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July 31, 2012

RECEIVED

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
Attn: Tariff Branch
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

AUG - 1 2012

PUBLIC SERVICE
COMMISSION

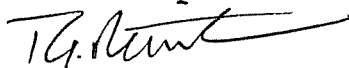
RE: City of Hardinsburg/Meade County RECC franchise

Dear Mr. Derouen:

Pursuant to the Order entered by the Kentucky Public Service Commission on July 6, 2012 enclosed are two copies of the Notice of Acceptance of Bids for Electrical Distribution Franchise executed by the Mayor, and two copies of the minutes of the July 19, 2012 meeting of the Hardinsburg City Council awarding the electric franchise to Meade County RECC with the city receiving one percent (1%).

If you need additional information regarding this matter, please notify me accordingly, I am,

Yours very truly,



Thomas C. Brite

tcb/svh

enclosures

Cc: Burns E. Mercer
President/CEO
Meade County R.E.C.C.
P.O. Box 489
Brandenburg, KY 40108

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AUG - 1 2012

PUBLIC SERVICE
COMMISSION

NOTICE OF ACCEPTANCE OF BIDS
FOR ELECTRICAL DISTRIBUTION FRANCHISE

Notice is hereby given that the City of Hardinsburg, Kentucky, is accepting bids publicly for the sale, to the highest and best bidder, of the electrical distribution franchise created by Ordinance No. 2012-06 of the City adopted, after two readings, on June 11, 2012 and June 13, 2012. Bids should be made in writing and delivered to Mary Jo Hess, the City Clerk, at Hardinsburg City Hall, Hardinsburg, Kentucky on or before 12 Noon, July 9, 2012. The terms and provision of Ordinance 2012-06 are set forth below:

AN ORDINANCE OF THE CITY OF HARDINSBURG, KENTUCKY PROVIDING FOR THE SALE OF THE FRANCHISE AND RIGHT TO ACQUIRE, CONSTRUCT, INSTALL, OPERATE, MAINTAIN, REPAIR, REMOVE, AND REPLACE AN ELECTRICAL DISTRIBUTION SYSTEM TO BE USED FOR THE SALE, AND DISTRIBUTION OF ELECTRICITY TO THE RESIDENTS AND BUSINESSES LOCATED WITHIN THE MUNICIPAL BOUNDARIES OF THE CITY FOR LIGHT, HEAT, POWER, AND OTHER USES AND THE RIGHT TO USE, FOR THE PURPOSES DESCRIBED ABOVE, THE PRESENT AND FUTURE STREETS, ROADS, HIGHWAYS, ALLEYS, PUBLIC WAYS, AND REAL PROPERTY LOCATED IN, AND OWNED OR CONTROLLED BY, THE CITY; AND PRESCRIBING THE TERMS AND CONDITIONS FOR THE FRANCHISE AND RIGHTS.

BE IT HEREBY ORDAINED by the CITY of HARDINSBURG, KENTUCKY (hereinafter referred to as the "City") that the Mayor of the City, or such other person as the Mayor may designate, shall offer for sale, to the highest and best bidder, the non-exclusive franchise and right to acquire, construct, install, operate, maintain, repair, remove, and replace an Electrical Distribution System (as hereinafter defined) to be used for the sale, and distribution of electricity to the residents and businesses located within the municipal boundaries of the City

for light, heat, power, and other uses and the right to use, for the purposes described above, the Public Ways (as hereinafter defined) of the City, subject to the terms and conditions hereinafter set forth.

ARTICLE I

DEFINITIONS

For purposes of this Ordinance, the following terms shall have the meanings set forth below:

Section 1.1. Franchisee. The term “Franchisee” shall mean the individual person, corporation, company, partnership, firm, unincorporated association, trustee, or public corporation that is awarded by the City the franchise created by this Ordinance.

Section 1.2. Electrical Distribution System. The term “Electrical Distribution System” shall mean any and all poles, meters, wire, transformers, facilities, structures, machinery, equipment, and appurtenances of any kind that Franchisee, in its sole discretion, may deem necessary or advisable for the exercise of the franchise and rights granted to Franchisee pursuant to this Ordinance.

