, as defined in Section 9.1.
- 6.3 Should the District and MEWS fail to agree as regards an adjusted Annual Service Fee, the Parties shall engage a certified mediator and abide by the results there from.
- 6.4 The District shall fully pay to MEWS, the invoiced Service Fee each month, in the course of the District monthly meeting.

SECTION 7. SCOPE CHANGES

- 7.1 Change in the scope of services may occur when and if both Parties agree as to modifications of any element contained in Section 3, above, or Appendix A Such change may be precipitated by:
 - 7.1.1 Any change in System operations, personnel qualifications, staffing levels, or other costs which are mandated or otherwise required in response to a change in law, rule or regulation, or an action or forbearance of any governmental body having jurisdiction to order, dictate or require such change;
 - 7.1.2 Any federal or state mandated increase in employee compensation, compensation rates and related rate increases associated with employee benefits greater or lesser than those in force at the Commencement Date of this Agreement;
 - 7.1.3 The District's request and MEWS's consent to provide additional services beyond the scope of this Agreement.

SECTION 8. INDEMNITY, LIABILITY AND INSURANCE

- 8.1 MEWS hereby agrees to indemnify and hold the District harmless from any liability or damages for bodily injury, including death, which may arise from MEWS's negligence or willful misconduct under this Agreement, provided MEWS shall be liable only for that percentage of total damages that corresponds to its percentage of total negligence or fault.

- 8.2 The District agrees to indemnify and hold MEWS harmless from any liability or damage or bodily injury, including death, which may arise from all causes of any kind other than MEWS's gross negligence or willful misconduct including, but not limited to, breach of a the District warranty.
- 8.3 The District shall be liable for those fines, civil penalties or costs imposed by any regulatory or enforcement agencies on the District or on the facilities which are directly related to the District's ownership of the System, and shall indemnify and hold MEWS harmless from the payment of any such fines, costs and/or penalties.
- 8.4 MEWS shall be liable for those fines or civil penalties imposed by any regulatory or enforcement agencies on the District which are directly related to MEWS operation and management of the System, and shall indemnify and hold the District harmless from the payment of any such fines and/or penalties, provided, however that such fines or civil penalties do not arise from failure of the District to act on recommendations provided by MEWS.
- 8.5 Indemnity obligations provided for in this Agreement shall survive the termination of the Agreement.
- 8.6 Each Party shall obtain and maintain insurance coverage of a type and in the amounts described in **Appendix E**. Each Party shall provide the other Party with satisfactory proof of insurance.

SECTION 9. TERM, TERMINATION AND DEFAULT

- 9.1 The term of this Agreement shall be for a period of one (3) years commencing on ~~April 1st 2009~~ and expiring on ~~April 1st 2011~~.
- 9.2 The Agreement shall automatically renew for an additional term of two (2) years commencing on the expiration date stated in Section 9.1 unless written notice of non-renewal is transmitted by either Party to the other at least ninety (90) days prior to the expiration date stated in Section 9.1. Such notice, if any, shall also be provided to all regulatory and funding agencies of the District, at the same time.

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- 9.3 Either Party may terminate this Agreement prior to its expiration for any reason but only after giving written notice to the other Party at least sixty (60) days before the date of such termination. Such notice, if any, shall also be provided to all regulatory and funding agencies of the District, at the same time it is provided to the other Party.
- 9.4 This Agreement shall be submitted to the Kentucky Public Service Commission. If, for any reason, the Commission fails to approve or otherwise disallows the District to continue with the Agreement, the Agreement shall be considered terminated.
- 9.5 Upon termination of this Agreement and any and all renewals and extensions thereof, MEWS shall return the System to the District in the same or similar condition, as it was upon the effective date of this Agreement, ordinary wear and tear accepted. Equipment and other personal property purchased by the District for use in the operation or maintenance of the System shall remain the property of the District upon termination of this Agreement, unless the property was directly paid for by MEWS, or the District has not reimbursed MEWS for the cost incurred to purchase the property, or this Agreement specifically provides to the contrary.

SECTION 10. DISPUTES AND FORCE MAJEURE

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

* * * * *

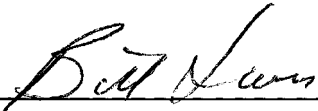
Each Party indicates its respective approval of this Agreement by signature of its designated, authorized representative, and each Party warrants that all corporate action necessary to bind the Parties to the terms of this Agreement has been and will be taken.

HICKORY WATER DISTRICT

By: 

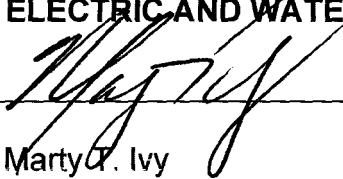
Name: Mr. Sam Davis

Title: Chair

ATTEST: 

DATE: 5-8-09

MAYFIELD ELECTRIC AND WATER SYSTEMS

By: 

Name: Mr. Marty A. Ivy

Title: General Superintendent

ATTEST: 

DATE: 5/8/09

APPENDIX A

DESCRIPTION OF SCOPE OF SERVICES

- 1. Services Relating to Water Supply and Treatment System.**
 - (A)** MEWS will be responsible for all aspects of the day-to-day operation, maintenance and management of the water treatment plant (WTP) & Waste water plant (WWTP) with the exception of those responsibilities specifically retained by the District.
 - (B)** MEWS will provide the labor required to operate, maintain and manage the WTP & WWTP to include both normal business day hours and as required, (24) twenty-four hours each weekday and (24) twenty-four hours, as required, each weekend day and holiday. MEWS's employees assigned to the System shall be certified by the State of Kentucky to operate the WTP & WWTP at the level required in the permit.
 - (C)** MEWS will maintain accurate and complete records on WTP & WWTP, operation and laboratory data as required by the Natural Resources and Environmental Protection Cabinet (NREPC) and the Cabinet for Human Resources, Department of Health, and will submit and fulfill all operating report requirements and send copies to the District.
 - (D)** MEWS shall provide routine checks of the WTP & WWTP and will be responsible for identifying and reporting to the District in writing all repairs and maintenance required or advisable at the WTP & WWTP. Except as specified in Sections 3.10, MEWS shall not undertake any such repairs or maintenance without the District's prior authorization.
 - (E)** MEWS shall operate the WTP & WWTP so the finished water will meet the requirements of the applicable rules and regulations relating standards as set out in Appendix B.

- (F)** MEWS shall be liable for and pay any and all fines or civil penalties or damages which may be imposed by a court, governmental entity or regulatory agency for violations of the water quality requirements specified in the regulations that are a result of MEWS's reckless or negligent operation or management of the WTP & WWTP. However, should the District refuse to make corrections to the WTP or WWTP recommended or proposed by MEWS as necessary to ensure the compliance with the permits or if the WTP's or WWTP's actual demand is greater than its permitted or actual capacity, MEWS will not be liable for any such fines, penalties or damages to the extent attributable to such refusal by the District or such excess water demand. The District shall reasonably assist MEWS in contesting any such fines or civil penalties in any administrative, judicial or other proceeding, case, dispute or action prior to any such payment by MEWS.
- (G)** MEWS will perform monthly compliance sampling for required parameters for water quality analysis.
- (H)** MEWS will coordinate with the District for full compliance with any and all applicable District rules and regulations as well as those of the Kentucky Public Service Commission, the Natural Resources and Environmental Protection Cabinet, Division of Water, Kentucky Infrastructure Authority or other federal or state agency having jurisdiction or investment of funding in the District's System.
- (I)** MEWS will coordinate lab activities; establish sampling procedures and test schedules.
- (J)** MEWS will perform field-testing for chlorine residual, pH, pressure and flow calculations and related record keeping. MEWS will provide in-house lab services for WWTP for all samples we can provide and all others will be contracted to outside sources with the District bearing the cost.
- (K)** MEWS will supply the District with copies of all sampling schedules and test results in a timely manner.
- (L)** MEWS as specified in Section 2.10 will provide twenty-four (24) hour per day access to the WTP & WWTP for designated representatives of the District and other authorized persons. All persons entering the WTP shall sign in and out and comply with MEWS's operating and safety procedures.
- (M)** MEWS will order necessary water treatment chemicals to maintain an adequate supply at the WTP & WWTP. The District will pay for all chemicals directly.

- (N)** MEWS will provide notification to regulatory agencies of all abnormal events and permit non-compliance as required by statute and regulations.
- (O)** MEWS will post an emergency, 24-hour, toll-free phone number for District customers on the monthly billing statement.
- (P)** Parts, materials, services and supplies will be itemized and submitted for payment by the District monthly.
- (Q)** MEWS will develop and comply with a preventative maintenance schedule that includes all water supplies and treatment equipment, the goal of the preventative maintenance program will be to increase equipment life and overall facility reliability, and to thereby reduce the potential for permit violation and enforcement action by regulatory agencies.
- (R)** MEWS will coordinate the provision of general building and grounds maintenance to include grass cutting, trimming, touch-up painting, minor plumbing and electrical maintenance, and other minor facilities maintenance services as authorized by the District and as time permits. Costs associated with labor, parts, materials and supplies will be borne by the District.
- (S)** MEWS will provide preventative maintenance services to include periodic lubrication of pumps and motors, belt and air filter replacements, packing adjustments, and other minor related equipment adjustments on a routine basis, during the course of normal business. Costs, with cost of parts and supplies to be borne by the District.
- (T)** MEWS will attend meetings with State Agencies on behalf of or in conjunction with the District relative to operation of the WTP & WWTP at no additional cost to the District if the request for meeting is caused by problems or deficiencies in the operation of the facility caused by MEWS.
- (U)** MEWS will coordinate the provision of perimeter security and access control and install locks on gates, doors and electrical control panels at the WTP & WWTP, as authorized by the District and as time permits. Costs associated with labor, parts, materials and supplies will be borne by the District.

- (V) Upon the District's authorization, MEWS will update operation and maintenance manuals for the WTP& WWTP acceptable to the District as soon as possible after the commencement of the term of this Agreement, to include:

Process Descriptions
Operating and Safety Instructions
Maintenance Requirements and Procedures
Maintenance Schedules
Emergency Operating Procedures
Testing/Sampling Requirements and Procedures

Cost for this service is not included in the Base Monthly Service Fee, and upon authorization, will be billed at rates agreed to prior to authorization by both Parties.

2. Services Relating to the Water Distribution System.

- (A) MEWS will be responsible for all aspects of the day-to-day operation, maintenance and management of the water distribution system, with the exception of those responsibilities specifically retained by the District.
- (B) MEWS will provide the required number of distribution system operators certified by the State of Kentucky to operate the District's distribution system.
- (C) MEWS will maintain accurate and complete records on water distribution system operation and laboratory data as required by the Natural Resources and Environmental Protection Cabinet (NREPC) and the Kentucky Public Service Commission, submit and fulfill all operating report requirements and send copies to the District.
- (D) MEWS will provide the District with qualified personnel to monitor the water quality within the District's water distribution system. MEWS will flush the distribution system on a monthly basis or as needed, in order to maintain a minimum free chlorine residual of 0.2 mg/l at the most remote location in the distribution system.
- (E) MEWS will perform microbiological sampling of the distribution system on a monthly basis as required. If a "positive" coliform count is determined, all actions mandated by regulatory agencies will be taken by MEWS on a timely basis and reported to the District.
- (F) MEWS will perform sampling of the distribution system for chemical analysis such as lead and copper, asbestos, trihalomethanes and other parameters pursuant to regulatory agencies directives.

- (G)** MEWS will assist in locating and mapping the District's hydrants to help ensure the proper operation.
- (H)** MEWS will make a reasonable effort using probing and magnetic locating equipment to locate the District's main line valves. MEWS will paint each potable water valve box lid blue, which denotes potable water, as needed. MEWS will repair valves as required. Costs associated with labor, parts, materials and supplies will be borne by the District.
- (I)** MEWS shall provide routine checks of the water distribution system and will be responsible for identifying and reporting to the District, in writing, all repairs and maintenance required or advisable in the potable water distribution system. Except as specified in Sections without the District's prior authorization.
- (J)** MEWS shall be liable for and pay any and all fines or civil penalties or damages which may be imposed by a court, governmental entity or regulatory agency for violations of requirements specified in the Kentucky Administrative Code that are a result of MEWS's reckless or negligent operation or management of the water distribution system. However, should the District refuse to make corrections to the water distribution system recommended or proposed by MEWS as necessary to ensure the system's compliance with the regulations or if the water distribution system's actual demand is greater than its permitted or actual capacity, MEWS will not be liable for any such fines, penalties or damages to the extent attributable to such refusal by the District or such excess water demand. The District shall reasonably assist MEWS in contesting any such fines or civil penalties in any administrative, judicial or other proceeding, case, dispute or action prior to any such payment by MEWS.
- (K)** Upon the District's authorization, MEWS will initiate the development of electronic mapping for the System with the goal of having complete as-built coverage of the System. MEWS will continually update the as-built drawings as information about the System become available from field verification and discovery. Cost for providing this service will be separately negotiated between the District and MEWS, and amended into this Agreement in the manner set out herein.
- (L)** MEWS will post an emergency, 24-hour, toll-free phone number for District customers on the monthly billing statement so that customers may report problems relating to the System.

- (M)** If and when service is disrupted due to a third party action, MEWS will furnish the District an itemized billing invoice, which will indicate any reimbursements in which the District should seek payment from the third party for its action causing the problem. (eg., vehicle striking and dislodging a hydrant, or an excavation contractor hitting and rupturing a water main, etc.) In such an instance, MEWS will perform the repair as in any emergency situation. The District will be responsible for the costs relating to parts, repair materials and services as well as for labor performed by MEWS, regardless of the ultimate ability of the District to collect reimbursement from the third party.
- (N)** MEWS will provide water line & waste water marking service during normal business hours when requested by the District. MEWS will utilize temporary spray paint, flags, or other means as determined by MEWS, to the best of the MEWS's ability, using the latest system map information. In any event, regardless of whether or not Marking was accurate; MEWS will not be responsible for any repair costs if water system components are damaged by any third party.
- (O)** MEWS will attend meetings with regulatory or funding agencies on behalf of or in conjunction with the District relative to operation of the water distribution system at no additional cost to the District if the request for meeting is caused by problems or deficiencies in the operation of the water distribution system caused by MEWS.
- (P)** MEWS will coordinate the provision of perimeter security and access control and install locks on gates, doors and electrical control panels at all water distribution facilities remote to the WTP & WWTP. Costs associated with labor, parts, materials and supplies will be borne by the District.
- (Q)** MEWS will perform miscellaneous service work to the District's water distribution system, waste water collection system, to include but not be limited to: repair and/or replacement of meter boxes, water meters, curb stops, valves, and service lines. Costs associated with labor, parts, materials and supplies will be borne by the District.
- (R)** MEWS will coordinate the provision of general grounds maintenance to include grass cutting, trimming, touch-up painting, minor plumbing and electrical maintenance, and other minor facilities maintenance services as time allows during the course of the normal business day. Costs associated with labor, parts, materials and supplies will be borne by the District.

