

**AGREEMENT FOR OPERATIONS,
MAINTENANCE AND MANAGEMENT SERVICES**

THIS AGREEMENT is entered into on the 9th day of January, 2002, by and between:

The CITY OF PINEVILLE, KENTUCKY, a city of the Fourth Class, with its principal address at Oak Street & Virginia Avenue, Pineville, Kentucky 40977 and the PINEVILLE UTILITIES COMMISSION, a Kentucky Municipal Corporation, with its principal address at P.O. Box 277, Pineville, Kentucky 40977 (hereinafter, collectively, "PUC"),

AND

KENTUCKY AMERICAN WATER COMPANY, Inc., a Kentucky Corporation, with its principal address at 2300 Richmond Road, Lexington, Kentucky 40502 (hereinafter, "KAWC").

Pineville, PUC and KAWC may be collectively referred to in this Agreement as the "PARTIES",

WHEREAS, The PUC owns and provides for the operation of wastewater treatment plant & collection system (WWTP) and the water treatment plant & distribution system (WTP) that are more particularly described on attached Appendix A (the "Project"); and

WHEREAS, The PUC desires to employ the services of KAWC in the operation, maintenance and management of the Project, and KAWC desires to perform such services in consideration for the compensation provided for herein.

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

1. GENERAL PROVISIONS:

- 1.1 The definitions of words and phrases used in this Agreement (and the attachments) are contained in Appendix B.
- 1.2 All land, buildings, facilities, easements, licenses, rights-of-way, equipment and vehicles presently or hereafter acquired, or owned, by the PUC shall remain the exclusive property of the PUC, unless specifically provided for otherwise in this Agreement.

- 1.3 This Agreement shall be governed by and interpreted in accordance with the laws of the Commonwealth of Kentucky.
- 1.4 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, but such consent shall not be unreasonably withheld. Provided, however, the PARTIES may assign this Agreement, or any part thereof to any affiliate, wholly owned subsidiary, or other unit of government wholly controlled by the PARTIES.
- 1.5 All notices shall be in writing and transmitted to the party's address stated above. All notices shall be deemed effectively given:
 - 1.5.1 If delivered personally, or by courier mail service (e.g., Federal Express or Airborne Express), upon delivery;
 - 1.5.2 If mailed by certified or registered U.S. mail, return receipt requested, upon deposit in the United States mail, postage prepaid.
 - 1.5.3 If in any other manner, upon actual receipt.
- 1.6 This Agreement, including appendices, is the entire Agreement between the PARTIES. This Agreement may be modified only by subsequent written agreement signed by both PARTIES. Wherever used, the terms "KAWC" and "PUC" shall include the respective officers, agents, directors, elected or appointed officials and employees and, where appropriate, subcontractors, or anyone acting on their behalf.
- 1.7 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.
- 1.8 It is understood and agreed by the PARTIES that the relationship of KAWC to PUC is that of independent contractor. The services provided for under this Agreement are of a professional nature, and shall be performed in accordance with good and accepted industry practices for professional contract operators similarly situated in the Commonwealth of Kentucky, and at the same time.
- 1.9 The PUC and KAWC are the only parties to this Agreement. No third party rights or benefits are intended to, or shall arise by, reason of this Agreement.

- 1.10 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.
- 1.11 The PUC represents that it has the authority to enter into this Agreement, and believes that it has complied with all governmental action necessary to bind it to the terms hereof.

2. KAWC'S SCOPE OF SERVICES – GENERAL:

- 2.1 For the purposes of this Agreement, all personnel of the PUC assigned full-time to the Project as of the effective date of this Agreement will remain the employees of the PUC. It is understood and agreed by the Parties that the PUC, as of the effective date of this Agreement, does hereby appoint it's independent contractor, KAWC, as exclusive "Agent" to act on it's behalf with respect to all employee matters in compliance with the PUC's Personnel Manual, (PAP), adopted June 15, 1999, as specified in Appendix H, pertaining to those employed by either the City of Pineville, or the Pineville Utility Commission in the provision of water or sewer services. On the effective date of this Agreement, and that as Agent, during the term of this Agreement, KAWC shall pay all cost of the employee compensation and related benefits currently in effect and required by the PAP.
- 2.2 Within a reasonable time after startup, KAWC will staff the Project with employees who have met appropriate licensing and certification requirements of the Commonwealth of Kentucky.
- 2.3 KAWC shall provide ongoing training and education for appropriate personnel in all necessary areas of modern water and wastewater process control, operations, maintenance, safety and supervisory skills.
- 2.4 KAWC shall develop and/or supply and utilize computerized programs for maintenance, process monitoring and financial control.
- 2.5 Within forty-five (45) days after KAWC begins service under this Agreement, KAWC will provide a physical inventory of PUC'S and the City of PINEVILLE'S vehicles and equipment in use at the Project and a general statement as to the condition of each vehicle or piece of equipment.
- 2.6 KAWC will provide PUC with a physical inventory of chemicals and other consumables on hand when KAWC begins services under this

Agreement. KAWC will provide PUC with the same quantity of chemicals or equivalent upon termination of this Agreement.

