Hardin County Water District No. 1

Serving Radcliff and Hardin County for Over 50 Years

1400 Rogersville Road Radcliff, KY. 40160

January 27, 2012

Mr. Jeff Derouen Executive Director Kentucky Public Service Commission 211 Sower Boulevard Frankfort, KY 40602-0615 RECEIVED

JAN 27 2012

PUBLIC SERVICE COMMISSION

SUBJECT: Responses to

Responses to Data Request No. 1 - Question 25.a

RE: Application for Approval of a Contract with the United States Army

Case No. 2011-00416

Dear Director Derouen;

Attached please find our required response to Question 25.a, to Data Request #1, for Case No. 2011-00416. This is the signed agreement between HCWD1 and the Louisville Water Company. A copy of this agreement was requested by the Commission.

We are providing an original, plus ten copies. Please let us know if you need more information.

Sincerely,

Jim Bruce, General Manager

Encl; Original and 10 Copies of Filing

Cf; Mr. David Wilson II, Attorney, HCWD1

AGREEMENT

BY AND BETWEEN

HARDIN COUNTY WATER DISTRICT No. 1

AND

LOUISVILLE WATER COMPANY





TO PROVIDE

WATER TREATMENT FACILITIES OPERATIONS, MAINTENANCE, WATER QUALITY MEASUREMENT AND CAPITAL PROJECT MANAGEMENT

AT FORT KNOX, KY

AGREEMENT

WITNESSETH:

WHEREAS, the DISTRICT and LWC entered into a Memorandum of Understanding ("MOU") in July 2008 to work together to submit a proposal on the Defense Logistics Agency / Energy ("DLA" or "Government") Solicitation No. SP0600-08-R-0803 for the privatization of the potable water system at Fort Knox, Kentucky and

WHEREAS, The DISTRICT and LWC submitted the original proposal to DLA on October 9, 2008, with a second revision dated July 29, 2010, and the final proposal revision dated June 1, 2011 (collectively referred to as the "Proposal"); and

WHEREAS, DLA has negotiated a final contract for the privatization of the Fort Knox Potable Water System, and a contract was executed between DLA and the DISTRICT on September 30, 2011 for contract # SP0600-11-C-8271 ("Contract"), which Contract requires the DISTRICT to furnish all necessary labor, management, supervision, permits, equipment, supplies, materials, transportation, and any other incidental services for the complete ownership, operation, maintenance, repair, upgrades and improvements to the water utility system, and

WHEREAS, it was provided in and was the intent of the MOU that the parties negotiate in good faith an agreement providing for the performance by LWC of the scope of services generally defined therein and that this Agreement represents that effort in which LWC would provide operation and maintenance of the pumping and treatment facilities and assist with the coordination of the other parties in completing the transition of service from the DLA to the DISTRICT, initial capital upgrades and annual improvements ("hereinafter scope of services to be referred to as "Services"), and

WHEREAS, the DISTRICT desires to employ the services of LWC in the management, operation and maintenance of the pumping and treatment facilities, and that LWC desires to perform such Services for the compensation and under the terms and conditions provided for herein;

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

1. Section 1 - General Terms of the Agreement:

- a. All land, buildings, facilities, easements, licenses, rights-of-way, equipment and vehicles presently or hereinafter acquired or owned by the DISTRICT shall remain the exclusive property of the DISTRICT unless specifically provided for otherwise in this Agreement.
- b. 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. Consent shall not be unreasonably withheld, conditioned or delayed.
- c. All notices shall be in writing and transmitted to the parties' addresses and persons listed below. All

notices shall be deemed effectively given when delivered in person or after receipt of electronic mail, or receipt of paying for a private delivery service or courier, or after such notice has been deposited in the United States mail postage prepaid, if mailed certified or registered; or received by the party for which notice is intended, if given in any other manner.

d. If to the DISTRICT to:

Primary Address;

Hardin County Water District No.1 Mr. Jim Bruce, General Manager 1400 Rogersville Road Radcliff, KY 40160

Phone: 270-351-3222

Facsimile (FAX): 270-352-3055 Email: jbruce@hcwd.com

e. If to LWC to:

Primary Address;

Louisville Water Company Mr. Greg Heitzman, President/CEO 550 South Third St. Louisville, KY 40202 Phone: 502-569-3600

Facsimile (FAX): 502-569-0881 Email: gheitzman@lwcky.com With a copy to:

Mr. David Wilson Skeeters, Bennett, Wilson & Pike 550 West Lincoln Trail Blvd. Radcliff, KY 40160 Phone: 270-351-4404

Facsimile (FAX): 270-352-4626 Email: david.wilson@sbw-law.com

With a copy to:

Louisville Water Company
Ms. Barbara Dickens, General Counsel
550 South Third St.
Louisville, KY 40202
Phone: 502-569-3600
Faccing to (FAX): 502-560-0850

Facsimile (FAX): 502-569-0850 Email: <u>bdickens@lwcky.com</u>

- f. It is understood that portions of the DISTRICT's Contract with DLA are set forth in Appendix B of this Agreement and that the requirements therein are a part of this Agreement and LWC hereby agrees to comply with any and all requirements thereof which apply to any major sub-contractor of the DISTRICT in performance of the terms of the Contract:
 - i. LWC also understands and agrees that as a sub-contractor to the DISTRICT, that certain Federal Acquisition Regulations ("FAR's") will apply to LWC and that LWC is solely responsible to investigate, research and understand the requirement of each applicable FAR and how the FARs may affect its obligations pursuant to this Agreement.
 - ii. LWC also understands and agrees that as a sub-contractor to the DISTRICT, that certain sections and requirements of the Contract between the DISTRICT and DLA also will apply to LWC and understands that LWC is solely responsible to investigate, research and understand the requirement of each applicable Contract section set forth in Appendix B and how those may affect its obligations pursuant to this Agreement.
- g. Designated Representative: Prior to the commencement of work under this Agreement, each party shall designate in writing an employee or other representative of the designating party who shall have full authority to approve changes in the scope of work encompassing the Services, execute written Change Orders reflecting such changes, render decisions promptly, and furnish information expeditiously to the other party when necessary.