- (S) MEWS will provide notification to the NREPC of all abnormal events and permit non-compliance as required by NREPC rules and regulations, including notification to the Graves County Health Department if a boil-water notice is to be made.
- (T) MEWS will provide customer field services for the System to include such items as response to water quality complaints, pressure complaints, water reinstatement and disconnect services, and miscellaneous other related customer service calls during the course of the normal business day.
- (U) MEWS will provide maintenance on sewer (mains) in the form of jet rodding for typical obstructions. Any other repairs will be borne by the District.

3. Services Relating to Billing, Collection, Accounting, Reporting, Customer Service and System Management.

- (A) MEWS will read each of the District's water meters every month to accommodate a monthly (30-day) customer usage cycle.
- (B) As warranted, MEWS will provide proper notice and proceed with disconnection of System customer water service for non-payment and reconnect service after payment is received in accordance with District procedures approved by the PSC. Service disconnection will be accomplished by installing a lock on the meter stop, plugging the meter itself, or by removing the meter at the discretion of MEWS.
- (C) MEWS will not provide field payment collection at time of service disconnection.
- (D) MEWS will generate bills and maintain billing records via its existing computer software program, and mail all customer bills monthly.
- (E) MEWS will receive and post all customer payments when and as received.

- (F)** MEWS will procure all required materials, parts, equipment chemicals, and other items required for proper operation, maintenance and management of the System in the name of the District, and report same via the monthly Management Report. However, with the authorization of the District, MEWS will place orders for and take delivery of materials, parts, equipment chemicals, and other items in its own name for use on the District's System in order to achieve the benefits of convenience, security and economies of bulk purchasing. Invoicing and other records shall clearly indicate which items are for System use and these items shall be billed to the District for proper payment.
- (G)** MEWS will prepare an itemized listing of all vendor invoices, prepare a check register and draft checks for payment to be signed by the District after review each month at the District's meeting.
- (H)** MEWS will attend the District's monthly meetings and submit the required management report at that time for review and approval by the District.
- (I)** MEWS will assist the District in developing an annual budget for the System, which shall include reasonable cost projections for proper operation and maintenance activities as well as costs for equipment and facilities replacement.
- (J)** MEWS will maintain the District's communication and mail correspondence. Draft correspondence will be prepared on District letterhead stationery for signature by the District. Additionally, the District may delegate the authority a designated employee of MEWS to sign correspondence on a case-by-case basis.

APPENDIX B

TREATMENT STANDARDS AND WATER TESTING REQUIREMENTS

1. MEWS shall operate the System so that water treated will meet the current drinking water standards as established by applicable state or federal law.

2. As regards water quality sampling and reporting, MEWS shall be responsible during the term of this Agreement to perform or schedule others to perform the following:
 - a. all water sampling, analysis, testing and reporting required for water sources, distribution mains, or customer premises, by a Kentucky-certified laboratory as required by the U.S. Environmental Protection Agency, the Kentucky Division of Water, or future acts of the U.S. Congress, or Kentucky Legislature;
 - b. scheduling, collecting and transporting all water samples to test for microbiological, inorganic and organic constituents;
 - c. preparing monitoring plans; sample collection training; reporting to appropriate regulators; record keeping; analysis interpretation;
 - d. special or emergency sample collection and analysis, and emergency notification to affected customers, if required;
 - e. preparing and distributing all customer reports on water quality; response to customer inquiries on water quality;
 - f. coordination of cross-connection control and potential contamination issues;
 - g. conducting a sanitary survey on the System with the Kentucky Division of Water;
 - h. obtaining any necessary permits and compliance with appropriate air quality regulations and complying with any hazardous materials control program;
 - i. ensuring all operator certification compliance with Kentucky and federal requirements, now existing, or which may be implemented during the term of this Agreement.

APPENDIX C

\$5.25 per customer per month – This will cover all administrative fees, meter reading, statement billing, collection and postage. (Excluding special mailings such as CCR reports, etc.)

Our Labor Rate will be set at \$40 per hour during regular business hours, and 1 ½ times that rate for afterhours calls.

We will follow the IRS IR-2008-82 mileage calculations and that fee is currently \$0.585 cents per mile for standard vehicles.

We will bill for the use of our dump truck, backhoe, and trackhoe at the rate of \$50 per hour, for actual time used.

We will bill for boring machine at the rate of \$7.50 Foot, for normal residential services.

Material will be billed at actual cost.

*NEW
Appendix C
Last
page*

APPENDIX D

The District shall conduct a monthly business meeting generally in accordance with the format of agenda set out below and shall review the monthly management report to the prepared and submitted by MEWS to the District in the following format or substantially in the same format as that presented below.

Agenda

1. Call to Order / determination of quorum
2. Introduction of attendees
3. Review, approval and signing of minutes of previous meeting
4. Review and approval of Monthly Management Report
5. Review and payment of bills, as warranted
6. Consideration of Public Comments
7. Consideration of New Business
8. Adjournment

Monthly Management Report

- Information contained in this report is selected from more detailed operational reports and accounting information and reflects the actual financial and operational status of the utility for the period cited.
- Information should be consistent with the Budget (cash or accrual).
- Report should be signed by General Manager and Clerk/Accountant.

Content of Report

I. Monthly Financial Information

	<u>Annual Budget</u>	<u>Current Month</u>	<u>Year to Date</u>	<u>%Under (over Budget)</u>
A. Annual Operations Budget Status				
Operating Revenue				
Operating Expenses				
Non-operating Income				
Non-operating Expenses				
Income before contributions & Extraordinary expenses				
B. Current Financial Information (include check register information with Check #, Date, Vendor Name & Amount)				

C. Debt Service Account

Bond Covenants Require \$ _____ in this account

Beginning Cash & Investments	\$ _____
Transfers	_____
Interest Paid	_____
Principal Paid	_____
Ending Cash & Investments	_____

D. Equipment Replacement Account

Bond Covenants Require \$ _____ in this account

Beginning Cash & Investments	\$ _____
Transfers	_____
Interest Paid	_____
Principal Paid	_____
Ending Cash & Investments	_____

(Amounts for C & D are book balances at the end of the month)

II. **Technical Operations Report**

- a. Gallons purchased
- b. Gallons produced
- c. Gallons billed
- d. Gallons used in process
- e. Gallons accounted for (c + d)
- f. Gallons unaccounted for ((a + b)-e)
- g. Unaccounted as percent purchased/produced (f divided by (a + b))
- h. Cost of unaccounted (g x cost per gallon)
- i. Number of customers billed
- j. Average consumption (c divided by i)
- k. Average bill (j x cost per gallon)
- l. Water sales (actual billed) for wholesale & retail
- m. Number of Termination Notices
- n. Number of actual Disconnects
- o. Number of meters installed (for residential, commercial, industrial)
- p. Major line breaks or plant breakdowns (for each event):
 - 1. Nature of action:
 - 2. Date & time of occurrence:
 - 3. Location
- q. Largest Customer Activity
- r. Comments or concerns

III. **Management Issues**

Provide brief listing of items to be discussed with the District, which may include but not be limited to: operation, maintenance and management contract issues; physical facilities issues; deferred maintenance; policy or procedures issues; regulatory notices/violations; and allowed closed session issues (such as certain personnel actions, acquisition of property and litigation)

APPENDIX E

INSURANCE COVERAGE

MEWS SHALL MAINTAIN:

1. Statutory Workers' Compensation insurance coverage for all of MEWS's employees at the System as required by the Commonwealth of Kentucky.
2. Comprehensive general liability insurance, insuring MEWS's negligence, in an amount not less than One Million Dollars (\$1,000,000) combined single limits for bodily injury and/or property damage.

Regarding Insurance:

1. MEWS shall maintain Workers' Compensation insurance coverage for all of its employees associated with the System as required by the Commonwealth of Kentucky.
2. The District shall maintain property damage insurance for all property, owned by the District by used/operated by MEWS under this Agreement.
3. MEWS shall maintain automobile liability insurance, as required by the Commonwealth of Kentucky, on all its motor vehicles used in furtherance of the System.
4. MEWS shall maintain surety bond insurance on itself and its contractors associated with the System.

The Parties shall provide each other at least thirty (30) days notice of the cancellation of any policy it is required to maintain under this Agreement. MEWS may self-insure reasonable deductible amounts under the policies it is required to maintain to the extent permitted by law, but only if such action does not invalidate the property insurance of the District. The Parties, on behalf of themselves and their insurers, waive their rights of subrogation with respect to losses occurring to property dedicated to this System.

Contract Agreement Between Hickory Water District and MEWS

Appendix C

\$4.45 per customer per month – This will cover all administrative fees, meter reading, statement billing, collection and postage (Excluding special mailings such as CCR reports, etc.) This charge will adjust up at the beginning of each calendar year by 1.5% to cover inflation.

Per customer charge will reduce as AMI metering system is installed, a .80-cent credit will be applied per meter when installation occurs.

Our Labor rate will be set at \$40 per hour during regular business hours, and 1 ½ times that rate for afterhours calls.

We follow the IRS IR-2008-82 mileage calculations and that fee is currently \$0.555 cents per mile for standard vehicles.

We bill for use of our dump truck, backhoe, and trackhoe at the rate of \$50.00 per hour, for actual time used.

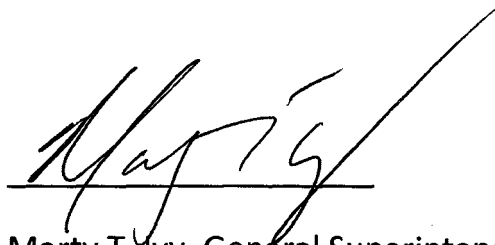
We will bill for boring machine at rate of \$7.50 per foot, for normal residential services.

Material will be billed at actual use.

Amended February 28, 2012



Sam Davis, Chairman
Hickory Water District



Marty T. Ivy, General Superintendent
Mayfield Electric and Water Systems

EXHIBIT F

CONTRACT AGREEMENT FOR OPERATIONS, MAINTENANCE AND MANAGEMENT SERVICES

THIS CONTRACT AGREEMENT is entered into on the 16th day of September 2008 with an effective commencement date of September 16th 2008, by and between:

The **GRAVES COUNTY WATER DISTRICT**, with its principal address at P.O. Box 329, Mayfield, Kentucky 42066. (hereinafter, "District").

AND

The **MAYFIELD ELECTRIC AND WATER SYSTEMS**, an instrumentality of the City of Mayfield, Kentucky, with its principal address at P.O. Box 347, Mayfield, Kentucky 42066 (hereinafter, "MEWS").

The District and MEWS may be referred to in this Agreement individually as "Party" or collectively as the "Parties".

WHEREAS, the District owns a water treatment plant, Waste water treatment plant, distribution system and related facilities (the "Systems") that are more particularly described in Section 1, below; and

WHEREAS, the District desires to employ the services of MEWS in the operation, maintenance and management of its Systems, and MEWS is willing and capable to perform such services in consideration of the compensation provided for herein.

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

SECTION 1. DEFINITIONS

The following definitions shall apply to the terms used in this Agreement.

1. "**Capital Expenditures**" means those expenditures for (1) the purchase of new equipment or System items that cost more than Two Thousand Dollars (\$2,000); or (2) major repairs which significantly extend equipment or System service life and which costs more than Two Thousand Dollars (\$2,000), or (3) other planned, non-routine and budgeted facility improvements to the Systems.

2. **"Cost"** means all direct cost and indirect cost determined on an accrual basis in accordance with generally accepted accounting principles, which benefit the Systems, including, but not limited to, expenditures for Systems management and labor, employee benefits, chemicals, power, outside contract labor and services, lab supplies, repairs, repair parts, maintenance parts, safety supplies, gasoline, oil, equipment rental, legal and professional services, quality assurance, travel, office supplies, other supplies, uniforms, telephone, postage, utilities, tools, memberships and training supplies.
3. **"Management Report"** means a cumulative report of the Systems activities to be provided by MEWS in accordance with the District policies and procedures which includes a technical, financial, and managerial report on all the Systems activities. The form of report is contained in Appendix D.
4. **"Service Fee"** means that sum invoiced monthly for MEWS services. A copy of the fee formula for the first year of this Agreement is contained in Appendix C.
5. **"System"** means all equipment, tools, properties, easements and facilities now existing within the jurisdiction or control of or being used by the District to provide water service. More specifically, "system" means the District's raw water wells and related pumping equipment, water treatment plant, water storage tanks, pump stations, distribution mains and related appurtenances, and customer meters.
6. **"Repairs"** means those non-routine/non-repetitive activities required for operational continuity, safety and performance generally due to failure, or to avert a failure of the equipment, mains, appurtenances or facilities or some component thereof.
7. **"Unforeseen Circumstances"** shall mean any event or condition which has an effect on the rights or obligations of the Parties under this Agreement, or upon the System, which is beyond the reasonable control of the Party relying thereon, and constitutes a justification for a delay in, or non-performance of, action required by this Agreement, including, but not limited to: (i) an Act of God, landslide, lightning, earthquake, tornado, fire, explosion, flood, failure to possess sufficient property rights, acts of the public enemy, war, blockade, sabotage, insurrection, riot or civil disturbance; (ii) preliminary or final order of any local, province, administrative agency or governmental body of competent jurisdiction; (iii) any change in law, regulation, rule, requirement, interpretation or

statute adopted, promulgated, issued or otherwise specifically modified or changed by any local, state or other governmental body; (iv) loss of, or inability to obtain service from a third entity necessary to furnish electric power for the operation and maintenance of the System; or (v) the failure of the District to make any Capital Expenditure previously identified as necessary for the System to attain applicable performance standards.

SECTION 2. GENERAL PROVISIONS

- 2.1 All land, buildings, facilities, easements, licenses, rights-of-way, equipment and appurtenances presently owned or hereafter acquired by the District shall remain the exclusive property of the District, unless specifically provided for otherwise in this Agreement.
- 2.2 This Agreement shall be governed by and interpreted in accordance with the laws of the Commonwealth of Kentucky and any action arising under this agreement or as a result of performance hereunder shall be in the venue of the appropriate court in Graves County, Kentucky.
- 2.3 This Agreement shall be binding upon the successors and assigns of each of the Parties, but neither Party shall assign this Agreement without the prior written consent of the other Party, which consent shall not be unreasonably withheld.
- 2.4 All notices shall be in writing and transmitted to the Party's address stated above. All notices shall be deemed effectively given:
 - 2.4.1 If delivered personally, or by courier mail service (e.g., United Parcel Service, Airborne Express, etc.) upon delivery.
 - 2.4.2 If mailed by certified or registered U.S. mail, return receipt requested or upon deposit in the United States mail, postage prepaid.
 - 2.4.3 If in any other manner, with written acknowledgement of such receipt of notice.
- 2.5 This Agreement, including appendices, is the entire Agreement between the Parties. This Agreement may be modified only by subsequent written amendments signed by both Parties.
- 2.6 Wherever used, the terms "District" and "MEWS" shall include the respective officers, agents, directors, elected or appointed officials and employees and, where appropriate, subcontractors of, or anyone acting on their behalf.