Section 1.3. Public Ways. The term “Public Ways” shall mean the present and future streets, alleys, avenues, boulevards, lanes, parkways, sidewalks, roads, highways, rights-of-way, and other public ways and real property located within the municipal boundaries of the City and owned by, or under the control of, the City.

ARTICLE II

TERM

Section 2.1. Term. The term of the franchise and rights created hereby shall be for a period of twenty (20) years, commencing on the date that Franchisee's bid to purchase this franchise is accepted by the City.

ARTICLE III

OBLIGATIONS OF FRANCHISEE

Section 3.1. No Obstruction of Public Property. Franchisee shall not, unnecessarily or for any reasonable period of time, obstruct or interfere with the public use of any of the Public Ways.

Section 3.2. Repair of Damages. Franchisee shall repair any and all damages caused solely by Franchisee to any of the Public Ways and shall restore, as nearly as practicable, such property to substantially its condition immediately prior to the incident causing such damage. Franchisee shall commence such repairs immediately upon completion of the work or activity in which Franchisee was involved at the time the damage occurred and shall complete such repairs as promptly as possible.

Section 3.3. Conduct of Work and Activities. Franchisee shall use reasonable care in conducting its work and activities in order to prevent injury to any person and unnecessary damage to any real or personal property.

ARTICLE IV

GENERAL PROVISIONS

Section 4.1. Removal of Electrical Distribution System. Franchisee may remove all or any part of the Electrical Distribution System upon the expiration or termination of the franchise and rights granted hereby.

Section 4.2. Force Majeure. Notwithstanding anything expressly or impliedly to the contrary contained herein, in the event Franchisee is prevented, wholly or partially, from complying with any obligation or undertaking contained herein by reason of any event of force majeure, then, while so prevented, compliance with such obligations or undertakings shall be suspended. The term “force majeure,” as used herein, shall mean any cause not reasonably within Franchisee’s control and includes, but is not limited to, acts of God; strikes; lock-outs; wars; riots; orders or decrees of any lawfully constituted federal, state, or local body; contagions or contaminations hazardous to human life or health; fires; storms; floods; wash-outs; explosions; breakages or accidents to machinery or equipment; inability to obtain or delay in obtaining rights-of-way, materials, supplies, or labor permits; permanent or temporary failures of electricity; or necessary repair, maintenance, or replacement of facilities used in the performance of the obligations contained in this Ordinance. Nothing in this force majeure provision or the operation hereof shall cause or be deemed to cause the term of this franchise to extend beyond twenty (20) years as set forth in Section 2.1.

Section 4.3. Assignment. Franchisee is hereby given the right to assign, with the written consent of the City, the franchise created by this Ordinance to any person, firm, or corporation that has received from the Kentucky Public Service Commission any and all required certificates of convenience and necessity for obtaining a franchise.

Section 4.4. Binding Effect. This Ordinance shall extend to, be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns.

Section 4.5. Repeal of Conflicting Ordinances. All other Ordinances of the City or portions thereof that are in conflict or inconsistent with any of the terms or provisions of this Ordinance are hereby repealed to the extent of such conflict or inconsistency.

Section 4.6. Severability. On the event any part of this Ordinance is determined to be invalid or illegal for any reason whatsoever, such invalidity or illegality shall not affect the validity or legality of this Ordinance as a whole or of any other parts hereof.

Section 4.7. Effectiveness of Ordinance. This Ordinance shall be deemed effective upon its publication pursuant to Chapter 424 of the Kentucky Revised Statutes.

Section 4.8. Section and Other Headings. The section and other headings contained in this Ordinance are for reference purposes only and shall not affect in any way the meaning or interpretation of this Ordinance.