- h. The services provided under this Agreement are of a professional nature and shall be performed in accordance with proper and accepted industry practices for contract operators similarly situated. However, such services shall not be considered professional engineering services, and nothing herein is intended to imply that LWC is to supply professional engineering services to the DISTRICT, except as set forth in Section 9 of this Agreement.
- i. Nothing in this Agreement shall be construed to create in any third party or in favor of any third party any right(s), license(s), power(s) or privilege(s).
- j. Venue and Governing Law: This Agreement shall be governed by the laws of the Commonwealth of Kentucky, excluding any choice of law rules, which may direct the application of the laws of any other jurisdiction. Any action taken to enforce this Agreement shall be subject to venue in Hardin County, Kentucky, to the exclusion of all other appropriate venues.
- k. Severability: If any provision of this Agreement is deemed invalid or illegal, such provision will be deemed amended to conform to applicable laws so as to be valid and enforceable, or if it cannot be so amended without materially altering the intention of the parties, it will be stricken, and the remainder of this Agreement will remain in full force and effect.
- 1. Dispute Resolution: In the event of dispute between the DISTRICT and LWC directly relating to the subject-matter of this Agreement, the parties shall immediately enter into discussions to arrive at a mutually satisfactory solution to said dispute. If a mutually satisfactory solution cannot be reached between LWC and the DISTRICT, then the parties agree that any disputes shall first be mediated by a professional mediator based in Kentucky and mutually agreed to by both parties. The parties agree to share the cost of the mediation equally. If mediation fails to resolve the dispute between the parties, then the parties have the rights available to each to pursue litigation to decide the dispute. The party that prevails after a final decision of the matter shall be entitled to its reasonable attorneys' fees directly attributable to the dispute, in addition to any other relief to which it may be entitled.
- m. Work Deliverables: All documentation pertaining to any and all services and work performed, pertaining to this contract including, but not limited to: photos, videos, compact disc, studies, data, computations, reports, etc., shall be provided to the DISTRICT upon request. Moreover, LWC hereby agrees that all photos, videos, studies and related data, drawings, reports and any other data completed as a deliverable requirement under this Agreement is the sole property of the DISTRICT.
- n. Labor Dispute: In the event activities by employee groups or unions cause a disruption in LWC's ability to perform at the Project, the DISTRICT, with LWC's assistance or LWC at its own option, may seek appropriate injunctive court orders. During any such disruption, LWC shall operate the facilities on a best efforts basis until any such disruptions cease.
- o. Force Majeure: Neither party shall be liable for its failure to perform its obligations under this Agreement if such failure is due to any unforeseen circumstances beyond its reasonable control. However, this Section may not be used by either party to avoid, delay or otherwise affect any payments due to the other party.
- p. Entire Agreement: This Agreement constitutes the entire understanding and agreement between the parties relating to the services provided by LWC to the DISTRICT and supersedes any and all prior agreements whether written or oral, which may exist between the parties regarding the Services.

This Agreement may be amended only by a written instrument, entitled an "Amendment" of the Agreement properly executed by each party. Pursuant to Section 9 herein, Additional Work may be agreed to between the parties and committed to in writing through use of an "Assignment" from this Agreement.

2. Section 2 - LWC Status as Contractor, Sub-Contractor:

- a. The parties agree that LWC shall be an independent contractor and both LWC and its employees, sub-contractors and agents shall not be an employee of the DISTRICT.
- b. LWC shall not employ any subcontractor, supplier, or other individual or entity against whom the DISTRICT may have reasonable objection. LWC shall not be required to employ any subcontractor, supplier or other individual or entity to furnish or perform any of LWC's work against whom LWC has reasonable objection.
- c. LWC shall be solely responsible for scheduling and coordinating their employees, sub-contractors, suppliers and other individuals and entities performing or furnishing any of the work under a direct or indirect contract with LWC. All work performed for LWC by a subcontractor or supplier will be pursuant to an appropriate sub-agreement or purchase order between LWC and the subcontractor or supplier which specifically binds the subcontractor or supplier to the applicable terms and conditions of this Agreement.
- d. LWC shall be responsible to ensure that any of its subcontractors or awarded contracts, if above the amount required by State laws, comply with and are notified of Prevailing Wage laws in accordance with Kentucky Revised Statute 337, or other applicable laws or regulations.
- e. LWC agrees to cooperate with other DISTRICT subcontractors, engineers, consultants or other agencies that would not be under contract to LWC but to the DISTRICT which said cooperation may require reasonable access to data and reports, access to facilities owned by the DISTRICT or sharing other information about the operations of the Project as requested by the DISTRICT.

3. Section 3 - Agreement Term:

- a. The Initial Term of this Agreement shall be five (5) years commencing on February 1, 2012 ("Commencement Date"). Thereafter, this Agreement shall be automatically renewed for successive terms of five (5) years each, unless canceled in writing by either party no less than one hundred and eighty (180) days prior to expiration of the Initial or a Renewal Term.
- b. The DISTRICT may terminate this Agreement if DLA terminates the Contract with the DISTRICT. DISTRICT shall forward written notice of termination by DLA to LWC. Either party may terminate this Agreement at any time for a material breach of the Agreement by the other party only after giving written notice of breach and only after allowing the other party ninety (90) days to cure, or to commence taking reasonable steps to cure, the breach.
- c. Upon notice of termination by the DISTRICT, LWC shall assist the DISTRICT to assume providing the Services of the Contract. If additional cost is incurred by LWC at request of the DISTRICT, the DISTRICT shall pay LWC such cost within the same terms of a routine monthly invoice as provided for herein.
- d. Upon termination or expiration of this Agreement, equipment and other property purchased by

LWC for use specifically in the operations of the Work Sites, as defined specifically in Section 4 of this Agreement, and to provide Services shall become the property of the DISTRICT unless the property was directly paid for by LWC and the payment was not reimbursed by the DISTRICT, or this Agreement provides to the contrary.

e. Stop Work Order or Partial Termination of Work Tasks: Should the DISTRICT receive a Stop Work Order or Partial Termination of Work Tasks notice from DLA, the DISTRICT reserves the right to stop work or partially terminate any of the tasks identified in the description of duties sections upon thirty (30) days' written notice to LWC. Said Stop Work Order or Partial Termination of Work Tasks may only be issued to LWC in direct and proportional response to a stop work order or partial termination of the DISTRICT's Contract issued by DLA and which reduces the amount of revenue or fees paid to the DISTRICT. It is understood by the parties that any Stop Work Order or Partial Termination of Work Tasks may adversely impact LWC's ability to perform some or all of its obligations under this Agreement. Should such an impact occur, LWC will bring it to the attention of the DISTRICT in writing, but in no event shall LWC be responsible for non-compliance or failure to perform resulting therefrom.