- 2.7 If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.
- 2.8 It is understood and agreed by the Parties that the relationship of MEWS to the District is that of independent contractor to owner. The services provided for under this Agreement are of a professional nature, and shall be performed in accordance with good and accepted industry practices typical for professional contract operators similarly situated in the Commonwealth of Kentucky, and which are providing such services during the time period generally co-terminus with the dates of the term of this Agreement.
- 2.9 The District and MEWS are the only parties to this Agreement. No third party rights or benefits are intended to or shall arise by reason of this Agreement.
- 2.10 If any litigation is necessary to enforce the terms of this Agreement, the prevailing Party shall be entitled to reasonable attorney's fees, which are directly attributed to such litigation in addition to any other relief to which it may be entitled.
- 2.11 The District and MEWS respectively represent that each has the authority to enter into this Agreement, and each represents that it has complied with all governmental action necessary to bind it to the terms hereof.

SECTION 3. SCOPE OF SERVICES TO BE PROVIDED BY MEWS

- 3.1 Effective **September 16th 2008**, MEWS shall initiate service under this Agreement and shall deploy staff who are qualified and are capable of and have met appropriate licensing and certification requirements of the Commonwealth of Kentucky to operate, maintain and manage the System.
- 3.2 MEWS shall operate, maintain and manage the System such that District customers receive service 24-hours per day, 7 day per-week. It is understood that routine service activities and office access is provided during the normal business day, 7:00 a.m. through 4:00 p.m., Monday – Friday, except holidays. Operational services shall be performed by certified personnel and may be provided either by onsite presence or by remote monitoring as permitted.

- 3.3 MEWS shall be responsible for all aspects of the day-to-day operations, maintenance and management of the water treatment plant, waste water plant, water distribution system, customer service, billing, collection, accounting and reporting in compliance with regulatory requirements and District policy. A delineation of these activities is set out in Appendix A. Included in its management responsibilities, MEWS shall provide a comprehensive monthly Management Report to the District substantially in the same form as that contained in Appendix E, and prepare a listing of payable invoices, a check register and draft checks for signature by the District at its monthly meetings.
- 3.4 MEWS shall manage, operate and maintain the District's System within the existing design capacity and permit limitations of the System so that water produced and delivered to customers meets the requirements specified in Appendix B.
- 3.5 Within sixty (60) days after MEWS begins service under this Agreement, it shall provide the District with a physical inventory of the District's equipment and tools in use at the time of initiation of service under this Agreement, and shall make recommendations to the District regarding capital needs, if any, required by the District to rehabilitate, expand or modify the System's facilities or equipment to comply with governmental regulations or to improve operability to best achieve compliance with, but not limited to the Safe Drinking Water Act and the Clean Water Act.
- 3.6 MEWS shall be responsible for maintaining all manufacturers' warranties on new equipment purchased by the District and shall assist the District in enforcing existing equipment warranties and guarantees.
- 3.7 Within six (6) months after MEWS begins service under this Agreement, MEWS shall provide the District with documentation that preventive maintenance is being performed on the District owned equipment in accordance with manufacturer's recommendations at intervals, and in sufficient detail, as may be feasibly determined by MEWS.
- 3.8 MEWS shall utilize its existing computerized programs relating to financial accounting and reporting on the System.

- 3.9 MEWS shall perform all routine maintenance and repair activities including modification of any process and/or any component of the System to achieve the objectives of this Agreement. However, any routine maintenance and repair activity or process or component modification which requires labor, parts, materials or services costing in excess of \$2,000 shall require prior authorization by the District.
- 3.10 In any emergency affecting the safety of persons or property, including an Unforeseeable Circumstance, MEWS may act without prior written authorization to prevent threatened damage, injury or loss. MEWS shall make reasonable effort to communicate, regarding the emergency, to the District as soon as possible. MEWS shall be compensated by the District for any such emergency work notwithstanding the lack of a written authorization. Such compensation shall include MEWS's itemized costs for labor and service required for response to the emergency.
- 3.11 As required by law, permit or regulation, MEWS shall prepare, sign, and submit System performance reports to appropriate state authorities, maintaining a complete file copy accessible to the District.
- 3.12 MEWS shall provide or coordinate the provision of labor to perform raw and treated water sampling for submission to an independent laboratory for analysis as required the Safe Drinking Water Act and/or any other applicable federal, state or local laws or regulations, the cost of which shall be borne by the District.
- 3.13 MEWS will maintain a log of customer inquiries, complaints and any and all regulatory agency notices or correspondence, and provide copies of same to the District at the monthly meeting of the District's board of commissioners.
- 3.14 MEWS may provide additional services beyond the scope of this Agreement at the District's request, subject to mutually agreeable terms and conditions and encapsulated in written amendments to this Agreement.

SECTION 4. DISTRICT'S REPRESENTATIONS AND DUTIES

- 4.1 The District shall continue, without restriction, as owner of the System, and shall control all assets and be responsible for all liabilities of same.

- 4.2 The District shall pay to MEWS the agreed upon Service Fee, as contained in MEWS's response to the District's RFQ-P, a copy of which is included in full as Appendix C, to this Agreement. Such payment shall be upon presentation of invoice at the District's monthly meeting.
- 4.3 The District shall provide MEWS with exclusive access to and use of all of the premises, tools, equipment or other components of the System at no cost to MEWS.
- 4.4 The District shall represent itself by the presence of authorized members of the Board of Commissioners at its monthly meetings and at other times as required by law or regulation. The District delegates to MEWS the authorization to represent the District only to the extent as expressed in this Agreement.
- 4.5 The District shall conduct monthly business meetings pursuant to the agenda format contained in Appendix D of this Agreement; minutes of District meetings shall be taken and maintained by the duly elected secretary of the District and the minutes of each months meeting shall be reviewed and approved at the next subsequent meeting of the District.
- 4.6 The District shall provide funding for all necessary Capital Expenditures via cash funds, when available, or via loan or bond proceeds, when and as sound financing arrangements allow. Priority for such funding shall be given to those Capital Expenditures recommended by MEWS and deemed by the District to be necessary to address system operational concerns relating to public health, the environment, property, and proper functioning of system components. Any loss, damage, or injury resulting from the District's failure to provide Capital Expenditures and/or funds for maintenance and repair materials and services, when reasonably required by MEWS, shall be the sole responsibility of the District.
- 4.7 The District shall keep in force all System related warranties, guarantees, easements, licenses and permits that have been acquired by the District.
- 4.8 The District shall review and authorize for payment, as appropriate, all invoices presented by MEWS, including the monthly Service Fee, and all System related vendor invoices for parts, materials, supplies and services.

- 4.9 The District shall make appropriate payment of all taxes, disposal charges, or other fees, if any, levied or charged to the System.
- 4.10 The District will procure an annual audit of its books by a certified public accountant (CPA) and will continue to prepare and file, on a timely basis, the annual report to the Public Service Commission and shall bear the expense of same.
- 4.11 The District shall procure professional services, such as legal representation and services as well as consulting engineering services, as may be required from time to time, and shall bear the expense of same.

SECTION 5. ADDITIONAL PROVISIONS OF MUTUAL AGREEMENT

The District and MEWS mutually agree as regards the following:

- 5.1 MEWS, at the request of the District, will assist the District in properly procuring consulting engineers, accountants, and other professional service providers necessary for the preparation of documentation for capital projects, customer rate analyses and financial analyses as may be necessary to secure funding for Capital Expenditures or improved managerial or fiscal performance of the System.
- 5.2 MEWS, at the request of the District, will assist the District in keeping in force all System related warranties, guarantees, easements, licenses and permits that have been acquired by the District.
- 5.3 MEWS, at the request of the District, will assist the District in the preparation of the Public Service Commission report.

SECTION 6. COMPENSATION, ADJUSTMENT AND PAYMENT

- 6.1 MEWS's compensation under this Agreement shall consist of a service fee, governed my metered connections. Also Labor and Equipment will be billed on a per hour basis. In addition mileage will be billed to the district for actual miles driven per IRS guidelines.

- 6.2 The Service Fee shall be reviewed and adjusted each year, to become effective as of the anniversary of the Commencement Date, as defined in Section 9.1.
- 6.3 Should the District and MEWS fail to agree as regards an adjusted Annual Service Fee, the Parties shall engage a certified mediator and abide by the results there from.
- 6.4 The District shall fully pay to MEWS, the invoiced Service Fee each month, in the course of the District monthly meeting.

SECTION 7. SCOPE CHANGES


- 7.1 Change in the scope of services may occur when and if both Parties agree as to modifications of any element contained in Section 3, above, or Appendix A. Such change may be precipitated by:
 - 7.1.1 Any change in System operations, personnel qualifications, staffing levels, or other costs which are mandated or otherwise required in response to a change in law, rule or regulation, or an action or forbearance of any governmental body having jurisdiction to order, dictate or require such change;
 - 7.1.2 Any federal or state mandated increase in employee compensation, compensation rates and related rate increases associated with employee benefits greater or lesser than those in force at the Commencement Date of this Agreement;
 - 7.1.3 The District's request and MEWS's consent to provide additional services beyond the scope of this Agreement.

SECTION 8. INDEMNITY, LIABILITY AND INSURANCE

- 8.1 MEWS hereby agrees to indemnify and hold the District harmless from any liability or damages for bodily injury, including death, which may arise from MEWS's negligence or willful misconduct under this Agreement, provided MEWS shall be liable only for that percentage of total damages that corresponds to its percentage of total negligence or fault.

- 8.2 The District agrees to indemnify and hold MEWS harmless from any liability or damage or bodily injury, including death, which may arise from all causes of any kind other than MEWS's gross negligence or willful misconduct including, but not limited to, breach of a the District warranty.
- 8.3 The District shall be liable for those fines, civil penalties or costs imposed by any regulatory or enforcement agencies on the District or on the facilities which are directly related to the District's ownership of the System, and shall indemnify and hold MEWS harmless from the payment of any such fines, costs and/or penalties.
- 8.4 MEWS shall be liable for those fines or civil penalties imposed by any regulatory or enforcement agencies on the District which are directly related to MEWS operation and management of the System, and shall indemnify and hold the District harmless from the payment of any such fines and/or penalties, provided, however that such fines or civil penalties do not arise from failure of the District to act on recommendations provided by MEWS.
- 8.5 Indemnity obligations provided for in this Agreement shall survive the termination of the Agreement.
- 8.6 Each Party shall obtain and maintain insurance coverage of a type and in the amounts described in **Appendix E**. Each Party shall provide the other Party with satisfactory proof of insurance.

SECTION 9. TERM, TERMINATION AND DEFAULT

- 9.1 The term of this Agreement shall be for a period of one (3) years commencing on **September 16th 2008** and expiring on **September 15th 2011**. *Dec. 31st 2009* 
- 9.2 The Agreement shall automatically renew for an additional term of two (2) years commencing on the expiration date stated in Section 9.1 unless written notice of non-renewal is transmitted by either Party to the other at least ninety (90) days prior to the expiration date stated in Section 9.1. Such notice, if any, shall also be provided to all regulatory and funding agencies of the District, at the same time.

- 9.3 Either Party may terminate this Agreement prior to its expiration for any reason but only after giving written notice to the other Party at least sixty (60) days before the date of such termination. Such notice, if any, shall also be provided to all regulatory and funding agencies of the District, at the same time it is provided to the other Party.
- 9.4 This Agreement shall be submitted to the Kentucky Public Service Commission. If, for any reason, the Commission fails to approve or otherwise disallows the District to continue with the Agreement, the Agreement shall be considered terminated.
- 9.5 Upon termination of this Agreement and any and all renewals and extensions thereof, MEWS shall return the System to the District in the same or similar condition, as it was upon the effective date of this Agreement, ordinary wear and tear accepted. Equipment and other personal property purchased by the District for use in the operation or maintenance of the System shall remain the property of the District upon termination of this Agreement, unless the property was directly paid for by MEWS, or the District has not reimbursed MEWS for the cost incurred to purchase the property, or this Agreement specifically provides to the contrary.

SECTION 10. DISPUTES AND FORCE MAJEURE

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

* * * * *

Each Party indicates its respective approval of this Agreement by signature of its designated, authorized representative, and each Party warrants that all corporate action necessary to bind the Parties to the terms of this Agreement has been and will be taken.

GRAVES COUNTY WATER DISTRICT

By: *Johnny Dowdy*

Name: Mr. Johnny Dowdy

Title: Chair

ATTEST: *Beverly A. Wilkerson*

DATE: *9/16/08*

MAYFIELD ELECTRIC AND WATER SYSTEMS

By: *Marty T. Ivy*

Name: Mr. Marty T. Ivy

Title: General Superintendent

ATTEST: *Beverly A. Wilkerson*

DATE: *9/16/08*

APPENDIX A

DESCRIPTION OF SCOPE OF SERVICES

1. **Services Relating to Water Supply and Treatment System.**
 - (A) MEWS will be responsible for all aspects of the day-to-day operation, maintenance and management of the water treatment plant (WTP) & Waste water plant (WWTP) with the exception of those responsibilities specifically retained by the District.
 - (B) MEWS will provide the labor required to operate, maintain and manage the WTP & WWTP to include both normal business day hours and as required, (24) twenty-four hours each weekday and (24) twenty-four hours, as required, each weekend day and holiday. MEWS's employees assigned to the System shall be certified by the State of Kentucky to operate the WTP & WWTP at the level required in the permit.
 - (C) MEWS will maintain accurate and complete records on WTP & WWTP, operation and laboratory data as required by the Natural Resources and Environmental Protection Cabinet (NREPC) and the Cabinet for Human Resources, Department of Health, and will submit and fulfill all operating report requirements and send copies to the District.
 - (D) MEWS shall provide routine checks of the WTP & WWTP and will be responsible for identifying and reporting to the District in writing all repairs and maintenance required or advisable at the WTP & WWTP. Except as specified in Sections 3.10, MEWS shall not undertake any such repairs or maintenance without the District's prior authorization.
 - (E) MEWS shall operate the WTP & WWTP so the finished water will meet the requirements of the applicable rules and regulations relating standards as set out in Appendix B.

- (F) MEWS shall be liable for and pay any and all fines or civil penalties or damages which may be imposed by a court, governmental entity or regulatory agency for violations of the water quality requirements specified in the regulations that are a result of MEWS's reckless or negligent operation or management of the WTP & WWTP. However, should the District refuse to make corrections to the WTP or WWTP recommended or proposed by MEWS as necessary to ensure the compliance with the permits or if the WTP's or WWTP's actual demand is greater than its permitted or actual capacity, MEWS will not be liable for any such fines, penalties or damages to the extent attributable to such refusal by the District or such excess water demand. The District shall reasonably assist MEWS in contesting any such fines or civil penalties in any administrative, judicial or other proceeding, case, dispute or action prior to any such payment by MEWS.
- (G) MEWS will perform monthly compliance sampling for required parameters for water quality analysis.
- (H) MEWS will coordinate with the District for full compliance with any and all applicable District rules and regulations as well as those of the Kentucky Public Service Commission, the Natural Resources and Environmental Protection Cabinet, Division of Water, Kentucky Infrastructure Authority or other federal or state agency having jurisdiction or investment of funding in the District's System.
- (I) MEWS will coordinate lab activities; establish sampling procedures and test schedules.
- (J) MEWS will perform field-testing for chlorine residual, pH, pressure and flow calculations and related record keeping. MEWS will provide in-house lab services for WWTP for all samples we can provide and all others will be contracted to outside sources with the District bearing the cost.
- (K) MEWS will supply the District with copies of all sampling schedules and test results in a timely manner.
- (L) MEWS as specified in Section 2.10 will provide twenty-four (24) hour per day access to the WTP & WWTP for designated representatives of the District and other authorized persons. All persons entering the WTP shall sign in and out and comply with MEWS's operating and safety procedures.
- (M) MEWS will order necessary water treatment chemicals to maintain an adequate supply at the WTP & WWTP. The District will pay for all chemicals directly.