ARTICLE V

BID REQUIREMENTS

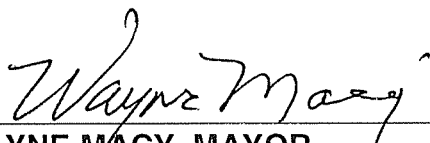
Section 5.1. Receipt of and Advertisement for Bids. The Mayor, or such other person as the Mayor may designate, shall, after due advertisement, receive bids publicly for the franchise created in this Ordinance. Such bids shall be in writing and shall be delivered to the Mayor or the Mayor's designee by 12 Noon,

July 9, 2012 (the "Bid Deadline"). Advertisements for such bids shall be published in a newspaper meeting the qualifications of Section 424.120 of the Kentucky Revised Statutes once a week for three successive weeks, provided that at least one of such publications shall occur not less than seven (7) nor more than twenty-one (21) days before the Bid Deadline. All costs and expenses for such advertisements shall be borne by Franchisee and shall be paid directly by Franchisee or reimbursed to the City within a reasonable time after the City's acceptance of Franchisee's bid.

Section 5.2. Consideration of Bids. The Mayor shall present all written bids to the City Council at its first meeting scheduled after the Bid Deadline for the City Council's consideration and approval. The City Council reserves the right to reject any and all bids received and, in such event, to direct, by resolution or ordinance, that the franchise created hereby be offered again for sale until a satisfactory bid is received and approved.

Section 5.3. Deposit and Bond Requirements. Each bid shall be accompanied by a deposit and bond in compliance with Section 96.020 of the Kentucky Revised Statutes, provided, however, that no deposit or bond shall be required of a bidder that already owns in the City a plant and equipment sufficient to render the service required under this Ordinance.

IN WITNESS WHEREOF, the undersigned has executed this Notice of Acceptance of Bids for Electrical Distribution Franchise this 9th day of July, 2012.



WAYNE MACY, MAYOR

**CITY OF HARDINSBURG
REGULAR MONTHLY MEETING
July 9, 2012**

RECEIVED

AUG - 1 2012

PUBLIC SERVICE
COMMISSION

The July 9, 2012 Regular Council meeting was called to order at 5:00 p.m. at City Hall with Mayor Wayne Macy presiding over the meeting. Councilors present were: Ruth Ann Skillman, Wilma Thomas, Nettie Parker, and Ints Kampars. A sign-in sheet is attached to these minutes.

AGENDA: The agenda for the July 9, 2012 Council Meeting was presented to the Council. Nettie Parker made the motion to approve the agenda. Second by Ruth Ann Skillman. Motion carried by voice vote with all those present voting AYE.

MINUTES: The minutes of the June 11, 2012 Regular Meeting and June 13, 2012 Special Called Meeting were presented for approval. Ints Kampars made the motion to approve the June minutes as presented; second by Nettie Parker. Motion carried by voice vote with all present voting AYE.

UNFINISHED BUSINESS

STATUS REPORT FOR ALL WATER LINE EXTENSION AND SEWER IMPROVEMENT PROJECTS: Bryan Lovan of Kentucky Engineering Group presented the updates on all pending utility projects as follows:

MCQUADY PHASE III/KY 259 Area/ KY 261 Area—Freedom Church Road Water System Expansion—Bob Taylor Project Mgr.

Contract No. 1—Water Main Extensions, Cumberland Pipeline, LLC. Cumberland Pipeline began construction on May 23, 2011 and has completed the installation of 290,123 LF of water main. As a result of Change Order No. 1, the total amount of water main to be installed has been reduced by 32,125 LF. The revised total of water main to be installed for the project is now 377,129 LF. Cumberland submitted Payment Estimate No. 14 in the amount of \$129,466.18 which is for work completed and additional stored materials for the project. Cumberland's contract through this estimate stands at 93% of time expended and 77% of the water main has been installed. They will have to install water main, test, install services and cleanup 87,006 LF per month in order to complete the project on time. There are 63 days remaining in the contract period which expires Sunday, August 12, 2012.

KEG is still very concerned with the overall progress of the project and the lack of a plan for completing the project by the contract ending date of August 12, 2012. The 20% retainage will continue until Cumberland is on schedule with the project. Included in the contract documents is a provision for Liquidated Damages to be assessed the contractor if they are not substantially complete by the contract completion date. The amount is up to \$500 per calendar day and is to be used to pay for expenses incurred as a result of the contractor not being complete such as

additional engineering and inspection fees, loss of revenue by the City and any other expenses associated with or as a result of the contractor not being complete.