4. Section 4 - LWC General Duties:

- a. The Services provided by LWC shall include operating, maintaining and repairing: 1) the Central Water Treatment Plant ("CWTP"); 2) the Muldraugh Water Treatment Plant ("MWTP"); 3) the McCracken Spring Pump Station (including emergency generator facility); 4) the West Point Well Field wells (total of 15 existing wells); and, 5) raw water transmission mains (Muldraugh 14" and 24"mains and McCracken Springs 16" mains), which facilities collectively shall be referred to herein as "Work Site[s]" and which overall operation, maintenance and repair of the Work Sites. All Work Sites shall be operated by LWC so as to provide reliable, cost-effective, and compliant service over the term of the Agreement as described herein. The specific duties to be provided by LWC is set forth in more detail herein below in this Agreement.
- b. The Services do not include the following specific facilities, which shall be operated and maintained by DISTRICT forces: the potable water distribution system (the system after the water treatment plants'(WTPs) finished meters, including the meters), hydrants, valves, water storage tanks (excluding clearwell tanks at WTP's) and all other facilities not connected to or within the general grounds of the WTPs. The Fort Knox installation (hereinafter "Fort Knox") will retain ownership of McCracken Springs, Otter Creek Impoundment and the West Point Wellfields.
- c. LWC shall establish, maintain and adhere to a Quality Management Plan as described in Section C.12 in the Contract and Section I.2.2 in the Proposal. LWC may utilize an existing plan it has or uses, but the plan document shall be modified as needed specific to the work under this agreement, and said plan shall be kept on site at the LWC Fort Knox office, and modified as needed when conditions or work requirements change.
- d. The DISTRICT reserves the right to monitor and evaluate the progress and performance of LWC to assure that the terms of this Agreement are being met in accordance with applicable water treatment industry monitoring and evaluating criteria and standards. LWC shall cooperate with the DISTRICT relating to such monitoring and evaluation including providing full access to the Work Sites at any time.
- e. LWC shall provide a Safety & Security resource, as set forth in the Proposal (page I-21), which resource shall have the responsibility to coordinate and oversee efforts as described in Section I.4.5

of the Proposal. These efforts may require field inspections, training, training materials or overseeing the quality of other safety program related contractors hired by the DISTRICT to provide similar functions at the Work Sites. In the event of a safety violation or concern from the Government, the LWC representative may also be required to attend meetings or provide written responses to inquiries.

- f. LWC shall develop and/or supply and utilize computerized programs for process control, water quality and regulatory compliance and laboratory Quality Assurance/Quality Control (the system software and support shall be as specified and provided by the DISTRICT).
- g. LWC shall train its employees to utilize a Computer Maintenance Management System (CMMS), which use and implementation shall follow the programs set forth in the Proposal, (page I-26). The DISTRICT will purchase and install the system and pay and maintain any support agreements related to the CMMS.
- h. LWC shall provide sufficient financial information, if requested by the DISTRICT, for the purposes of preparing accounting reports that classify costs into NARUC's Uniform System Chart of Accounts categories and the Kentucky Public Service Commission ("KPSC"). In lieu of duplicate reports, LWC may produce for the DISTRICT a digital computer file with its costs allocated to its own account numbers, into a spreadsheet or database program, with sufficient other explanation or use for each expense for the DISTRICT to further categorize the expenses.
- i. LWC shall be responsible for all aspects of producing and distributing an annual Consumer Confidence Report (CCR) if a separate CCR for Fort Knox system is required in accordance with United States Environmental Protection Agency ("USEPA") and Kentucky Environmental Protection Cabinet Division of Water ("KYDOW") regulations. If a separate CCR is not required, LWC will provide all required data to DISTRICT in timely manner for the combined CCR that the DISTRICT will be responsible to produce and distribute.
- j. LWC shall enter into a joint use agreement with the telephone company, cable television company, internet service and other utility service providers providing services at Fort Knox, as needed, if required to operate facilities at or within the Work Sites.
- k. Prior to operating two-way, portable, or land mobile devices on the installation LWC shall obtain approval through the DISTRICT who will then make formal request to DLA or the appropriate Fort Knox Directorate.
- 1. LWC will be responsible for acquiring janitorial services, building maintenance, grounds maintenance or other services as required to operate and maintain the Work Sites.
- m. LWC shall provide the vehicles as required to perform the Services. Those vehicles shall be readily identifiable as to include both the DISTRICT and LWC on the graphics, signs or logos on each vehicle, where practical.
- n. LWC shall respond to emergency and crisis situations related to its obligations under this Agreement as described in the Contract and Proposal.
- o. LWC shall comply with all applicable environmental laws and regulations and standards for work in and around environmentally sensitive or contaminated property as required in the Contract.

- p. In the event of Government Mobilization or Other Contingencies, LWC shall promptly take those measures requested by the DISTRICT to meet any new demands placed upon the DISTRICT as described in Section H.1 of the Contract. Additional Work of LWC under these circumstances may entitle LWC to an equitable fee adjustment in accordance with Section 9 of this Agreement.
- q. As a part of its duties under the Agreement, LWC shall comply with all applicable laws on occupational safety and health, the handling and storage of hazardous materials included in its scope of work and the proper handling and disposal of hazardous wastes and hazardous substances generated by LWC during its activities as described in Section H.9 of the Contract. LWC shall maintain current Material Safety Data Sheets (MSDS) on any applicable materials used at the work sites. Any changes for such efforts shall be included in LWC's costs.
- r. LWC shall provide periodic reports to the DISTRICT for their use and for dissemination to the Government. These reports will include:
 - i. monthly operating report ("MOR") to be provided directly to the KDOW by the date required by KDOW each month or, in the event the MOR must be submitted directly to KDOW by the DISTRICT, in time for it to be provided to KDOW;
 - ii. a monthly management report ("MMR") that includes information as required for the DISTRICT to meet the requirements of the DISTRICT's contract with the Government, work orders completed, maintenance/rehabilitation/replacement efforts undertaken, outages, and results of measures; and
 - iii. annual management report ("AMR") by March 1st reporting a summary of the previous year's activities and results.
- s. LWC will also assist the DISTRICT by providing information required for the annual KPSC report due by February 1 each year and the Upgrades, Renewals and Replacement Plan required by the Government by February 1 of each year.