- (N) MEWS will provide notification to regulatory agencies of all abnormal events and permit non-compliance as required by statute and regulations.
- (O) MEWS will post an emergency, 24-hour, toll-free phone number for District customers on the monthly billing statement.
- (P) Parts, materials, services and supplies will be itemized and submitted for payment by the District monthly.
- (Q) MEWS will develop and comply with a preventative maintenance schedule that includes all water supplies and treatment equipment, the goal of the preventative maintenance program will be to increase equipment life and overall facility reliability, and to thereby reduce the potential for permit violation and enforcement action by regulatory agencies.
- (R) MEWS will coordinate the provision of general building and grounds maintenance to include grass cutting, trimming, touch-up painting, minor plumbing and electrical maintenance, and other minor facilities maintenance services as authorized by the District and as time permits. Costs associated with labor, parts, materials and supplies will be borne by the District.
- (S) MEWS will provide preventative maintenance services to include periodic lubrication of pumps and motors, belt and air filter replacements, packing adjustments, and other minor related equipment adjustments on a routine basis, during the course of normal business. Costs, with cost of parts and supplies to be borne by the District.
- (T) MEWS will attend meetings with State Agencies on behalf of or in conjunction with the District relative to operation of the WTP & WWTP at no additional cost to the District if the request for meeting is caused by problems or deficiencies in the operation of the facility caused by MEWS.
- (U) MEWS will coordinate the provision of perimeter security and access control and install locks on gates, doors and electrical control panels at the WTP & WWTP, as authorized by the District and as time permits. Costs associated with labor, parts, materials and supplies will be borne by the District.

- (V) Upon the District's authorization, MEWS will update operation and maintenance manuals for the WTP & WWTP acceptable to the District as soon as possible after the commencement of the term of this Agreement, to include:

- Process Descriptions
- Operating and Safety Instructions
- Maintenance Requirements and Procedures
- Maintenance Schedules
- Emergency Operating Procedures
- Testing/Sampling Requirements and Procedures

Cost for this service is not included in the Base Monthly Service Fee, and upon authorization, will be billed at rates agreed to prior to authorization by both Parties.

2. Services Relating to the Water Distribution System.

- (A) MEWS will be responsible for all aspects of the day-to-day operation, maintenance and management of the water distribution system, with the exception of those responsibilities specifically retained by the District.
- (B) MEWS will provide the required number of distribution system operators certified by the State of Kentucky to operate the District's distribution system.
- (C) MEWS will maintain accurate and complete records on water distribution system operation and laboratory data as required by the Natural Resources and Environmental Protection Cabinet (NREPC) and the Kentucky Public Service Commission, submit and fulfill all operating report requirements and send copies to the District.
- (D) MEWS will provide the District with qualified personnel to monitor the water quality within the District's water distribution system. MEWS will flush the distribution system on a monthly basis or as needed, in order to maintain a minimum free chlorine residual of 0.2 mg/l at the most remote location in the distribution system.
- (E) MEWS will perform microbiological sampling of the distribution system on a monthly basis as required. If a "positive" coliform count is determined, all actions mandated by regulatory agencies will be taken by MEWS on a timely basis and reported to the District.
- (F) MEWS will perform sampling of the distribution system for chemical analysis such as lead and copper, asbestos, trihalomethanes and other parameters pursuant to regulatory agencies directives.

- (G) MEWS will assist in locating and mapping the District's hydrants to help ensure the proper operation.
- (H) MEWS will make a reasonable effort using probing and magnetic locating equipment to locate the District's main line valves. MEWS will paint each potable water valve box lid blue, which denotes potable water, as needed. MEWS will repair valves as required. Costs associated with labor, parts, materials and supplies will be borne by the District.
- (I) MEWS shall provide routine checks of the water distribution system and will be responsible for identifying and reporting to the District, in writing, all repairs and maintenance required or advisable in the potable water distribution system. Except as specified in Sections without the District's prior authorization.
- (J) MEWS shall be liable for and pay any and all fines or civil penalties or damages which may be imposed by a court, governmental entity or regulatory agency for violations of requirements specified in the Kentucky Administrative Code that are a result of MEWS's reckless or negligent operation or management of the water distribution system. However, should the District refuse to make corrections to the water distribution system recommended or proposed by MEWS as necessary to ensure the system's compliance with the regulations or if the water distribution system's actual demand is greater than its permitted or actual capacity, MEWS will not be liable for any such fines, penalties or damages to the extent attributable to such refusal by the District or such excess water demand. The District shall reasonably assist MEWS in contesting any such fines or civil penalties in any administrative, judicial or other proceeding, case, dispute or action prior to any such payment by MEWS.
- (K) Upon the District's authorization, MEWS will initiate the development of electronic mapping for the System with the goal of having complete as-built coverage of the System. MEWS will continually update the as-built drawings as information about the System become available from field verification and discovery. Cost for providing this service will be separately negotiated between the District and MEWS, and amended into this Agreement in the manner set out herein.
- (L) MEWS will post an emergency, 24-hour, toll-free phone number for District customers on the monthly billing statement so that customers may report problems relating to the System.

- (M) If and when service is disrupted due to a third party action, MEWS will furnish the District an itemized billing invoice, which will indicate any reimbursements in which the District should seek payment from the third party for its action causing the problem. (eg., vehicle striking and dislodging a hydrant, or an excavation contractor hitting and rupturing a water main, etc.) In such an instance, MEWS will perform the repair as in any emergency situation. The District will be responsible for the costs relating to parts, repair materials and services as well as for labor performed by MEWS, regardless of the ultimate ability of the District to collect reimbursement from the third party.
- (N) MEWS will provide water line & waste water marking service during normal business hours when requested by the District. MEWS will utilize temporary spray paint, flags, or other means as determined by MEWS, to the best of the MEWS's ability, using the latest system map information. In any event, regardless of whether or not Marking was accurate; MEWS will not be responsible for any repair costs if water system components are damaged by any third party.
- (O) MEWS will attend meetings with regulatory or funding agencies on behalf of or in conjunction with the District relative to operation of the water distribution system at no additional cost to the District if the request for meeting is caused by problems or deficiencies in the operation of the water distribution system caused by MEWS.
- (P) MEWS will coordinate the provision of perimeter security and access control and install locks on gates, doors and electrical control panels at all water distribution facilities remote to the WTP& WWTP. Costs associated with labor, parts, materials and supplies will be borne by the District.
- (Q) MEWS will perform miscellaneous service work to the District's water distribution system, waste water collection system, to include but not be limited to: repair and/or replacement of meter boxes, water meters, curb stops, valves, and service lines. Costs associated with labor, parts, materials and supplies will be borne by the District.
- (R) MEWS will coordinate the provision of general grounds maintenance to include grass cutting, trimming, touch-up painting, minor plumbing and electrical maintenance, and other minor facilities maintenance services as time allows during the course of the normal business day. Costs associated with labor, parts, materials and supplies will be borne by the District.

- (S) MEWS will provide notification to the NREPC of all abnormal events and permit non-compliance as required by NREPC rules and regulations, including notification to the Graves County Health Department if a boil-water notice is to be made.
- (T) MEWS will provide customer field services for the System to include such items as response to water quality complaints, pressure complaints, water reinstatement and disconnect services, and miscellaneous other related customer service calls during the course of the normal business day.
- (U) MEWS will provide maintenance on sewer (mains) in the form of jet rodding for typical obstructions. Any other repairs will be borne by the District.

3. Services Relating to Billing, Collection, Accounting, Reporting, Customer Service and System Management.

- (A) MEWS will read each of the District's water meters every month to accommodate a monthly (30-day) customer usage cycle.
- (B) As warranted, MEWS will provide proper notice and proceed with disconnection of System customer water service for non-payment and reconnect service after payment is received in accordance with District procedures approved by the PSC. Service disconnection will be accomplished by installing a lock on the meter stop, plugging the meter itself, or by removing the meter at the discretion of MEWS.
- (C) MEWS will not provide field payment collection at time of service disconnection.
- (D) MEWS will generate bills and maintain billing records via its existing computer software program, and mail all customer bills monthly.
- (E) MEWS will receive and post all customer payments when and as received.

- (F) MEWS will procure all required materials, parts, equipment chemicals, and other items required for proper operation, maintenance and management of the System in the name of the District, and report same via the monthly Management Report. However, with the authorization of the District, MEWS will place orders for and take delivery of materials, parts, equipment chemicals, and other items in its own name for use on the District's System in order to achieve the benefits of convenience, security and economies of bulk purchasing. Invoicing and other records shall clearly indicate which items are for System use and these items shall be billed to the District for proper payment.
- (G) MEWS will prepare an itemized listing of all vendor invoices, prepare a check register and draft checks for payment to be signed by the District after review each month at the District's meeting.
- (H) MEWS will attend the District's monthly meetings and submit the required management report at that time for review and approval by the District.
- (I) MEWS will assist the District in developing an annual budget for the System, which shall include reasonable cost projections for proper operation and maintenance activities as well as costs for equipment and facilities replacement.
- (J) MEWS will maintain the District's communication and mail correspondence. Draft correspondence will be prepared on District letterhead stationery for signature by the District. Additionally, the District may delegate the authority a designated employee of MEWS to sign correspondence on a case-by-case basis.

APPENDIX B

TREATMENT STANDARDS AND WATER TESTING REQUIREMENTS

1. MEWS shall operate the System so that water treated will meet the current drinking water standards as established by applicable state or federal law.

2. As regards water quality sampling and reporting, MEWS shall be responsible during the term of this Agreement to perform or schedule others to perform the following:
 - a. all water sampling, analysis, testing and reporting required for water sources, distribution mains, or customer premises, by a Kentucky-certified laboratory as required by the U.S. Environmental Protection Agency, the Kentucky Division of Water, or future acts of the U.S. Congress, or Kentucky Legislature;
 - b. scheduling, collecting and transporting all water samples to test for microbiological, inorganic and organic constituents;
 - c. preparing monitoring plans; sample collection training; reporting to appropriate regulators; record keeping; analysis interpretation;
 - d. special or emergency sample collection and analysis, and emergency notification to affected customers, if required;
 - e. preparing and distributing all customer reports on water quality; response to customer inquiries on water quality;
 - f. coordination of cross-connection control and potential contamination issues;
 - g. conducting a sanitary survey on the System with the Kentucky Division of Water;
 - h. obtaining any necessary permits and compliance with appropriate air quality regulations and complying with any hazardous materials control program;
 - i. ensuring all operator certification compliance with Kentucky and federal requirements, now existing, or which may be implemented during the term of this Agreement.

APPENDIX C

\$4.11 per customer per month – This will cover all administrative fees, meter reading, statement billing, collection and postage. (Excluding special mailings such as CCR reports, etc.)

Our Labor Rate will be set at \$40 per hour during regular business hours, and 1 ½ times that rate for afterhours calls.

We will follow the IRS IR-2008-82 mileage calculations and that fee is currently \$0.585 cents per mile for standard vehicles.

We will bill for the use of our dump truck, backhoe, and trackhoe at the rate of \$50 per hour, for actual time used.

We will bill for boring machine at the rate of \$7.50 Foot, for normal residential services.

Material will be billed at actual cost.

APPENDIX D

The District shall conduct a monthly business meeting generally in accordance with the format of agenda set out below and shall review the monthly management report to be prepared and submitted by MEWS to the District in the following format or substantially in the same format as that presented below.

Agenda

1. Call to Order / determination of quorum
2. Introduction of attendees
3. Review, approval and signing of minutes of previous meeting
4. Review and approval of Monthly Management Report
5. Review and payment of bills, as warranted
6. Consideration of Public Comments
7. Consideration of New Business
8. Adjournment

Monthly Management Report

- Information contained in this report is selected from more detailed operational reports and accounting information and reflects the actual financial and operational status of the utility for the period cited.
- Information should be consistent with the Budget (cash or accrual).
- Report should be signed by General Manager and Clerk/Accountant.

Content of Report

I. Monthly Financial Information

	Annual <u>Budget</u>	Current <u>Month</u>	Year to <u>Date</u>	%Under <u>(over Budget)</u>
A. Annual Operations Budget Status				
Operating Revenue				
Operating Expenses				
Non-operating Income				
Non-operating Expenses				
Income before contributions & Extraordinary expenses				
B. Current Financial Information (include check register information with Check #, Date, Vendor Name & Amount)				

C. Debt Service Account

Bond Covenants Require \$ _____	in this account
Beginning Cash & Investments	\$ _____
Transfers	_____
Interest Paid	_____
Principal Paid	_____
Ending Cash & Investments	_____

D. Equipment Replacement Account

Bond Covenants Require \$ _____	in this account
Beginning Cash & Investments	\$ _____
Transfers	_____
Interest Paid	_____
Principal Paid	_____
Ending Cash & Investments	_____

(Amounts for C & D are book balances at the end of the month)

II. Technical Operations Report

- a. Gallons purchased
- b. Gallons produced
- c. Gallons billed
- d. Gallons used in process
- e. Gallons accounted for (c + d)
- f. Gallons unaccounted for ((a + b) - e)
- g. Unaccounted as percent purchased/produced (f divided by (a + b))
- h. Cost of unaccounted (g x cost per gallon)
- i. Number of customers billed
- j. Average consumption (c divided by i)
- k. Average bill (j x cost per gallon)
- l. Water sales (actual billed) for wholesale & retail
- m. Number of Termination Notices
- n. Number of actual Disconnects
- o. Number of meters installed (for residential, commercial, industrial)
- p. Major line breaks or plant breakdowns (for each event):
 - 1. Nature of action
 - 2. Date & time of occurrence
 - 3. Location
- q. Largest Customer Activity
- r. Comments or concerns

III. Management Issues

Provide brief listing of items to be discussed with the District, which may include but not be limited to: operation, maintenance and management contract issues; physical facilities issues; deferred maintenance; policy or procedures issues; regulatory notices/violations; and allowed closed session issues (such as certain personnel actions, acquisition of property and litigation)

APPENDIX E

INSURANCE COVERAGE

MEWS SHALL MAINTAIN:

1. Statutory Workers' Compensation insurance coverage for all of MEWS's employees at the System as required by the Commonwealth of Kentucky.
2. Comprehensive general liability insurance, insuring MEWS's negligence, in an amount not less than One Million Dollars (\$1,000,000) combined single limits for bodily injury and/or property damage.

Regarding Insurance:

1. MEWS shall maintain Workers' Compensation insurance coverage for all of its employees associated with the System as required by the Commonwealth of Kentucky.
2. The District shall maintain property damage insurance for all property, owned by the District by used/operated by MEWS under this Agreement.
3. MEWS shall maintain automobile liability insurance, as required by the Commonwealth of Kentucky, on all its motor vehicles used in furtherance of the System.
4. MEWS shall maintain surety bond insurance on itself and its contractors associated with the System.