Contract No. 2—Balltown Water Storage Tank, Caldwell

Caldwell submitted Payment Estimate No. 9 in the amount of \$27,087.50. This includes retainage that had been held until completion of the project. The work is complete and Caldwell is completing punch list items. Final inspection will be done at this month's progress meeting and final inspection with SRF/DOW on Tuesday, July 17, 2012.

The next construction progress meeting for both contracts is scheduled for Tuesday, July 24, 2012 at 10:00 am central time.

McQuady Phase III—Contract No. 7, Water Main Extensions

Bob Taylor, Project Manager

Rural Development has given the City approval to advertise for bids on Contract No. 7, Water Main Extensions once Cumberland Pipeline has reached 80% completion. This is the additional 100,000 LF of water main added to the McQuady III Project in order to spend the remaining funds in the project. KEG will prepare the contract documents in order to bid this new contract of work. We are currently at 77% completion. It is possible that we will be able to advertise this sometime in August. The easement acquisition work should be completed within the next 30 days.

2012 Water System Expansion—Phase I—Bob Taylor, Project Manager

Formally known as WEBSTER/LODIBURG AND KY 690/KY 333 AREA WATER SYSTEM EXPANSION.

Phase I plans and specifications were submitted to the Division of Water on Friday, December 9, 2011. We received approval from the Division of Water dated February 10, 2012.

Phase I includes 192,000 LF of water main, one pumping station and one 250,000 gallon water storage tank. The contract period for construction is 270 days (9 months) for each contract.

Contract No. 5—Water Main Extensions and Contract No. 6—Stinnettville Water Storage Tank, were advertised for construction bids on Wednesday, June 6, 2012 in the Breckinridge County Herald News and the Lexington Herald-Leader. The bid opening was held on Wednesday, June 27, 2012 at 1:00 pm local time.

The low bid for Contract No. 5, Water Main Extensions, was Bobby Luttrell & Sons in the amount of \$3,337,241.20. The low bid for Contract No. 6, Stinnettville Water Storage Tank, was Caldwell Tanks, Inc. in the amount of 736,000.00.

KEG is in the process of working with both low bidding contractors to identify items or areas that will reduce the contract amount and get both contracts within budget.

One possibility is to reduce the amount of ductile iron being used in certain areas and replacing it with C900 pipe where feasible.

We currently have 39 sign ups out of 290 potential water customers. David Wakefield mentioned sending out another notice to potential customers, giving a deadline to sign up and letting them know that if the City does not have enough signers to cover the 4 million dollar debt service and justify the project, we will have to cut certain areas from the project. Wakefield also mentioned reminding potential customers that tap fees will increase in October.

Wakefield felt Caldwell's bid on Contract 6 was high and that the City may want to rebid the tank. The bids are good for 90 days.

The entire budget estimate for this project is 4 million dollars. The amount budgeted for construction was 3.2 million dollars, with bids coming in at 4 million.

WASTEWATER REGIONAL FACILITIES PLAN

No update.

WATER TREATMENT PLANT—WELL NO. 3 SUBSIDENCE—Bryan Lovan, Project Manager

Bryan Lovan is finishing up his report and working with David Wakefield to determine the best course of action to take for these repairs.

NEW BUSINESS

Discuss/Award Bids For The Gas Franchise and the Electrical Distribution Franchise. The bid opening was held July 9, 2012 at 12 Noon with a bid from Atmos Energy being the only bid received for the gas system and a bid from Meade County RECC being the only bid received for the electrical distribution system. Upon the advice of City Attorney, Charles Mattingly III, awarding the bid was tabled until agreement can be reached between both the City of Hardinsburg and Atmos Energy regarding the Franchise Agreement for the gas distribution system. Mattingly advised approving the franchise agreement with Meade County RECC and reviewing the franchise agreement with Atmos Energy. Ruth Ann Skillman made the motion to table awarding the gas franchise bid until agreement is reached regarding the gas franchise agreement and to award the electrical distribution system to Meade County RECC. The franchise agreement with Meade County RECC will be for 20 years and the city will receive franchise fees of 1%. Second by Nettie Parker. Motion carried with all those present