5. Section 5 - LWC Personnel Related Duties:

- a. LWC shall recruit and hire qualified employees or use existing employees as needed to complete all Services pursuant to this Agreement. LWC agrees that its employees are not employees of the DISTRICT and will not be entitled to any benefits, wages or legal protection afforded to an employee of the DISTRICT. DISTRICT agrees that its employees are not employees of LWC and will not be entitled to any benefits, wages or legal protection afforded to an employee of LWC. All expense, wages and other expenses related to LWC's employees shall be paid by LWC and included in the Annual Fixed Fee paid by the DISTRICT.
- b. LWC shall employ only qualified personnel, and when required by the Services, those personnel holding the required State or Federal certifications or licenses.
- c. LWC shall not employ any person for the Services if such person is identified as a potential threat to the health, safety, security, general wellbeing, or operational mission of Fort Knox or population as described in C.5.2 of the Contract, or any other person whose employment would violate an existing State or Federal law.
- d. LWC's personnel shall present a neat appearance and be readily recognized as LWC employees. LWC shall ensure each employee receives and carries an ID card that shall include, at a minimum, the employee's name, photograph and LWC's name as described in C.5.2.2 of the Contract.

- e. LWC shall provide sufficient information to obtain complete and favorable National Agency Check (NAC) investigations for its employees for unescorted entrance into restricted areas on the installation as described in C.5.2.5 of the Contract and LWC shall apply for personnel security clearances required for providing the Services as described in C.5.2.6 of the Contract.
- f. The planned personnel and job titles to be provided by LWC to carry out the Services shall be:
 - i. 1 Water Treatment Project Supervisor (may be less than full time);
 - ii. 1 Plant Maintenance Manager / Technician (may be less than full time);
 - iii. 3 Treatment Plant Mechanic/Electrician/I&C (may not all be on-site full time);
 - iv. 5 Water Treatment Plant Operators (subject to change due to operating schedules and/or future closure of WTP's); and
 - v. 1 Safety and Security Manager (may be less than full-time and for the implementation of the Transition Plan set forth in C.13 of the Contract).
- g. LWC shall maintain and if requested provide to the DISTRICT a current list of employees providing Services under the Agreement to include full name, home address, date of birth, driver's license number and social security number.
- h. LWC shall provide ongoing training and education for appropriate personnel including best practice methods of water treatment process control, operations, maintenance, safety, and supervisory skills.
- i. LWC shall operate, maintain and/or monitor the Work Sites as many hours as needed for the DISTRICT to comply with the Contract and to meet State and Federal regulations related to public drinking water systems.
- j. LWC agrees to provide person(s) as needed to attend planning, technical, water quality or capital project meetings that have been scheduled by the DISTRICT or DLA and may be held on the installation (Fort Knox offices) or at DISTRICT offices.

6. Section 6 - LWC Transition Services:

- a. LWC shall assist and contribute to carrying out the Transition Plan as required in Section C.13 of the Contract and as set forth in Section I.4 of the Proposal, especially regarding the hiring of any Government employees, supplying and training employees for water treatment related work, development of standard operating procedures, and all other transition related tasks that LWC must provide.
- b. LWC shall assist the DISTRICT in the transition from DLA to DISTRICT ownership including all meetings, tasks, measurements, documentation and certification required.
- c. In accordance with the Transition Schedule, as shown on Exhibit I.4-1 of the Proposal, LWC shall assist with all inventory stored at the Work Sites, including to provide the DISTRICT a list of the inventory available (including chemicals and consumables) and the condition of each piece of equipment whether operable or inoperable that will be required to be provided or repaired in order for LWC to carry out the Services pursuant to this Agreement.
- d. LWC shall offer first right of refusal of employment to those Government workers qualified and employed in water treatment operations and maintenance, who are adversely impacted by the

- DLA's award of the Contract to the DISTRICT. Said hiring, interviewing and employment process shall be as set forth in Section I.4.2 of the Proposal.
- e. By start-up, if an insufficient number of existing staff do not accept an offer of employment, LWC will provide staff to provide the Services under this Agreement with employees who have met appropriate licensing and certification requirements of the for the Services.

7. Section 7 - LWC Water Treatment Plant Operations:

- a. LWC must initially operate two (2) water treatment plants, as described herein. It is expected that the MWTP will be operated no longer than five (5) years from the commencement date. The parties agree to work together in an effort to decommission the MWTP as soon as practical but no more than five (5) years from the commencement date of this Agreement and pursue a replacement water source.
- b. The CWTP is anticipated to be operated indefinitely, unless DLA approves its closure at a future date. The DLA has indicated in Section 7.C of the Contract it intends to find a replacement source of water to replace the MWTP water supply, which future source may also allow future closure of the CWTP.
- c. Regardless of the closure date of the MWTP, LWC agrees that once it is closed it will no longer receive any compensation or payment related to the operations and maintenance of MWTP, and LWC's compensation thereafter will only be that compensation for the continued operations and maintenance of the CWTP and other tasks encompassed within the Services as set forth in this Agreement or requested by the DISTRICT.
- d. LWC shall be responsible to collect and report results of all required water sampling and testing by the KYDOW, the USEPA or a local health agency or department (fluoride reporting) to include completing and submitting forms as required, including the MOR. All copies of regulatory forms shall also be copied and forwarded to the DISTRICT and other Government (including local Fort Knox Directorates) offices, as requested. Said sampling and reporting shall include distribution system "Bac-T" samples and reporting.
- e. LWC will provide laboratory testing and sampling by a licensed and certified Public Drinking Water laboratory as required by the Safe Drinking Water Act, other state or local rules, regulations, statutes, ordinances, permits, licenses, orders or decrees. LWC shall keep results of said testing and reports readily available at the CWTP office for inspection, review and copying by the DISTRICT or Government, whenever requested during the term of this Agreement. Upon termination of this Agreement, LWC shall transfer possession and control of all records to the DISTRICT, which shall then have exclusive responsibility for maintaining such records according to any regulatory or other requirements.
- f. To the extent possible, LWC shall establish a Taste & Odor ("T&O") panel made up of persons living or working at Fort Knox, which panel may include DISTRICT or LWC employees and shall operate similar to a panel LWC uses for its regular retail customers of LWC. Said effort shall be to provide early detection of any objectionable T&O characteristics of the potable water being provided for Fort Knox, and provide feedback to LWC of any adjustments needed to the treatment process.
- g. LWC agrees to consult with and receive approval from the DISTRICT prior to making any major or

significant changes in the water treatment process, chemical dosages or types that will cause a fee increase from LWC or will change the T&O characteristics or customer service pressures of the finished water.