The Parties shall provide each other at least thirty (30) days notice of the cancellation of any policy it is required to maintain under this Agreement. MEWS may self-insure reasonable deductible amounts under the policies it is required to maintain to the extent permitted by law, but only if such action does not invalidate the property insurance of the District. The Parties, on behalf of themselves and their insurers, waive their rights of subrogation with respect to losses occurring to property dedicated to this System.

EXHIBIT G

GRAVES COUNTY WATER DISTRICT

Board of Directors Meeting

June 22, 2010

The Board of Directors of the Graves County Water District met on Tuesday, June 22, 2010, at 8:00 a. m. in the conference room of Mayfield Electric & Water System, East Broadway, Mayfield, KY.

Members in attendance:

Johnny Dowdy, Chairman GCWD
Todd Hayden, Vice-Chairman GCWD
Joey Morrow, Secretary GCWD
Howell Carr, GCWD
Gene Mason, GCWD

Guests present:

Kevin Leonard, Mayfield Electric & Water
Belva Wilkerson, Mayfield Electric & Water
Krista Romaine, Romaine & Associates
Brian Flynn, Florence & Hutcheson
Joe Bailey, Water Management Services
Sheila Rogers, GCWD/PADD Staff

Chairman Johnny Dowdy called the meeting to order at 8:00 AM and welcomed the Commissioners and guests.

Chairman Dowdy stated that the first item of business was approval of the Agenda as presented. He asked if anyone had any additions to make to the Agenda or anything that they needed changed. After a discussion, the following items were to be added to the Agenda, (1) Possible water line or main extension on County Line Road – Calloway County line; (2) Part time employees for maintenance; (3) Landlords in Fancy Farm; and (4) Update on sewer rate increase in Fancy Farm. **Commissioner Joey Morrow made a Motion that the Agenda be approved with the above additions being made. Commissioner Gene Mason seconded the Motion and it passed unanimously.**

Chairman Dowdy stated that the next item of business to come before the Board would be the approval of the minutes of the Executive Committee meeting of May 25, 2010. **Commissioner Joey Morrow made a Motion to approve the minutes as presented. Commissioner Gene Mason seconded the Motion and it passed unanimously.**

Chairman Dowdy stated that at this time they would proceed with the Financial Report by Mrs. Romaine and asked Mrs. Romaine to proceed with the Financial Report.

Mrs. Romaine began her report and referred the Board to page 12 of the packet beginning with the Balance Sheet as of May 31, 2010. She stated that Cash and Cash Equivalents at that point in time was \$542,242, accounts receivable of \$90,940, and prepaid insurance was \$3,145, and current assets were in the amount of \$636,317. She noted that under Noncurrent assets there was listed \$35,042 under Restricted Cash and stated that this was due to the KIA loans and the service fund. She went on to state that current liabilities were in the amount of \$114,811, showing a 6 to 1 ratio. She stated that the Note Payables did change during the month and now stood at \$1.146 million and principal had been made during the month, with equity being at \$4,698,731. Mrs. Romaine continued with her report and referred the Board to page 13 of the packet containing Statement of Revenues, Expenses, and Changes in Net Assets for the One Month Ended May 31, 2010. She stated that operating income was at \$82,096, operating expenses were at \$82,647, for an operating loss for the month at \$551, and stating that did include the depreciation for the month of \$24,000. She stated there was project income of \$28,000 for the month but there had been \$46,220 spent, interest income was \$1,630, and interest expense was \$2,493, with an overall net loss of \$19,634 for the month. She next referred the Board to page 14 of the packet containing the Statement of Cash Flows. She stated that \$8,383 Cash had been produced for the month, principal payments on Notes was at \$33,806, interest payment on notes was \$2,492. She stated that investment activity produced \$1,630 interest income and interest paid on customer deposits at \$1. She stated that the actual decrease in cash for the month was \$44,507. She stated that pages 15-20 contained the Notes to the financials. She stated that on page 21 was a breakdown of the water and sewer for the Fancy Farm Area, stating that the sewer operated at a positive for the month at \$695 and stated there was less paid out for chemicals for the month and the sewer operated at a loss of \$1,287.

Mrs. Romaine stated if there were no further questions with regard to the Financial Report, that would conclude her report. **Commissioner Todd Hayden made a Motion to approve the financial report for the month of May, 2010. Commissioner Gene Mason seconded the Motion and it passed unanimously.**

Chairman Dowdy stated that next on the Agenda was the Operations Report and asked that Mr. Kevin Leonard proceed with his Report.

Mr. Leonard began his report by referring the Board to page 22 of the packet containing the statistics sheet for Consumers Water Area and showing a total of 1,713 customers. Mr. Leonard next referred the Board to pages 23 and 24 of the packet containing the MOR sheets showing daily usage. Mr. Leonard stated that on page 25 was the billing of Mayfield Electric & Water for the month of May, 2010. He stated that one new meter had been set and another one was to be set today. He stated that he had left out the Water loss Report from the packet and would put the reports for May in the next packet. Mr. Leonard went on to state that the meter in front of Youngblood's

had now been replaced with a new meter and also the meter in the pump station at Backusburg had been replaced with the new type meters. He stated that the water loss was down for the Consumers Area. Mr. Leonard went on to state that they had run into a problem in that they could not keep up with the demand on the Jones Sanders tank. He stated that he had to have someone open the valves the previous night at 97 to fill the tank and then about 2:00 a.m. had to have them come back in and close them off. He stated that they had been leaving one of the valves open so they could push more water toward Jones Sanders, but when the demand gets up we can not keep up with the demand. He stated that they may need to look at putting in an automated valve in to open and close as needed down on short 97 where it dead ends. He stated there was a 6" main that runs across that field over at Cuba Road and then an 8" main that runs up 97 and then a T and two valves and that's where it is tied in to the pump station.

Mr. Leonard next referred the Board to pages 26 and 27 of the packet containing the statistics sheets for Fancy Farm Area and showing a total of 208 sewer customers and 433 water customers. He next referred the Board to pages 28 and 29 containing the MOR pages showing daily usage. Mr. Leonard next stated that on page 30 was the billing from Mayfield Electric & Water for the month of May, 2010. Mr. Leonard further stated that there had been a main break at Monroe and Highway 80 and April Barnett had called to state that her water was cloudy and she asked if that main was ever going to be extended as she knew someone had just bought some more property. He had told her that that would be a Board decision and they had discussed that possibility. Commissioner Todd Hayden stated that the man who had purchased that property had already called him and wants a meter set. Mr. Leonard stated that that would be a long service out there.

Mr. Leonard next referred the Board to page 31 of the packet containing the statistics sheets for Hardeman Area and showing 382 active services. He next referred the board to pages 32 and 33 containing the MOR sheets showing the amount of water actually pumping in the Hardeman area. He next referred the Board to page 34 containing the billing from Mayfield Electric & Water for the month of May, 2010.

Mr. Leonard next referred the Board to page 35 of the packet containing the statistic sheets for the South Graves Area and showing 649 active services. He stated that found on pages 36 and 37 were the MOR sheets showing daily usage. He stated that on page 38 was the monthly billing of Mayfield Electric & Water for the month of May, 2010. He stated that there was a main leaking over on 339 and Highway 58 and they had had to dig down there right at that intersection in Pryorsburg. He stated that they had been dealing with that situation for at least two or three days. He went on to state that the problem was that the neighbor next to that little store across from the grocery had water running across their backyard and thought it was coming from us. He further stated that there use to be a gas station there and they went in there and dug about 12 to 15 wells around that corner and they are on concrete. He stated that they had put like 1" piping from each well and of course it is all rock and we checked it and found fluoride in it so we looked some more and replaced both services. He stated that he had gone down there to take a look at it and he has sewer that is running across

these people's back yard and does not have a septic tank and what was there wasn't working and he had told the neighbor to call the health department.

Mr. Leonard stated that with regard to the PPSC billing, they were now just waiting for the PSC approval for that to come into effect.

Mr. Leonard stated that unless someone had questions, that concluded the Operations Report.

Commissioner Joey Morrow made a Motion to approve the Operations Report as presented. Commissioner Howell Carr seconded the Motion and it passed unanimously.

Chairman Dowdy stated that next on the Agenda was under Other – PADD billing and asked Ms. Rogers to proceed with her report. Ms. Rogers stated that included in the packet on pages 39 and 40 were the billings from the Purchase Area Development District for the months of March in the amount of \$1.25 and May in the amount of \$23.72 for a total of \$24.97 for copies and postage. **Commissioner Gene Mason made a Motion to approve the payment of \$24.97 to PADD. Commissioner Todd Hayden seconded the Motion and it passed unanimously.**

Chairman Dowdy stated that next on the Agenda was under Other – Discussion about Possible Merger of Hickory Water District. Chairman Dowdy stated that the Hickory Water District had approached the Board stating that they were interested in merging with the Graves County Water District and he had stated that the Board would discuss at the next meeting. Chairman Dowdy stated that the process would take some time and they would need to look into their financing and all other related matters and would need to contact the PSC as well as KIA. He further stated that Mr. Leonard had reported that Hickory had already requested a 40% increase in its rates, with 20% already being put in place and the remaining 20% to come at a later date and takes their current rate from \$8.55 minimum to \$12.32 minimum. He stated that the Hickory Board had not approved the merger to date and that there were still a few concerns with regard to the consolidation as a whole, but felt everyone was receptive of the idea. Mr. Leonard stated that he felt it would be a good idea to try and get KIA to reduce the interest rate on the Hickory loan funds like they did with this district. After further discussion, **Commissioner Todd Hayden made a Motion approving the tentative merger of the Hickory Water District with the Graves County Water District after a thorough investigation of all pertinent records. Commissioner Joey Morrow seconded the Motion and it passed unanimously.**

Chairman Dowdy stated that next on the Agenda under Other was County Line Road. Chairman Dowdy stated that he had been approached by a Mr. Herbie Tabes from Coldwater who wants to put in a business out on County Line Road on the Bypass. He stated it was to be a car lot and an RV sales place and he wanted water but it was on the Calloway County side. Chairman Dowdy stated that he told him that the Calloway County Judge would need to sign off on any type of request like that. He went

on to state that there would have to be a road bore and a meter would have to be set and it would have to be set on another man's property. He stated that Mr. Tabers said that other person was willing to give an Easement. He stated that he would then run the water from that meter to his place. Chairman Dowdy stated that he had requested Mr. Leonard take a look at it when he gets the time. Mr. Leonard stated that the thing the Board needed to be careful was to keep in mind that it was much easier to do a main extension and let them pay for the main extension and set the meter on their property and then if anyone else wants to tie to that main then they can do that or let the person, if you are crossing several people's property, go to them and ask for the Easement or if they would be interested in sharing the cost. He stated that way of handling this situation would put the burden on the developer and not the Water System. Mr. Leonard went on to state that there were just too many things that could happen if you put a meter on someone else's property and go that route. Mr. Leonard went on to state that it would be the Board's decision as to how to handle matters of this type but he would recommend letting them do a main extension and those people talking to the right people to get that approved versus the District sitting a meter and then running a water line down the road. Mr. Leonard further reminded the Board that the Division of Water had made changes to the regulations recently, but formerly the regulations stated that anything that cost over \$2,000 labor and material, had to be considered a main extension and they would require engineer drawings on.

Chairman Dowdy stated that he thought it would be best to table the matter and give Mr. Leonard and himself an opportunity to go out and look at the property and have Mr. Tabers meet them out there and anyone else from the Board that wanted to go.

Chairman Dowdy stated that next on the Agenda under Other was the Part Time Labor. Chairman Dowdy stated that Mr. Leonard had approached him with regard to some part time employees that Mayfield Electric & Water had and the fact that they were going to have to let them go or lay them off as they had run out of work for them. He stated that Mr. Leonard asked if the Graves County Water District might have any jobs or projects that they might want to hire the workers for a while and further stating that their wages were not at the rate of a Mayfield Electric & Water employee as they had not been fully trained. Mr. Leonard did state that they had been trained to change out meters, paint fire hydrants, find valves and put valve markers up, and do other odds and ends. Mr. Leonard stated that if the District wanted to hire them for a while, he would put two of them in a truck after running through the Temp Agency as they do take care of the workers' comp and stuff, and we pay them \$14 per hour and then the Temp Agency is another \$3 or \$4 per hour. Mr. Leonard stated that they could do the meter change outs for the Hardeman project if that is what the District wanted to use them for. Commissioner Hayden asked if they had not made a Motion two or three months ago to go ahead and change out those meters in Hardeman. Mr. Leonard stated that the Board had talked about it but did not know if a Motion had been made. Chairman Dowdy stated that he thought a Motion had been made to look into the costs of the meters but not to use the money for that purpose not until it had been looked into. Mr. Leonard stated that they were having a study done, which is where they go out and see if it's reasonable to consider this area to talk to the existing antennas and those meters are

not cheap as the meter and the smart point alone is about \$220 for an automated meter system like that, while a typical water meter is about \$32. Chairman Dowdy asked if the money from that grant could be used for that purpose. Mr. Leonard stated that he would find out which grant those funds would have been left from and he thought that the legislation had changed to the point that if you did have some grant money left over you could use it on another project whereas before they would not allow you to do that.

With regard to the hiring of the workers, Mr. Leonard stated that he felt there would be plenty of work for at least two of the workers. **Commissioner Todd Hayden made a Motion to approve the employment of the two workers of Mayfield Electric & Water through the Temporary Service and under the terms and conditions as set forth by Mr. Leonard with the workers to work so long as the Board felt necessary. Commissioner Gene Mason seconded the Motion and it passed unanimously.**

Chairman Dowdy stated that while they were working he'd like to see those meters changed out and other needs repairs done. Mr. Leonard stated that he planned to let two of the workers go and keep the two working that had been with them the longest.

Chairman Dowdy stated that next on the Agenda under Other was Landlord in Fancy Farm Area and asked that Commissioner Todd Hayden proceed with his report. Commissioner Hayden stated that he was approached by a man who owns several pieces of property there in Fancy Farm that he leases out and stated that one of his tenants was moving out of the place and was going to get his deposit back, but wanted to know if the water was suppose to be turned off at that time, because he stated that the renters would go and get their deposit back and then two months later he would get another bill, with the bill being for the minimum charge. Ms. Beiva Wilkerson stated that when a customer comes in and requests that the meter be turned off, the ticket gets made, the meter gets turned off and a final reading is taken, and through the system it calculates the final bill and it applies their deposit to their final bill. She stated that they would only get a check back only if their deposit was more than enough to pay the final bill.

Chairman Dowdy stated that next on the Agenda under Other was Sewer Rates in Fancy Farm and asked Mr. Kevin Leonard to proceed. Mr. Leonard stated that Mr. Jack Kaninberg had email him and wanted to know the status of the Fancy Farm sewer rate project and he just wanted the Board that he was still waiting for some type of decision by the Board as to how he was to proceed. He stated that they had originally obtained information from 2008 to work with and he was asking for information that was over and above what the system was capable of doing and because he used 2008 numbers and since that was the year we switched billing software, it was almost impossible to get the information he wanted without spending a whole lot of money. Commissioner Hayden stated that he thought the additional costs was going to be around \$4,000. Mrs. Wilkerson stated that if we moved forward and used the current numbers then they could avoid that additional \$4,000 to try and get the usage rate. The

Board decided to have Mr. Kaninberg proceed with the rate increase project for the sewer in Fancy Farm and use the new full year numbers. Ms. Wilkerson stated that the information he was requesting was pretty extensive before because he was wanting water information and then categorized, but she would try and see what she could find more out about what he needed to proceed.