Wilma Thomas AYE Ints Kampars AYE

Ruth Ann Skillman AYE Nettie Parker AYE

AUDIENCE COMMENTS—Four citizens were present to voice concerns regarding the recent thefts in the City. Jo Ann Burks spoke on behalf of citizens living in the Chambliss Circle area. Burks is concerned with thefts and break-ins in the area. She said area residents and particularly widows, don't feel safe to walk in the area at night and that residents are losing sleep with worry. Burks wanted to bring the concern to the City's attention. Mayor Wayne Macy agreed that there is a problem, that the City cares, and is working to resolve the problem. Macy urged citizens to call in any suspicious activity. Police Chief Mike Robinson stated that no complaint is trivial and that the police department takes all complaints seriously. Robinson said police are patrolling the areas and trying different methods to apprehend perpetrators.

Maria Pascoe of Main Street also addressed the council with complaints about a recent robbery in her home. She feels that the police department is not doing enough to resolve the robbery. Both Mayor Macy and Chief Robinson advised Pascoe that the City cannot comment since the case is still under investigation. Pascoe asked if the City could start a Neighborhood Watch Program. Ints Kampars pointed out that a Neighborhood Watch Program is something that citizens need to form themselves with neighbors in their area.

City Attorney replied that a lot of these problems stem from the parents and that many cities are placing more responsibility on the parents to hold them liable for their child/children's actions. Mattingly stated that maybe the City needs to review its current curfew ordinance and look at areas of the ordinance that can be strengthened as far as holding the parents accountable for their child's actions.

Council member Nettie Parker addressed the audience stating that the City does care about the community and feels that the police do a very good job.

DEPARTMENTAL REPORTS

POLICE DEPARTMENT:

- Activity for June: Thefts (1), Misdemeanor Arrests (13), Felony Arrests (6), Citations Issued (6), Injury Accidents (0), Non-Injury Accidents (2), Curfew Violations (0).
- The department saved \$77.70 for the month of June through Fleet One. Savings for the year is \$516.17.
- Robinson reported Officer Justin Magness resigned effective July 7, 2012 to pursue a career in construction.
- Hardinsburg Police Department hired John McNally to replace officer Magness. McNally previously worked for the City of Hardinsburg Police Department and has already completed basic training through the police academy.
- HPD obtained a 30,000 watt, Onan/Cummins diesel generator valued at \$12,100.00 at no cost to the city other than costs associated with pick up. The generator has 190 hours and could run City Hall in an emergency. A trailer is also included.

FIRE DEPARTMENT:

No Report-- Fire Department is working the Breckinridge County Fair.

PLANNING & ZONING:

- Glenn Jackson reported that the recent drought has reduced the number of complaints. Jackson noted that the new restaurant across from the Justice Center will be opening around July 16 and should be a nice addition to downtown.

VEOLIA WATER:

- David Wakefield presented his report for June.
- Wakefield noted that the Repair and Maintenance section is missing, but that he will have an amended report within a few days.
- 22 water connections have been set during the month of June.
- The City has broken the 5000 water customers mark with a total of 5003 in the month of June.
- 4 main breaks have been repaired.
- Wakefield is re-negotiating contracts with Bluegrass Cellular. Bluegrass Cellular has antennas on the Axtel and Fairgrounds water towers.

MAYOR/COUNCIL COMMENTS:

Nettie Parker inquired about a street light for the end of Chambliss Drive. The area is very dark as was confirmed by Officer Brent Flood. Nettie Parker made the motion to install a street light at the end of Chambliss Drive. Motion seconded by Wilma Thomas. Motion carried with all present voting AYE.

Ruth Ann Skillman mentioned a lot of speeding on Seventh Street and her concern with a lot of children living in that area and walkers. Mike Robinson said his department looked at that last year and said the current speed limit in the area is 25 mph. Robinson advised lowering the speed limit to 15 mph.

Nettie Parker also asked about getting a hearing impaired sign installed on her street.

ADJOURNMENT: Motion by Nettie Parker to adjourn the meeting. Second by Ints Kampars. Motion carried by voice vote with all present voting AYE. Meeting adjourned at 6:37 p.m.

Wayne Macy

WAYNE MACY, MAYOR

ATTEST:

Mary Jo Hess

MARY JO HESS, CLERK/TREASURER