- h. LWC shall be responsible for all maintenance, repairs and improvements of both WTP's as described in Appendix A. Said work included in the Services under the Agreement shall include carrying out all scheduled, un-scheduled, preventive and corrective work orders as produced by the CMMS program.
- i. LWC shall be responsible for maintaining all manufacturers' warranties on new equipment purchased by the DISTRICT and assist the DISTRICT in enforcing existing equipment warranties and guarantees.
- j. LWC shall provide the DISTRICT with reports as requested that state preventive maintenance has been performed in accordance with manufacturer's recommendations at intervals and in sufficient detail as may be determined by the DISTRICT. Such reports may need to be modified as requested by Fort Knox or DISTRICT officials and may be combined into a single submittal.
- k. LWC may modify processes and/or facilities to provide the Services under this Agreement and charge the costs to the Maintenance and Repair Limit ("MRL") as set forth in Appendix A; however no modification shall be permitted prior to receiving notice of the DISTRICT's prior approval if the complete modification cost shall be in excess of two thousand five hundred (\$2,500) dollars.
- 1. In any emergency affecting the safety of persons and/or property, or an emergency threatening the quality or supply of water, LWC may act without written amendment or change order, at LWC's discretion, to prevent threatened damage, injury or loss, or regulatory violation. LWC shall notify the DISTRICT of the emergency within 48 hours of the event or as soon as practical to do so. LWC shall be compensated by the DISTRICT for any such emergency work notwithstanding the lack of a notice of approval. Such compensation shall include LWC's costs for the emergency work plus a reasonable mark-up for general administrative overhead.
- m. Routine work, such as the scheduled repair, replacement, or removal of system components that require service interruption, shall be coordinated with the DISTRICT as described in C.9.2.1 of the Contract.

8. Section 8 - LWC Capital Improvements and Program:

LWC shall assist the DISTRICT in preparing an Annual Renewal and Replacement Plan which shall be submitted to the Government no later than February 1 of the first full year following the Contract award (2012). LWC's assistance shall include; recommending improvements, providing conceptual design and cost estimates, procuring contractor quotes, bids and/or proposals as applicable, and filling out any annual budget forms as requested by the DISTRICT.

9. Section 9 - LWC Scope Changes / Additional Work:

a. <u>Scope Change</u>. A Scope Change shall mean increased or expanded Services requested or initiated by the DISTRICT or in response to a request by LWC, which are part of the routine and base services provided under this Agreement. Examples of Scope Changes include but are not limited to change in regulatory water quality parameters, source water quality change, water quantity demand

- increase that increases the average daily demand from the initial year after the commencement date by more than twenty percent (20%), or other changes beyond the control of the DISTRICT or LWC that significantly increase the costs of LWC providing the Services set forth under this Agreement.
- b. Additional Work. LWC agrees to consider Additional Work if requested by the DISTRICT. The DISTRICT's requests shall be in writing, and LWC agrees that if it is willing and able to do the Additional Work it will provide the DISTRICT with a written proposal no later than twenty-one (21) days after it receives the request. Said response shall include the description of the Additional Work; deliverables to be provided; and costs for materials, labor, contractors, outside services (subcontractors) and overhead. Examples of Additional Work that may be requested by the DISTRICT of LWC include;
 - i. <u>Capital Project Design:</u> LWC would provide professional services by licensed engineers and provide calculations, preliminary design reports, final design drawings or exhibits and other services as required for the DISTRICT to design a capital project.
 - ii. <u>Capital Project Construction Administration</u>: LWC would develop specifications and other contract documents; coordinate and secure permits; prepare bid documents; receive and evaluate quotes, bids and proposals with written summary and recommendation; conduct bidder prequalification; and other capital project administration responsibilities on the DISTRICT's behalf.
 - iii. Construction Inspection / Resident Representative: LWC would provide an inspector to provide on-site inspection and DISTRICT representation during construction of a capital project. LWC would be responsible to observe and report on quality of work by contractor, keep diary and photographs of construction, measure quantities of work installed, review and recommend periodic payments, attend pre-construction and progress meetings, discuss with engineer field changes or problems encountered and all other duties typically required of a professional resident representative / inspector.
 - iv. <u>Joint Purchasing:</u> The DISTRICT may request that materials, professional services, equipment or supplies that LWC purchases annually be expanded in specification, quantity or delivery points to accommodate the needs of the DISTRICT. Said added work may require LWC to describe DISTRICT items or specifications in their bid documents, delivery points and increase annual quantities. These services are limited only to similar or exact items the LWC already purchases. Any other contractual documents or legal requirements needed to allow the DISTRICT to purchase under a LWC bid or purchase contract would be the responsibility and expense for the DISTRICT to provide; however LWC agrees to cooperate as needed to provide the DISTRICT these services and benefits described in this section.
 - v. <u>Leased Employees:</u> LWC agrees that it will consider a separate agreement, if needed, to provide existing employees to work on DISTRICT projects or for the benefit of the DISTRICT, on a temporary basis. Types of skills or titles needed may include; Engineers, GIS/Engineering Technician, Mechanical / Electrical / Controls Technicians, Inspectors, Public Affairs, Financial Analyst, Customer Service Representative, Distribution System Operators or Water Treatment Operators, or other positions typically employed by a water utility. Each request shall be treated individually and the DISTRICT would be required to pay all costs related to this employment, including LWC's standard administrative overhead rate.
 - vi. Mutual Aid Emergency Assistance. The parties agree that, should there be a large-scale

emergency disaster affecting one of the parties, the other party shall use its best efforts to provide assistance during the emergency to the other party until such time as the immediate threat from the emergency has ended or is substantially mitigated. Such assistance may include, but is not limited to, technical and managerial expertise either in an advisory or direct capacity for sustaining the operations of the water supply system, supplemental manpower, and loaned supplies. Both parties agree that the other party is not expected to put its own operations at risk of substantial operating risk by providing the assistance. Each party agrees to indemnify and hold the other harmless from any advice or assistance received for which a third party may claim damages as a result thereof.