Mr. Leonard stated that he had met with the insurance guy on all of the insurance and on all of the property and we had found that the Consumers' building was leaking also and we went ahead and filed that claim at the same time as the Fancy Farm claim which would save a deductible. He stated that the insurance guy said he would be in touch with him but he would get back with him and report back to the Board.

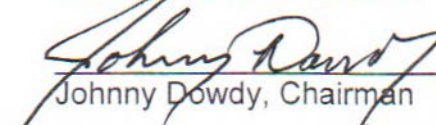
Mr. Leonard reminded the Board of the Water Management meeting scheduled for Tuesday, July 6th, beginning at 10:00 a.m. at the PADD office. Commissioner Hayden asked if they could meet there and after the meeting go and look at the property of Mr. Tabers.

After a discussion with regard to a workshop, the date of Friday, July 9, 2010 at 11:30 a.m. at the offices of Mayfield Electric & Water was set for the next workshop.

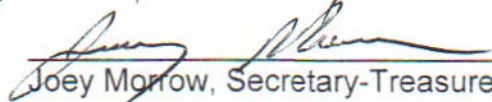
Mr. Leonard stated that he had added the new pump station to the Kentucky League of Cities' policy and he was getting Jason Looper to give him a name of people that they use to put up guardrail. Mr. Looper told him that you can get into some traffic issues and that would put liability on the District but Mr. Looper is going to work with Mr. Leonard and try to figure something out.

There being no further business to come before the Board, **Commissioner Joey Morrow made a Motion to adjourn the meeting. Commissioner Gene Mason seconded the Motion and it passed unanimously.** The meeting date of Tuesday, July 27, 2010 at 8:00 a.m. was selected as the next meeting date for the Board of Directors of the Graves County Water District to be held at the offices of Mayfield Electric & Water.

RESPECTFULLY SUBMITTED,



Johnny Dowdy, Chairman



Joey Morrow, Secretary-Treasurer

EXHIBIT H

Hickory Water District Board Minutes
June 28, 2010

The Hickory Water District Board met on Monday, June 28, 2010, at the office of Mayfield Electric and Water Systems, 301 E. Broadway, in Mayfield, KY. Chairman Sam Davis presided over the meeting. Kevin Leonard and Bill Sears were present. Guests were Rod Martin, District Engineer, Jason Enlow both representing Hunter and Martin, Belva Wilkerson and Denise Melvin, both of Mayfield Electric and Water Systems, and Krista Romaine of Romaine and Associates, CPA and Mark Davis, of Purchase Area Development District.

Mr. Davis noted that there was a correction on the previous month's minutes. The increase suggested by PSC was 66% instead of 64%. On a motion by Mr. Sears and second by Mr. Leonard, the Board approved the minutes of the previous meeting with the correction above. All voted aye.

Ms. Romaine presented the financial statements for the period ending May 31, 2010. On a motion by Mr. Leonard and second by Mr. Sears, the Board accepted the financial statements as presented. All voted aye.

The Board reviewed the following projects:

Shaw-Meridian Road Project: Mr. Martin gave an update on the bids. The low bid was from Terry Land Development of Paducah. The bid was for \$159,581.00. The other bidders were Ivitts Plumbing (\$172,850.00) and Three Rivers (\$178,575.00). The Board reviewed additional projects that could be initiated to use the remaining monies in the grant. Mr. Martin recommended to the Board to accept the low bid of Terry Land Development. On a motion by Mr. Leonard and second by Mr. Sears, the Board accepted the low bid of Terry Land Development in the amount of \$159,581.00, authorized Mr. Davis to sign all documents in order to proceed as soon as possible and to prepare a change order for Terry Land to install additional hydrants to provide coverage for each house of at least every 1,000 feet and no more than 1,200 feet. All voted aye. Mr. Mark Davis explained the procedure for payment to the contractor. Mr. Leonard inquired about cost associated with crop damage. Mr. Martin stated that it would probably be less than \$500.00. Mr. Leonard and Mr. Sears to contact customers on this extension to see if any want to sign up for tap on at current tap on fee as increase in tap on is currently being discussed.

Rate Increase: All paperwork has been submitted to PSC. Mr. Davis suggested paying an additional amount to Jack Kaninberg for all this work on the increase which was actually two rate increases. On a motion by Mr. Davis and second by Mr. Leonard, the Board voted to give Mr. Kaninberg an additional \$250.00. All voted aye.

Tap On Fees: Mr. Leonard reported that he was still working on this project.

Billing Report: Mr. Leonard noted that he had failed to include water loss report in the packet but would include it next month. The Board discussed the billing charges from MEWS for monthly maintenance and contract labor.

Minutes
June 28, 2010
Page 2

Mayfield Swim and Racket Club: Mr. Leonard stated that there was a two inch meter at Mayfield Swim and Racket Club that had not been billed for this year and last year. Mr. Leonard asked Mr. Davis to check with PSC to see if they could be billed for those previous months. Ms. Wilkerson to try to determine what the billing amount would be. The Board will decide later about amount to be billed. On a motion by Mr. Sears and second by Mr. Leonard, the Board voted to send appropriate bill to club. All voted aye.

Mr. Leonard noted that Consumer Confidence Reports were in the process of being mailed to customers.

The Board went into executive session. **Following the executive session Mr. Davis made a motion for Hickory Water District to merge with Graves County Water District pending PSC and county officials' approval. Second of motion was by Mr. Leonard and Mr. Sears abstained from voting.**

Next meeting will be July 26, 2010.

On a motion by Mr. Davis and second by Mr. Leonard, the meeting was adjourned. All voted aye.

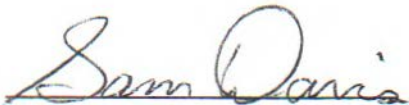

Chairman

EXHIBIT I

RESOLUTION

08232011

RESOLUTION OF HICKORY WATER DISTRICT BOARD OF DIRECTORS TO MERGE DISTRICTS WITH GRAVES COUNTY WATER DISTRICT.

WHEREAS, The Board of Directors is of the opinion that adoption of this resolution is in the best interest for the customers of both Districts.

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors has adopted RESOLUTION 08232011, giving Chairman Sam Davis the authority to sign all documents related to this merger.

The above resolution was adopted on roll call, the voting resulting as follows:

Yeas: Bill Sears, Sam Davis, Kevin Leonard

Nays: _____, _____, _____

Not Voting: _____, _____

EXHIBIT J

RESOLUTION

08232011

RESOLUTION OF GRAVES COUNTY WATER DISTRICT BOARD OF DIRECTORS TO MERGE DISTRICTS WITH HICKORY WATER DISTRICT

WHEREAS, The Board of Directors is of the opinion that adoption of this resolution is in the best interest for the customers of both Districts.

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors has adopted RESOLUTION 08232011, giving Chairman Johnny Dowdy the authority to sign all documents related to this merger.

The above resolution was adopted on roll call, the voting resulting as follows:

Yeas: Gene Mason, Joey Morrow, Todd Hayden, Howell Carr, Johnny Dowdy

Nays: _____, _____, _____

Not Voting: _____, _____

EXHIBIT K

WATER DISTRICT MERGER AGREEMENT

This Water District Merger Agreement (“AGREEMENT”) dated as of the 23 day of August, 2011, by and between Graves County Water District, a water district pursuant to *KRS Chapter 74*, duly organized and situated in Graves County, Kentucky (hereinafter referred to as **GRAVES**); and Hickory Water District, a water district pursuant to *KRS Chapter 74*, duly organized and situated in Graves County, Kentucky, (hereinafter referred to as “**HICKORY**”).

W I T N E S S E T H :

WHEREAS, **GRAVES** and **HICKORY** as duly organized Water Districts pursuant to *Chapter 74* of the Kentucky revised statutes, and have both been created by the County Court of Graves County, Kentucky, and whereas the respective Board of Commissioners of **GRAVES** and **HICKORY** have determined that merger of the two districts would produce economies of scale and better provide a stable, long-term water supply and that is in the public interest that **GRAVES** and **HICKORY** be merged into a single water district, to be known as Graves County Water District, on the terms and conditions hereinafter set forth, in accordance with the applicable provisions of *KRS Chapter 74*,

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

1. **MERGER.** Subject to the satisfaction of the conditions precedent set forth in Paragraph 2 below, and pursuant to *KRS 74.363*, **GRAVES** and **HICKORY** shall merge into **GRAVES**. The separate existence of **HICKORY** shall cease, and all of the real and other property, as well as all rights, privileges, immunities, and powers of **HICKORY**, subject to all duties and liabilities of **HICKORY**, shall be vested in **GRAVES**; provided, however, that bonded obligations of **HICKORY** that are secured by the right to levy an assessment as provided in *KRS 74.130 through 74.230* were secured by the revenues of the systems operated by

HICKORY shall continue to be retired of a sinking fund for such purpose created, from the funds collected over the premerger geographic area of the obligated district by the Board of Commissioners of Graves County Water District, in accordance with the laws under which the bonds were issued, until all bonded obligations of **HICKORY** have been retired. The facilities and services presently known as **HICKORY** shall be designated as the **Graves County Water District**.

2. **CONDITIONS PRECEDENT TO MERGER; EFFECTIVE DATE.** The obligation of the parties to consummate the transaction contemplated by this Agreement shall be contingent upon fulfillment of the following conditions precedent:

- (a) The Public Service Commission of Kentucky shall have approved the merger contemplated by this agreement and shall have entered or rendered an appropriate order, decision, finding or ruling to that effect;
- (b) The applicable provisions of the Kentucky Revised Statutes shall have been amended so as to allow **GRAVES** to be administered by a Board of Commissioners consisting of all of the members of the Boards of Commissioners of **GRAVES** and **HICKORY** for one (1) year after the approval of the merger by the commission, regardless of their normal term expiration, in consisting thereafter of 7 members appointed by the Judge/Executive of the County of Graves, with two (2) members remaining from **HICKORY**;
- (c) No fire, flood or other disaster, that is not fully covered by insurance, shall have occurred which in any manner shall destroy or make unusable any substantial portion of the assets of **HICKORY**; and
- (d) All of **GRAVES** and **HICKORY** respective representations and warranties made under Paragraphs 7 and 8 below, shall be true and correct in all material respects,

and **GRAVES** and **HICKORY** shall have fully performed all covenants to be performed by them prior to the closing (as defined in Paragraph 3 below).

- (e) **GRAVES** and **HICKORY** shall keep separate accounting records until the effective date of this merger.

3. **CLOSING.** The closing of the transactions contemplated by this agreement shall take place on such date following fulfillment of the conditions precedent listed in Paragraph 2 above as may be mutually agreed by **GRAVES** and **HICKORY** at the offices of Neely, Brien & Wilson, 238 North 7th Street, Mayfield, KY. The merger shall be effective on such date on or following the closing date as may be mutually agreed by **GRAVES** and **HICKORY**.

At the closing, **HICKORY** shall execute and deliver such bills of sale, deeds, assignments and other documents and take all such other actions as may be necessary to assign, transfer and convey such assets and liabilities to **GRAVES**, and **GRAVES** shall execute such instruments of assumption and take all such other actions as may be necessary to accept and assume such liabilities; ~~proving, however,~~ that outstanding obligations of **HICKORY**, which are secured by the right to levy an assessment as provided in *KRS 74.130 through 74.230* or secured by the revenues of the systems operated by **HICKORY** shall continue to be retired, or sinking fund for such purpose created from funds collected over the pre merger geographic area of the obligated district, respectively, in accordance with the terms and provisions of the enabling law and the authorizing resolutions or indentures under which the outstanding obligations were issued, until all such obligations have been retired. Graves County Water District shall assume and fulfill all obligations of **HICKORY** arising after the effective date provided, however, that outstanding obligations of **HICKORY** secured by the right to levy an assessment or secured by the revenues of the systems operated by **HICKORY** shall be retired in the manner set forth above.

4. **ASSETS AND LIABILITIES:** On the effective date, all of the following assets and liabilities of **HICKORY** shall be vested in **GRAVES**:

(a) All of the currently owned assets of **HICKORY** (collectively, **HICKORY** assets), including but not limited to the following:

- (1) All assets listed in or accounted for in **HICKORY'S** annual report to the Public Service Commission for the year end December 31, 2010.
- (2) All assets purchased after December 31, 2010 listed and/or accounted for in the **HICKORY** transaction report file;
- (3) All assets listed and/or accounted for in the **HICKORY** auditors report on file at the **HICKORY** offices; and
- (4) All real property owned or leased by **HICKORY** including but not limited to all agreements, easements and deeds and any addenda thereto pursuant to which **HICKORY** owns, leases, or has other rights of entry, subject to any easements granted by **HICKORY** to third parties.

(b) All of the liabilities of **HICKORY** (collectively, **HICKORY** liabilities) including but not limited to the following:

- (1) All contracts and leases (including any agreements, arrangements, commitment or understanding, whether written or oral, including all amendments of modification thereof) to which **HICKORY** is a party;

5. **CUSTOMER AND RETAIL RATES.**

(a) All of the current customers of **HICKORY** shall on the effective date become the customers of **GRAVES** and shall eventually pay to **GRAVES** the **HICKORY** rates and tariffs in effect immediately prior to the effective date.

(b) After the effective date of this merger, all **HICKORY** rates and tariffs shall become **GRAVES** rates and tariffs.

6. **REPRESENTATIONS AND WARRANTIES OF HICKORY.** **HICKORY** represents and wants to Graves County Water District that:

(a) **HICKORY** is a water district duly organized pursuant to *KRS Chapter 74*.

- (b) The majority of the membership of the Board of the Commissioners of **HICKORY** has approved this agreement by lawful resolution, a copy which is attached hereto as Exhibit C.
- (c) Other than property that is leased, **HICKORY** has good and marchable title to and owns outright all of the **HICKORY** assets, free and clear of all liens, obligations, charges or encumbrances whatsoever, except to the extent that property and assets are encumbered or obligated by bond obligations.
- (d) Prior to the effective date, **HICKORY** shall not, without the prior consent of **GRAVES**, mortgage, pledge or subject to lien or other encumbrance, any of **HICKORY** assets, issue any new bonds, or sell or transfer any of the **HICKORY** assets.
- (e) All returns for Social Security taxes, withholding taxes and unemployment taxes of **HICKORY** for all prior and completed fiscal periods have been duly prepared and filed and all taxes shown thereon have been duly paid, or such returns will be filed and such taxes will be paid by **HICKORY** when due on account of the employment of employees by **HICKORY** to the effective date. All taxes, assessments and levies, which **HICKORY** is required by law to withhold or collect have been duly withheld and collected and have been or will be paid to the proper governmental authority.
- (f) No litigation or adverse claim of any nature is pending against **HICKORY** and to the best knowledge of **HICKORY** none have been threatened, including, without limitation any investigation or proceeding by the Commission, the Kentucky Department for Environmental Protection, The US Environmental Protection Agency, or any other entity or government body.