- c. LWC may decline any request to provide Additional Work for the DISTRICT if LWC believes it does not have the available resources, does not have the expertise, believes the Additional Work will place an undue burden on LWC's own customers, employees or vendors or will violate the terms of an existing union or labor agreement, or, the Additional Work will increase liability or risk exposure for LWC.
- d. Notwithstanding the allowance of a Scope Change or annual fee increase, prior to LWC adding any new full-time personnel positions under this Agreement or added equipment or vehicles that were not existing as of February 1, 2012, LWC shall provide notice of its intention to do so to the DISTRICT for review and approval by the DISTRICT. The DISTRICT shall make final determination whether to approve said additions, utilize existing project resources, or defer additions until a future date. The DISTRICT agrees it will not deny a request unreasonably or without clear cause or reason. LWC reserves the right to go forward with the additional personnel, vehicles or equipment at its own expense should it not agree with the DISTRICT'S determination. This provision requiring prior approval does not apply to requests made by the DISTRICT to LWC as a Scope Change or requested Additional Work.
- 10. <u>Section 10 DISTRICT Duties:</u> This Agreement requires the DISTRICT to perform certain tasks and activities and responsibilities that have been agreed to and are generally as follows;
 - a. The DISTRICT shall request funding as needed from the DLA to fund and provide all necessary Capital Upgrades and Annual Renewal and Replacement Plan projects. Priority shall be given to safety related or public health related expenses described in the Annual Capital Upgrades and Renewal and Replacement Plan prepared and submitted to the DISTRICT with the assistance of LWC. Any loss, damage, or injury resulting from the DISTRICT's failure to provide capital improvements and/or funds in excess of the annual Maintenance and Repair Limit (MRL), when reasonably requested by LWC, shall be the sole responsibility of the DISTRICT.
 - b. The DISTRICT shall keep in force all project warranties, guarantees, easements and licenses that have been granted to the DISTRICT and are not transferred to LWC under this Agreement.
 - c. The DISTRICT shall pay all excise, ad valorem, property, franchise, occupational or other fees associated with the Project, if any, other than fees or taxes imposed upon LWC's net income and/or payroll taxes for LWC's employees.
 - d. The DISTRICT shall provide LWC, within a reasonable time after request and on an "as available" basis, with the temporary use of any piece of the DISTRICT's heavy equipment that is available so that LWC may discharge its obligations under this Agreement in the most cost effective manner.
 - e. The DISTRICT shall be responsible for accomplishing, with LWC's assistance, all required Initial

System Deficiency Upgrades, which have been funded by DLA to maintain and operate the utility system and sites in a safe, reliable condition.

11. Section 11 - Fees and Compensation:

- a. The parties agree that the Services shall be compensated according to Appendix A, Applicable Fees and Compensation, which sets forth the amounts that will be paid to LWC under the terms and requirements of this Agreement.
- b. Budget Year: For the purposes of this Agreement and for fees to be in place for a year at a time, the fiscal or budget year will be twelve calendar months commencing January 1 (January ~ December) of each year.
- c. In accordance with the DISTRICT's Contract with DLA, the DLA will provide at no cost natural gas, water, electricity, and wastewater services required to operate the Work Sites. Should the DLA's provision of such utilities change and LWC is required to pay directly for utilities consumed to perform its obligations hereunder, LWC shall be entitled to an equitable adjustment to the compensation provided for the Annual Fixed Fee as defined in Appendix A.
- d. Any increases in the Annual Fixed Fee shall be negotiated prior to September 1 of each year. LWC agrees to provide sufficient accounting and actual expense information to show its increased costs when submitting a request for a fee adjustment. LWC also agrees to cooperate with the DISTRICT in meetings or additional information requests if requested by the Government or the Kentucky Public Service Commission (KPSC). The parties agree that any such increase to the Annual Fixed Fee requested by LWC shall be subject to the following: 1) The DISTRICT's Board of Commissioners approves the requested increase, 2) DLA agrees to pay the DISTRICT the additional compensation, which will allow the DISTRICT to pay LWC the additional requested amount, and 3) An equivalent increase in the tariff rate from the DLA to the DISTRICT, which are contingent upon the approval of the KPSC. Until such time the three approvals are provided, no such additional compensation shall be paid to LWC. The DISTRICT shall indemnify and hold LWC harmless from non-compliance of a change of law or regulatory change affecting service or treatment requirements and any fines or penalties resulting therefrom or non-compliance with any other obligation under this Agreement, until such time the requested fee increase is approved.

12. Section 12 - Method & Frequency of Payments:

- a. LWC shall invoice the DISTRICT monthly, on the first day of each month prospectively, an amount equivalent to One-twelfth (1/12) of the Annual Fixed Fee for the current year and the monthly Maintenance and Repair Limit (MRL). The DISTRICT shall invoice the GOVERNMENT by the end of the same month and shall pay LWC within thirty (30) days after the DISTRICT has received payment from the GOVERNMENT.
- b. Initial Government Payment Delay: A potential delay in the DLA initially paying the DISTRICT after the first month of performance may result in a potential delay of the DISTRICT paying LWC for the first payment. LWC agrees to not suspend work for up to ninety (90) days after the completion of the first month of service in the event of such a potential payment delay.
- c. LWC shall provide an invoice (individual amounts may be shown on single invoice) equal to the monthly installment for reimbursement of proposal development costs as shown on Appendix A. Invoices may be submitted on or before the thirtieth (30th) day of each month and no more than

once for each thirty day period.

- d. LWC agrees to keep a separate accounting of any capital expense over \$1,000 with a description of the item that was added. This is required to allow the DISTRICT to properly add these items to its fixed asset schedule and begin accounting for depreciation expense. For this section, a capital expense is defined as a single expense, which will last more than two years, is not a supply or commodity replacement, and which is a new item or significantly extends the life an existing item.
- e. LWC shall invoice the DISTRICT separately for any other agreed Additional Work costs. Each charge for Additional Work shall reference the DISTRICT's project name and project number.
- f. LWC shall invoice the DISTRICT one time for the payment of Transition Costs, which have been agreed to and listed in Appendix A.
- g. All other compensation due to LWC is due upon receipt of LWC's invoice and payable within thirty (30) days after DISTRICT receives payment from the DLA.
- h. The DISTRICT reserves the right to make payment to LWC electronically or by ACH bank transfer (wire) method into an account as designated by LWC and any added costs for said payment method shall be paid or absorbed by each party whose own bank or bank account sending or receiving payment assesses said fee(s).

13. <u>Section 13 - Insurance Requirements:</u>

- a. During the duration of this Agreement, LWC shall maintain a self-insured retention of \$1,000,000 for general and auto liability claims by third parties. In addition thereto, LWC shall procure and keep in force excess liability insurance, including errors and omissions that result in third-party bodily injury, property damage or personal and advertising injury claims, above its self-insured retention with policy limits of not less than \$35,000,000 per occurrence.
- b. During the duration of this Agreement, LWC shall maintain a self-insured retention of \$500,000 for workers' compensation claims by employees. In addition thereto, LWC shall maintain excess workers' compensation insurance with statutory limits and maintain employer's liability limits of \$1,000,000 above the self-insured retention.
- c. During the term of this Agreement, LWC shall maintain the insurance coverage described in Sections 13 (a) and (b) above and the DISTRICT shall be given written notice of any material changes to the self-insured retentions, policy terms and conditions or policy limits.
- d. All policies described in the foregoing sections shall be written through companies duly authorized by the Commonwealth of Kentucky to write that class of insurance in the Commonwealth of Kentucky.
- e. All applicable insurance policies to this Agreement shall require that a minimum of 30 days' written notice shall be provided to the parties prior to cancellation, termination or alteration of terms and conditions. Certificates of insurance, or copies of policies if requested, shall be provided to the respective parties prior to February 1, 2012 with evidence of all renewals during the term of the Agreement being provided not less than ten (10) days prior to expiration.
- f. The LWC excess general liability policy must include completed operations coverage and the

policy must remain in force for 12 months after the Agreement terminates.

h. LWC agrees to maintain insurance coverage with policy limits for general and auto liability, at a minimum, as follows:

i.	Per Occurrence	\$35,000,000
ii.	Personal and Adv. Injury	\$35,000,000
iii.	Completed OP Aggregate	\$35,000,000

- i. The DISTRICT agrees to also maintain insurance coverage equivalent to:
 - i. During the duration of this Agreement, policy limits of at least \$2,000,000 per occurrence for general and auto liability claims by third parties.
 - ii. Statutory workers' compensation for all of the DISTRICT's employees associated with the Agreement as required by the Commonwealth of Kentucky and the DLA.
 - iii. Property damage and bodily injury liability insurance for all equipment and vehicles owned by the DISTRICT and operated by LWC under this Agreement. Any property, including vehicles, not properly or fully insured shall be the financial responsibility of the DISTRICT.

14. Section 14 - Indemnity and Liability:

- a. LWC agrees to indemnify and hold the DISTRICT harmless from and against all third party claims, demands, liability, damages, suits, actions or causes of action of every kind and nature, which may be brought or asserted against the DISTRICT to the extent caused by the negligent acts, errors or omissions of LWC or its agents, employees, consultants, contractors or sub-contractors in the performance of this Agreement.
- b. DISTRICT agrees to indemnify and hold LWC harmless from and against all third party claims, demands, liability, damages, suits, actions or causes of action of every kind and nature which may be brought or asserted against LWC to the extent caused by the negligent acts, errors or omissions of the DISTRICT or its agents, employees, consultants, contractors or sub-contractors in the performance of this Agreement.
- c. Neither party nor their affiliated companies, nor the officers, agents and employees of any of the foregoing shall be liable to the other in any action or claim for consequential or special damages, loss of profits, loss of opportunity, loss of product or loss of use. Any protection against liability for losses or damages afforded any individual or entity by these terms shall apply whether the action in which recovery of damages is sought is based on contract, tort (including sole, concurrent or other negligence and strict liability of any protected individual or entity), statute or otherwise. To the extent permitted by law, any statutory remedies which are inconsistent with these terms are waived.
- d. The DISTRICT shall be liable for those fines or civil penalties imposed by any regulatory or enforcement agencies on the DISTRICT and/or LWC that are not a result of LWC's negligence, willful misconduct and or omissions, or are otherwise directly related to the ownership of the Project and shall indemnify and hold LWC harmless from the payment of any such fines and/or penalties.

- e. LWC shall be liable for those fines or civil penalties imposed by a regulatory or enforcement agency for violations occurring on or after February 1, 2012 that are a result of LWC's negligence, but only as directly related to LWC's duties and responsibilities under this agreement. The DISTRICT will assist LWC to contest any such fines in administrative proceedings and/or in court prior to any payment by LWC. LWC shall pay the cost of any such contest.
- f. Except as otherwise expressly provided herein, DISTRICT and LWC each waive, for themselves and anyone claiming by, through, or under either party, any subrogation rights they have or may have against the other party and any claim against the other party which may arise during the term hereof with respect to any loss or damage to their property or the property of others which is covered, or required to be covered by the terms hereof, by property insurance or casualty insurance carried by the damaged party.
- g. The indemnification referred to herein includes any expenses and attorney fees which the indemnified party may incur in defending any such claims. The indemnification herein shall in no way be limited by or to the insurance carried by the indemnified party, and shall survive the expiration or termination of this agreement.

15. Section 15 – Miscellaneous Provisions

LWC and DISTRICT shall endeavor to enter into a wholesale water supply contract to obtain from LWC a reliable, abundant and redundant source of supply from the same pipeline and facilities that LWC will deliver water to Fort Knox and/or the District. If successful, DISTRICT and LWC will thereafter strive to collaborate in the design, construction and installation of a transmission main to the DISTRICT and Fort Knox. The term of the wholesale supply contract will be either a standard wholesale term of 40 years or for the same time period of the Government's privatization of the Fort Knox Potable Water System.

WITNESSETH; Both parties indicate their approval of this Agreement by their signatures below, and each party warrants that all corporate or governmental actions necessary to bind the parties to the terms of this Agreement have been undertaken.