- (g) **HICKORY** shall not permit any material adverse change to occur in the condition of the **HICKORY** assets and, on the effective date, the same shall be in at least as good condition as on the date of the signing of this agreement, reasonable wear and tear accepted. The facilities and equipment of **HICKORY** have been maintained in accordance with industry practice and are in good working order.
- (h) **HICKORY** is operating its facility and equipment in a manner that is not in violation of any applicable law or regulation including, without limitation, all such laws, regulations and requirements relating to employee safety and health.
- (i) Until the effective date, **HICKORY** shall continue to operate its facility and equipment in the manner in which the same shall heretofore been operated and shall not make any material changes to its operations without the prior consent of **GRAVES**. The data contained in the financial information made available by **HICKORY** to **GRAVES** was prepared in accordance with generally accepted accounting principles and the uniform system of accounting consistently applied. The data contained in the annual report of **HICKORY** for the year ended December 31, 2010, made available by **HICKORY** to **GRAVES**, was prepared in accordance with the accounting and other orders of the commission. The financial statements and annual reports are accurate and fully reflect all liabilities and contingent liabilities of **HICKORY** required to be reflected therein at the date thereof, and fairly set forth the financial position and the results of operation of **HICKORY** as of the relevant date thereof and the periods covered thereby.
- (j) **HICKORY** has heretofore made available to **GRAVES**, a true and complete copy of all contracts, leases or other documents containing rights and obligations

to be assumed by **GRAVES**. At the date hereof and at the effective date, **HICKORY** has and will have performed all the obligation on its part to be performed under each of the leases and contracts to be assumed by **GRAVES**. No event has occurred or shall as of the effective date have occurred which constitutes or, with the giving notice or passage of time of both would constitute, a breach of or default under any of the leases or contracts.

(k) With the exception of the matters set forth in Schedule A attached, to the best knowledge of **HICKORY**:

- (1) There has been no spill, discharge, release or threatened release on, at or from any of the facilities, equipment or real property that is or has been owned, leased or used by **HICKORY**, from any source whatsoever, of any "petroleum, petroleum products, pollutants, contaminants, hazardous substances, or hazardous waste", as those terms as defined by any environmental law;
- (2) There are no pending or threatened claim, demands, actions, litigation or administrative or enforcement investigations of proceeding against or involving **HICKORY** concerning **HICKORY'S** compliance with any environmental law or the spill, discharge, release or threatened release of any "petroleum, petroleum products, pollutants, contaminants, hazardous substances, or hazardous waste", as those terms are defined by any environmental law;
- (3) **HICKORY** has complied with, and it is in compliance with all environmental laws with respect to its own operations and all of the facilities, equipment, and real property in its own, leased or used; and
- (4) **HICKORY** has received and maintains all permits, approvals, and authorizations required under all environmental laws to lawfully and properly conduct its operations. For the purposes of this paragraph, the term "environmental law" shall mean all federal, state and local laws, statues, ordinances, rules, regulations and orders relating to matters of pollution, the handling or disposal of waste, or the protection of the environment, including, with out limitation, the comprehensive environmental response, Compensation and Liability Act of 1980, as amended (42 USC Section 9601) The Resource Conservation and Recovery Act, as amended (42 USC Section 6901), the Hazardous Materials Transportation Act, as amended (49 USC Section 1801), The Toxic Substance Control Act, as amended (15 USC 2601), The Clean Water Act, as amended (33 USC Section 1251), The Safe Water Drinking Act, as amended (42 USC Section 300F), The Clean Air Act, as amended

(42 USC 7401), and The Kentucky Statute on Environmental Emergencies, as amended (KRS 224.01-400).

8. **REPRESENTATIONS AND WARRANTIES OF GRAVES.** **GRAVES**

represents and warrants to **HICKORY** that:

- (a) **GRAVES** is a water district duly organized pursuant to *KRS Chapter 74*.
- (b) A majority of the membership of the Board of Commissioners of **GRAVES** has approved this agreement by lawful resolution, a copy of which is attached hereto as Exhibit B.

9. **BOARD OF COMMISSIONERS.** **GRAVES** shall be administered as specific in the applicable provisions of the Kentucky Revised Statutes. To the extent allowed by such provisions, after the initial one (1) year period following approval of the merger by the Commission during which the members of the Board of Commissioners of **HICKORY** and **GRAVES** shall *serve* as members of The Board of Commissioners of **GRAVES**. The Board of Commissioners of **GRAVES** shall be composed of members appointed by the Judge/Executive of Graves County, with two (2) board members remaining from **HICKORY**.

10. **RIGHT OF INSPECTION.** At any time after the execution of this agreement and prior to the effective date, **HICKORY** and **GRAVES** shall have the right to reasonably inspect and review the operations and the records of the other in order to assure that no adverse changes have occurred with respect to the assets or liabilities to be assumed by **GRAVES**.

11. **INSURANCE.** Until the closing, **HICKORY** shall continue in force all property and liability insurance coverage presently held by them. Upon request by counsel for **GRAVES**, **HICKORY** shall arrange for the transfer of ownership of such policies as may be transferable to **GRAVES** as of the effective date and shall notify **GRAVES** as to those policies

which **HICKORY** has been informed are not subject to transfer and those that are then terminating so that **GRAVES** shall have sufficient information to void lapses in coverage.

12. **SUPPLEMENTAL DELIVERIES OF INSTRUMENTS.** At the request of counsel for **GRAVES**, the former officers of **HICKORY** shall, at any time after the closing, execute and deliver, or cause to be executed and delivered, to **GRAVES**, all supplementary instruments of transfer or assignment or such other documents as may be reasonably necessary or desirable to vest in **GRAVES** good, merchantable and clear title to the assets to be acquired hereunder. This provision shall survive the closing.

13. **PRESERVATION OF BUSINESS.** Until the effective date, **HICKORY** shall use its best efforts to preserve its respective system intact, to retain the good services of employees of the system and to preserve for **GRAVES** the good will of the systems suppliers, customers and all others having business relations with the system. **HICKORY** shall also continue until the effective date all necessary and desirable maintenance of the facilities, equipment and vehicles to be transferred hereunder and shall maintain inventory and supplies at normal and customary levels.

14. **NOTICE.** All notices, demands or communications hereunder required or desired to be given by **HICKORY** or **GRAVES** shall be in writing and sent by U.S. First Class or Express Mail, postage prepaid, return receipt requested, or sent prepaid by recognized private one day courier service, which is capable of and will routinely provide verification of delivery upon request addressed as follows:

To **GRAVES** District: P.O. Box 329 MAYFIELD Ky 42066

To **HICKORY** District: P.O. Box 329 MAYFIELD Ky 42066

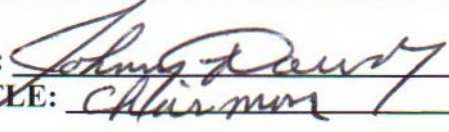
Said addresses may be changed from time to time by notices similarly given.

15. **MERGER EXPENSES.** All expenses incurred by **HICKORY** and **GRAVES** in connection with the merger, including the respective attorney's and consultants fees of **HICKORY** and **GRAVES**, shall be separately born and paid by **HICKORY** and **GRAVES** prior to the closing. Any such fees remaining unpaid as of the closing shall be paid by **HICKORY** and **GRAVES** from their respective assets prior to the merger.

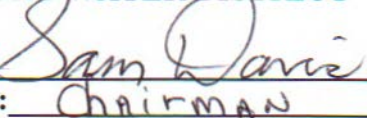
16. **ENTIRE AGREEMENT.** This agreement together with the various Schedules and Exhibits attached hereto (all of which are incorporated herein), constitutes the entire agreement between the parties, and super sees and replaces any and all prior agreements, written or oral, made between the parties hereto with respect to the subject matter hereof. No subsequent conditions, representations, warranties, or agreements or modifications hereof shall be valid unless reduced to writing and signed by all of the parties hereto.

IN WITNESS WHEREOF, the parties have hereunto set their hands of the date first above written.

GRAVES COUNTY WATER DISTRICT

BY: 
TITLE: Chairman

HICKORY WATER DISTRICT

BY: 
TITLE: Chairman

Schedule A

There are no other matters to be attached.

RESOLUTION

08232011

RESOLUTION OF GRAVES COUNTY WATER DISTRICT BOARD OF DIRECTORS TO MERGE DISTRICTS WITH HICKORY WATER DISTRICT

WHEREAS, The Board of Directors is of the opinion that adoption of this resolution is in the best interest for the customers of both Districts.

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors has adopted RESOLUTION 08232011, giving Chairman Johnny Dowdy the authority to sign all documents related to this merger.

The above resolution was adopted on roll call, the voting resulting as follows:

Yeas: Gene Mason, Joey Morrow, Todd Hayden, Howell Carr, Johnny Dowdy

Nays: _____, _____, _____

Not Voting: _____, _____

RESOLUTION

08232011

RESOLUTION OF HICKORY WATER DISTRICT BOARD OF DIRECTORS TO MERGE DISTRICTS WITH GRAVES COUNTY WATER DISTRICT.

WHEREAS, The Board of Directors is of the opinion that adoption of this resolution is in the best interest for the customers of both Districts.

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors has adopted RESOLUTION 08232011, giving Chairman Sam Davis the authority to sign all documents related to this merger.

The above resolution was adopted on roll call, the voting resulting as follows:

Yeas: Bill Sears, Sam Davis, Kevin Leonard

Nays: _____, _____, _____

Not Voting: _____, _____

GRAVES COUNTY WATER DISTRICT

Board of Directors Meeting

June 22, 2010

The Board of Directors of the Graves County Water District met on Tuesday, June 22, 2010, at 8:00 a. m. in the conference room of Mayfield Electric & Water System, East Broadway, Mayfield, KY.

Members in attendance:

Johnny Dowdy, Chairman GCWD
Todd Hayden, Vice-Chairman GCWD
Joey Morrow, Secretary GCWD
Howell Carr, GCWD
Gene Mason, GCWD

Guests present:

Kevin Leonard, Mayfield Electric & Water
Belva Wilkerson, Mayfield Electric & Water
Krista Romaine, Romaine & Associates
Brian Flynn, Florence & Hutcheson
Joe Bailey, Water Management Services
Sheila Rogers, GCWD/PADD Staff

Chairman Johnny Dowdy called the meeting to order at 8:00 AM and welcomed the Commissioners and guests.

Chairman Dowdy stated that the first item of business was approval of the Agenda as presented. He asked if anyone had any additions to make to the Agenda or anything that they needed changed. After a discussion, the following items were to be added to the Agenda, (1) Possible water line or main extension on County Line Road – Calloway County line; (2) Part time employees for maintenance; (3) Landlords in Fancy Farm; and (4) Update on sewer rate increase in Fancy Farm. **Commissioner Joey Morrow made a Motion that the Agenda be approved with the above additions being made. Commissioner Gene Mason seconded the Motion and it passed unanimously.**

Chairman Dowdy stated that the next item of business to come before the Board would be the approval of the minutes of the Executive Committee meeting of May 25, 2010. **Commissioner Joey Morrow made a Motion to approve the minutes as presented. Commissioner Gene Mason seconded the Motion and it passed unanimously.**

Chairman Dowdy stated that at this time they would proceed with the Financial Report by Mrs. Romaine and asked Mrs. Romaine to proceed with the Financial Report.

Mrs. Romaine began her report and referred the Board to page 12 of the packet beginning with the Balance Sheet as of May 31, 2010. She stated that Cash and Cash Equivalents at that point in time was \$542,242, accounts receivable of \$90,940, and prepaid insurance was \$3,145, and current assets were in the amount of \$636,317. She noted that under Noncurrent assets there was listed \$35,042 under Restricted Cash and stated that this was due to the KIA loans and the service fund. She went on to state that current liabilities were in the amount of \$114,811, showing a 6 to 1 ratio. She stated that the Note Payables did change during the month and now stood at \$1.146 million and principal had been made during the month, with equity being at \$4,698,731. Mrs. Romaine continued with her report and referred the Board to page 13 of the packet containing Statement of Revenues, Expenses, and Changes in Net Assets for the One Month Ended May 31, 2010. She stated that operating income was at \$82,096, operating expenses were at \$82,647, for an operating loss for the month at \$551, and stating that did include the depreciation for the month of \$24,000. She stated there was project income of \$28,000 for the month but there had been \$46,220 spent, interest income was \$1,630, and interest expense was \$2,493, with an overall net loss of \$19,634 for the month. She next referred the Board to page 14 of the packet containing the Statement of Cash Flows. She stated that \$8,383 Cash had been produced for the month, principal payments on Notes was at \$33,806, interest payment on notes was \$2,492. She stated that investment activity produced \$1,630 interest income and interest paid on customer deposits at \$1. She stated that the actual decrease in cash for the month was \$44,507. She stated that pages 15-20 contained the Notes to the financials. She stated that on page 21 was a breakdown of the water and sewer for the Fancy Farm Area, stating that the sewer operated at a positive for the month at \$695 and stated there was less paid out for chemicals for the month and the sewer operated at a loss of \$1,287.

Mrs. Romaine stated if there were no further questions with regard to the Financial Report, that would conclude her report. **Commissioner Todd Hayden made a Motion to approve the financial report for the month of May, 2010. Commissioner Gene Mason seconded the Motion and it passed unanimously.**

Chairman Dowdy stated that next on the Agenda was the Operations Report and asked that Mr. Kevin Leonard proceed with his Report.

Mr. Leonard began his report by referring the Board to page 22 of the packet containing the statistics sheet for Consumers Water Area and showing a total of 1,713 customers. Mr. Leonard next referred the Board to pages 23 and 24 of the packet containing the MOR sheets showing daily usage. Mr. Leonard stated that on page 25 was the billing of Mayfield Electric & Water for the month of May, 2010. He stated that one new meter had been set and another one was to be set today. He stated that he had left out the Water loss Report from the packet and would put the reports for May in the next packet. Mr. Leonard went on to state that the meter in front of Youngblood's

had now been replaced with a new meter and also the meter in the pump station at Backusburg had been replaced with the new type meters. He stated that the water loss was down for the Consumers Area. Mr. Leonard went on to state that they had run into a problem in that they could not keep up with the demand on the Jones Sanders tank. He stated that he had to have someone open the valves the previous night at 97 to fill the tank and then about 2:00 a.m. had to have them come back in and close them off. He stated that they had been leaving one of the valves open so they could push more water toward Jones Sanders, but when the demand gets up we can not keep up with the demand. He stated that they may need to look at putting in an automated valve in to open and close as needed down on short 97 where it dead ends. He stated there was a 6" main that runs across that field over at Cuba Road and then an 8" main that runs up 97 and then a T and two valves and that's where it is tied in to the pump station.

Mr. Leonard next referred the Board to pages 26 and 27 of the packet containing the statistics sheets for Fancy Farm Area and showing a total of 208 sewer customers and 433 water customers. He next referred the Board to pages 28 and 29 containing the MOR pages showing daily usage. Mr. Leonard next stated that on page 30 was the billing from Mayfield Electric & Water for the month of May, 2010. Mr. Leonard further stated that there had been a main break at Monroe and Highway 80 and April Barnett had called to state that her water was cloudy and she asked if that main was ever going to be extended as she knew someone had just bought some more property. He had told her that that would be a Board decision and they had discussed that possibility. Commissioner Todd Hayden stated that the man who had purchased that property had already called him and wants a meter set. Mr. Leonard stated that that would be a long service out there.

Mr. Leonard next referred the Board to page 31 of the packet containing the statistics sheets for Hardeman Area and showing 382 active services. He next referred the board to pages 32 and 33 containing the MOR sheets showing the amount of water actually pumping in the Hardeman area. He next referred the Board to page 34 containing the billing from Mayfield Electric & Water for the month of May, 2010.

Mr. Leonard next referred the Board to page 35 of the packet containing the statistic sheets for the South Graves Area and showing 649 active services. He stated that found on pages 36 and 37 were the MOR sheets showing daily usage. He stated that on page 38 was the monthly billing of Mayfield Electric & Water for the month of May, 2010. He stated that there was a main leaking over on 339 and Highway 58 and they had had to dig down there right at that intersection in Pryorsburg. He stated that they had been dealing with that situation for at least two or three days. He went on to state that the problem was that the neighbor next to that little store across from the grocery had water running across their backyard and thought it was coming from us. He further stated that there use to be a gas station there and they went in there and dug about 12 to 15 wells around that corner and they are on concrete. He stated that they had put like 1" piping from each well and of course it is all rock and we checked it and found fluoride in it so we looked some more and replaced both services. He stated that he had gone down there to take a look at it and he has sewer that is running across

these people's back yard and does not have a septic tank and what was there wasn't working and he had told the neighbor to call the health department.

Mr. Leonard stated that with regard to the PPSC billing, they were now just waiting for the PSC approval for that to come into effect.

Mr. Leonard stated that unless someone had questions, that concluded the Operations Report.

Commissioner Joey Morrow made a Motion to approve the Operations Report as presented. Commissioner Howell Carr seconded the Motion and it passed unanimously.

Chairman Dowdy stated that next on the Agenda was under Other – PADD billing and asked Ms. Rogers to proceed with her report. Ms. Rogers stated that included in the packet on pages 39 and 40 were the billings from the Purchase Area Development District for the months of March in the amount of \$1.25 and May in the amount of \$23.72 for a total of \$24.97 for copies and postage. **Commissioner Gene Mason made a Motion to approve the payment of \$24.97 to PADD. Commissioner Todd Hayden seconded the Motion and it passed unanimously.**

Chairman Dowdy stated that next on the Agenda was under Other – Discussion about Possible Merger of Hickory Water District. Chairman Dowdy stated that the Hickory Water District had approached the Board stating that they were interested in merging with the Graves County Water District and he had stated that the Board would discuss at the next meeting. Chairman Dowdy stated that the process would take some time and they would need to look into their financing and all other related matters and would need to contact the PSC as well as KIA. He further stated that Mr. Leonard had reported that Hickory had already requested a 40% increase in its rates, with 20% already being put in place and the remaining 20% to come at a later date and takes their current rate from \$8.55 minimum to \$12.32 minimum. He stated that the Hickory Board had not approved the merger to date and that there were still a few concerns with regard to the consolidation as a whole, but felt everyone was receptive of the idea. Mr. Leonard stated that he felt it would be a good idea to try and get KIA to reduce the interest rate on the Hickory loan funds like they did with this district. After further discussion, **Commissioner Todd Hayden made a Motion approving the tentative merger of the Hickory Water District with the Graves County Water District after a thorough investigation of all pertinent records. Commissioner Joey Morrow seconded the Motion and it passed unanimously.**

Chairman Dowdy stated that next on the Agenda under Other was County Line Road. Chairman Dowdy stated that he had been approached by a Mr. Herbie Tabes from Coldwater who wants to put in a business out on County Line Road on the Bypass. He stated it was to be a car lot and an RV sales place and he wanted water but it was on the Calloway County side. Chairman Dowdy stated that he told him that the Calloway County Judge would need to sign off on any type of request like that. He went

on to state that there would have to be a road bore and a meter would have to be set and it would have to be set on another man's property. He stated that Mr. Tabers said that other person was willing to give an Easement. He stated that he would then run the water from that meter to his place. Chairman Dowdy stated that he had requested Mr. Leonard take a look at it when he gets the time. Mr. Leonard stated that the thing the Board needed to be careful was to keep in mind that it was much easier to do a main extension and let them pay for the main extension and set the meter on their property and then if anyone else wants to tie to that main then they can do that or let the person, if you are crossing several people's property, go to them and ask for the Easement or if they would be interested in sharing the cost. He stated that way of handling this situation would put the burden on the developer and not the Water System. Mr. Leonard went on to state that there were just too many things that could happen if you put a meter on someone else's property and go that route. Mr. Leonard went on to state that it would be the Board's decision as to how to handle matters of this type but he would recommend letting them do a main extension and those people talking to the right people to get that approved versus the District sitting a meter and then running a water line down the road. Mr. Leonard further reminded the Board that the Division of Water had made changes to the regulations recently, but formerly the regulations stated that anything that cost over \$2,000 labor and material, had to be considered a main extension and they would require engineer drawings on.

Chairman Dowdy stated that he thought it would be best to table the matter and give Mr. Leonard and himself an opportunity to go out and look at the property and have Mr. Tabers meet them out there and anyone else from the Board that wanted to go.

Chairman Dowdy stated that next on the Agenda under Other was the Part Time Labor. Chairman Dowdy stated that Mr. Leonard had approached him with regard to some part time employees that Mayfield Electric & Water had and the fact that they were going to have to let them go or lay them off as they had run out of work for them. He stated that Mr. Leonard asked if the Graves County Water District might have any jobs or projects that they might want to hire the workers for a while and further stating that their wages were not at the rate of a Mayfield Electric & Water employee as they had not been fully trained. Mr. Leonard did state that they had been trained to change out meters, paint fire hydrants, find valves and put valve markers up, and do other odds and ends. Mr. Leonard stated that if the District wanted to hire them for a while, he would put two of them in a truck after running through the Temp Agency as they do take care of the workers' comp and stuff, and we pay them \$14 per hour and then the Temp Agency is another \$3 or \$4 per hour. Mr. Leonard stated that they could do the meter change outs for the Hardeman project if that is what the District wanted to use them for. Commissioner Hayden asked if they had not made a Motion two or three months ago to go ahead and change out those meters in Hardeman. Mr. Leonard stated that the Board had talked about it but did not know if a Motion had been made. Chairman Dowdy stated that he thought a Motion had been made to look into the costs of the meters but not to use the money for that purpose not until it had been looked into. Mr. Leonard stated that they were having a study done, which is where they go out and see if it's reasonable to consider this area to talk to the existing antennas and those meters are

not cheap as the meter and the smart point alone is about \$220 for an automated meter system like that, while a typical water meter is about \$32. Chairman Dowdy asked if the money from that grant could be used for that purpose. Mr. Leonard stated that he would find out which grant those funds would have been left from and he thought that the legislation had changed to the point that if you did have some grant money left over you could use it on another project whereas before they would not allow you to do that.

With regard to the hiring of the workers, Mr. Leonard stated that he felt there would be plenty of work for at least two of the workers. **Commissioner Todd Hayden made a Motion to approve the employment of the two workers of Mayfield Electric & Water through the Temporary Service and under the terms and conditions as set forth by Mr. Leonard with the workers to work so long as the Board felt necessary. Commissioner Gene Mason seconded the Motion and it passed unanimously.**

Chairman Dowdy stated that while they were working he'd like to see those meters changed out and other needs repairs done. Mr. Leonard stated that he planned to let two of the workers go and keep the two working that had been with them the longest.

Chairman Dowdy stated that next on the Agenda under Other was Landlord in Fancy Farm Area and asked that Commissioner Todd Hayden proceed with his report. Commissioner Hayden stated that he was approached by a man who owns several pieces of property there in Fancy Farm that he leases out and stated that one of his tenants was moving out of the place and was going to get his deposit back, but wanted to know if the water was suppose to be turned off at that time, because he stated that the renters would go and get their deposit back and then two months later he would get another bill, with the bill being for the minimum charge. Ms. Beiva Wilkerson stated that when a customer comes in and requests that the meter be turned off, the ticket gets made, the meter gets turned off and a final reading is taken, and through the system it calculates the final bill and it applies their deposit to their final bill. She stated that they would only get a check back only if their deposit was more than enough to pay the final bill.

Chairman Dowdy stated that next on the Agenda under Other was Sewer Rates in Fancy Farm and asked Mr. Kevin Leonard to proceed. Mr. Leonard stated that Mr. Jack Kaninberg had email him and wanted to know the status of the Fancy Farm sewer rate project and he just wanted the Board that he was still waiting for some type of decision by the Board as to how he was to proceed. He stated that they had originally obtained information from 2008 to work with and he was asking for information that was over and above what the system was capable of doing and because he used 2008 numbers and since that was the year we switched billing software, it was almost impossible to get the information he wanted without spending a whole lot of money. Commissioner Hayden stated that he thought the additional costs was going to be around \$4,000. Mrs. Wilkerson stated that if we moved forward and used the current numbers then they could avoid that additional \$4,000 to try and get the usage rate. The

Board decided to have Mr. Kaninberg proceed with the rate increase project for the sewer in Fancy Farm and use the new full year numbers. Ms. Wilkerson stated that the information he was requesting was pretty extensive before because he was wanting water information and then categorized, but she would try and see what she could find more out about what he needed to proceed.

Mr. Leonard stated that he had met with the insurance guy on all of the insurance and on all of the property and we had found that the Consumers' building was leaking also and we went ahead and filed that claim at the same time as the Fancy Farm claim which would save a deductible. He stated that the insurance guy said he would be in touch with him but he would get back with him and report back to the Board.

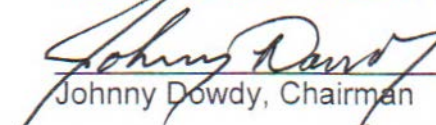
Mr. Leonard reminded the Board of the Water Management meeting scheduled for Tuesday, July 6th, beginning at 10:00 a.m. at the PADD office. Commissioner Hayden asked if they could meet there and after the meeting go and look at the property of Mr. Tabers.

After a discussion with regard to a workshop, the date of Friday, July 9, 2010 at 11:30 a.m. at the offices of Mayfield Electric & Water was set for the next workshop.

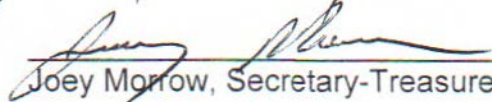
Mr. Leonard stated that he had added the new pump station to the Kentucky League of Cities' policy and he was getting Jason Looper to give him a name of people that they use to put up guardrail. Mr. Looper told him that you can get into some traffic issues and that would put liability on the District but Mr. Looper is going to work with Mr. Leonard and try to figure something out.

There being no further business to come before the Board, **Commissioner Joey Morrow made a Motion to adjourn the meeting. Commissioner Gene Mason seconded the Motion and it passed unanimously.** The meeting date of Tuesday, July 27, 2010 at 8:00 a.m. was selected as the next meeting date for the Board of Directors of the Graves County Water District to be held at the offices of Mayfield Electric & Water.

RESPECTFULLY SUBMITTED,



Johnny Dowdy, Chairman



Joey Morrow, Secretary-Treasurer

Hickory Water District Board Minutes
June 28, 2010

The Hickory Water District Board met on Monday, June 28, 2010, at the office of Mayfield Electric and Water Systems, 301 E. Broadway, in Mayfield, KY. Chairman Sam Davis presided over the meeting. Kevin Leonard and Bill Sears were present. Guests were Rod Martin, District Engineer, Jason Enlow both representing Hunter and Martin, Belva Wilkerson and Denise Melvin, both of Mayfield Electric and Water Systems, and Krista Romaine of Romaine and Associates, CPA and Mark Davis, of Purchase Area Development District.

Mr. Davis noted that there was a correction on the previous month's minutes. The increase suggested by PSC was 66% instead of 64%. On a motion by Mr. Sears and second by Mr. Leonard, the Board approved the minutes of the previous meeting with the correction above. All voted aye.

Ms. Romaine presented the financial statements for the period ending May 31, 2010. On a motion by Mr. Leonard and second by Mr. Sears, the Board accepted the financial statements as presented. All voted aye.

The Board reviewed the following projects:

Shaw-Meridian Road Project: Mr. Martin gave an update on the bids. The low bid was from Terry Land Development of Paducah. The bid was for \$159,581.00. The other bidders were Ivitts Plumbing (\$172,850.00) and Three Rivers (\$178,575.00). The Board reviewed additional projects that could be initiated to use the remaining monies in the grant. Mr. Martin recommended to the Board to accept the low bid of Terry Land Development. On a motion by Mr. Leonard and second by Mr. Sears, the Board accepted the low bid of Terry Land Development in the amount of \$159,581.00, authorized Mr. Davis to sign all documents in order to proceed as soon as possible and to prepare a change order for Terry Land to install additional hydrants to provide coverage for each house of at least every 1,000 feet and no more than 1,200 feet. All voted aye. Mr. Mark Davis explained the procedure for payment to the contractor. Mr. Leonard inquired about cost associated with crop damage. Mr. Martin stated that it would probably be less than \$500.00. Mr. Leonard and Mr. Sears to contact customers on this extension to see if any want to sign up for tap on at current tap on fee as increase in tap on is currently being discussed.

Rate Increase: All paperwork has been submitted to PSC. Mr. Davis suggested paying an additional amount to Jack Kaninberg for all this work on the increase which was actually two rate increases. On a motion by Mr. Davis and second by Mr. Leonard, the Board voted to give Mr. Kaninberg an additional \$250.00. All voted aye.

Tap On Fees: Mr. Leonard reported that he was still working on this project.

Billing Report: Mr. Leonard noted that he had failed to include water loss report in the packet but would include it next month. The Board discussed the billing charges from MEWS for monthly maintenance and contract labor.

Minutes
June 28, 2010
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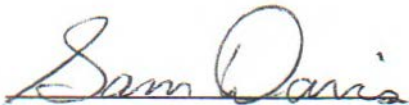
Mayfield Swim and Racket Club: Mr. Leonard stated that there was a two inch meter at Mayfield Swim and Racket Club that had not been billed for this year and last year. Mr. Leonard asked Mr. Davis to check with PSC to see if they could be billed for those previous months. Ms. Wilkerson to try to determine what the billing amount would be. The Board will decide later about amount to be billed. On a motion by Mr. Sears and second by Mr. Leonard, the Board voted to send appropriate bill to club. All voted aye.

Mr. Leonard noted that Consumer Confidence Reports were in the process of being mailed to customers.

The Board went into executive session. **Following the executive session Mr. Davis made a motion for Hickory Water District to merge with Graves County Water District pending PSC and county officials' approval. Second of motion was by Mr. Leonard and Mr. Sears abstained from voting.**

Next meeting will be July 26, 2010.

On a motion by Mr. Davis and second by Mr. Leonard, the meeting was adjourned. All voted aye.


Chairman