HARDIN COUNTY WATER DISTRICT No. 1;

By:

William J. Rissel Chairman of Board of Commissioners

By:

John Tindall, Secretary of Board of Commissioners

Louisville Water Company

By:

Gregory C. Heitzman, President and CEO

NOTARY STATEMENTS:

Hardin County Water District No. 1
County of Hardin)
Commonwealth of Kentucky)
On this 18th day of 12 Milliam J. Rissel personal manneared before me, and did provide evidence that he officially represents his respective parties, and that the first ment was signed on behalf of the organizations which he represents; By: Notary Public, State-At-Large, Commonwealth of Kentucky Printed Name: Ardrea M Palmer Date Commission Expires: 10 2 2015
County of Hardin) Commonwealth of Kentucky)
• /
On this 17th day of
Louisville Water Company
County of Jefferson)
Commonwealth of Kentucky)
On this day of lecement, 201, Gregory C. Heitzman personally appeared before me, and did provide evidence that he officially represents his respective party, and that the instrument was signed on behalf of the organizations which he represents; By: Notary Public, State-At-Barge, Commonwealth of Kentucky
Printed Name: <u>Beverly 5. Soice</u> Date Commission Expires: <u>0-29-2012</u>

APPROVED FOR LEGALITY AND FORM:

Louisville Water Company

Barbara K Dickens

Vice President, General Counsel

Louisville Water Company

Hardin County Water District 1

David T. Wilson II

Skeeters, Bennett, Wilson & Pike

550 West Lincoln Trail Boulevard

Radcliffe, KY 40160

APPENDIX A

APPLICABLE FEES & COMPENSATION

1. Proposal Development Cost Reimbursement:

The DISTRICT shall pay \$409,916.00 to LWC as the Proposal Development Cost Reimbursement, to be paid in monthly installments of \$6,831.93 for sixty (60) months until a total reimbursement is paid to LWC. This amount shall be shown as a separate amount on each monthly invoice from LWC to the DISTRICT. Should the Agreement between the two parties be terminated by the DISTRICT or LWC before the total amount is reimbursed, the DISTRICT shall pay LWC any remaining unpaid balance for this amount. This amount shall be the total LWC has agreed to accept to pay for all Proposal Development Costs, as anticipated in the MOU, and reimburses LWC for all consultants' costs; for production of proposal and all LWC in-kind labor for preparation of the proposal.

2. Transition & Start-Up Cost Reimbursement:

The DISTRICT shall pay \$104,060 to LWC, as a Transition and Start-up Fee, which is to be paid in a single installment, paid after the first month of performance of the Agreement, which amount shall be invoiced from LWC to the DISTRICT, and which payment may be subject to the Initial Payment Delay clause in Section 12. This amount shall be the total LWC has agreed to accept and pays for all initial transition costs which may include but are not limited to: initial treatment chemicals and other supplies inventory; office furnishings and computers; employee labor involved in transition services; laboratory instruments and glassware; employee hiring or transition costs; uniform purchases; tools and equipment specific to operation of the Work Sites and all other costs reasonably required to begin operations of the Work Sites.

3. Annual Fixed Fee; Maintenance & Repair Limit (MRL):

The DISTRICT shall pay:

- a. \$1,545,565 to LWC annually for Services required in the Agreement (referred to as the "Annual Fixed Fee"), to be paid in monthly payments of \$128,797, excluding the MRL amount under 3.b of this section. The Annual Fixed Fee shall recover all costs related to operating both WTP's and all other basic services at all Work Sites.
- b. \$172,000 to LWC annually for MRL which is to be spent on qualifying maintenance and repair expenditures. Qualifying maintenance and repair expenditures include but are not limited to: repairs for corrective or non-scheduled maintenance to equipment; calibration or scheduled equipment maintenance that occurs or is scheduled no more than 24 months apart; external contractual costs for equipment testing, specialized adjustments or upgrades to equipment; other improvements requested by LWC that were not part of the Annual Capital Plan but have been approved by the DISTRICT; any other maintenance or repairs to the equipment or facilities at the Work Sites. Non-qualifying maintenance and repair items include: routine labor and benefits required for routine operations and services; water quality testing and sampling costs; overtime costs related to routine operations; replacement of commodities or expendable inventory such as treatment chemicals, office supplies, and spare parts; or, other scheduled repairs or adjustments that must be completed at less than two (2) year intervals to comply with manufacturers' requirements or best management practices.
 - i. Prior to spending \$2,500 or more on a single MRL related expense, LWC shall request approval from the DISTRICT for the expenditure. The DISTRICT will have five (5) working days in which to respond to the request. If the DISTRICT does not respond, or, the repair or replacement is an emergency or must be completed to continue routine operations or avoid a safety or regulatory risk pursuant to Section 7 of the Agreement, then LWC is not obligated to make prior request and seek approval from the DISTRICT.
 - ii. If actual maintenance and repair expenditures are less than the MRL for any Agreement year, LWC will rebate the difference for that year to the DISTRICT. If actual maintenance and repair expenditures exceed the MRL for any Agreement year, the DISTRICT will directly pay the excess amounts, or reimburse LWC for the excess expenditures above the MRL. The MRL may be billed one twelfth (1/12th) monthly and reconciled within thirty (30) days after the final payment for that year.
- c. <u>Muldraugh WTP Termination Credit:</u> LWC understands that of the total Annual Fixed Fee and the MRL approximately 54% is required for the operations of the MWTP. In accordance with Section 7.c of the Agreement, when the MWTP is closed and de-commissioned and no longer operated by LWC, the amount charged for the Annual Fixed Fee, and the MRL shall be reduced accordingly. LWC agrees to provide the DISTRICT with an accounting of actual costs after the MWTP is closed, which reduction will start one month after the MWTP is closed.
- **d.** Additional Work: Approved Additional Work, in accordance with Section 9 of the Agreement, shall be billed in the amounts and frequency as set forth therein.

APPENDIX B

PORTIONS OF DLA CONTRACT WITH HARDIN COUNTY WATER DISTRICT No. 1

The parties agree that the following provisions of the Contract are incorporated herein and apply to this Agreement.

- Sections C.3.1 Section C.3.5
- Section C.4.2
- Sections C.5.1.4 Section 5.1.6
- Section C.6
- Section C.7
- Sections C.9.1, C.9.3 C.9.9
- Sections C.10.1 C.10.3 & Sections C.10.5 C.10.8
- Section C.11.3.3
- Section C.12
- Section C.13C
- Section G.5
- Section H.1, H.9
- Section 1.2 FAR Clauses
- Section 1.3 DFARs