- 2.7 KAWC shall be responsible for maintaining all manufacturers' warranties on new equipment purchased by PUC and KAWC and will assist the PUC in enforcing existing equipment warranties and guarantees.
- 2.8 KAWC shall provide PUC with documentation that preventive maintenance is being performed on PUC owned equipment in accordance with manufacturer's recommendations at intervals, and in sufficient detail, as may be feasibly determined by KAWC. Such a maintenance program shall include documentation of corrective and preventive maintenance.
- 2.9 KAWC shall operate, maintain and/or monitor the Project on a 24-hour per day, 7 day per week schedule.
- 2.10 The PUC designated representative may make visits at a reasonable time. Keys for the Project shall be provided to the PUC by KAWC for such visits. All visitors to the Project shall comply with KAWC's operating and safety procedures.
- 2.11 KAWC will implement and maintain an employee safety program in compliance with applicable laws, rules and regulations and make recommendations to the PUC regarding the need, if any, for the PUC to rehabilitate, expand or modify the Project to comply with governmental regulations applicable to KAWC's operations hereunder, including federal regulations promulgated pursuant to the Americans With Disabilities Act (ADA).
- 2.12 KAWC may modify the process and/or facilities to achieve the objectives of this Agreement and charge the Costs to the Maintenance and Repair Limit; provided, however, that no modification shall be performed without PUC'S prior written approval if the complete modification Cost shall be in excess of Two Thousand Dollars (\$2,000.00).
- 2.13 In any emergency affecting the safety of persons or property, KAWC may act without written amendment or change order, at KAWC's discretion, to prevent threatened damage, injury or loss. KAWC shall be compensated by the PUC for any such emergency work notwithstanding the lack of a written amendment. Such compensation shall include KAWC's costs for the emergency.
- 2.14 As required by law, permit or court order, KAWC will prepare plant performance reports and submit them to the PUC for signature and transmittal to appropriate authorities.

- 2.15 KAWC will provide laboratory testing and sampling presently required by plant performance portions of the NPDES permit, the Clean Water Act, the Safe Drinking Water Act and/or any federal, state or local rules and regulations, statutes or ordinances, permit or license requirements, or judicial and regulatory orders and decrees.
- 2.16 KAWC will provide for the collection and hauling of solid waste, screenings, grit, sludge and scum ("Waste") to PUC'S existing or approved disposal sites. It shall be the sole right and responsibility of PUC to obtain, maintain, designate, approve or select disposal sites to be used by KAWC for PUC'S Waste. All Waste and/or byproduct treated and/or generated during KAWC's performance of services is and shall remain the sole and exclusive property of the PUC.
- 2.17 KAWC will each month submit to the PUC reports of Project activities in accordance with the PUC policies and procedures. KAWC shall each month provide PUC a reasonably detailed Financial Report on the Water and Sewer Systems that presents in all material respects the financial position of the Water and Sewer Systems. The Financial Report shall contain a balance sheet and related statements of income, cash flow and capital investment by the Company that conform to accounting principles generally accepted in the United States of America. KAWC shall each month provide PUC a reasonably detailed Operational Report including but not limited to reports on customer inquiries, bad debt, conservation activities, meter replacements, water testing results, system leaks and other pertinent Operations and Maintenance activities and data related to the Water and Sewer Systems.
- 2.18 KAWC may provide additional services beyond the scope of this Agreement at PUC request, subject to mutually agreeable terms and conditions.

3. KAWC'S SCOPE OF SERVICES – WASTEWATER TREATMENT:

- 3.1 This Section shall apply to KAWC's operation and maintenance (O&M) services for the PUC wastewater treatment system.
- 3.2 Within the existing design capacity and capabilities of the Wastewater Treatment Plant described in Appendix A, KAWC will manage, operate and maintain the plant so that effluent discharged from the plant outfall meets the requirements specified in **Appendix C-1**.
- 3.3 KAWC shall maintain the PUC present industrial waste sampling and laboratory analysis program, as described in **Appendix D**. Results of all

industrial sampling and testing shall be reported to the PUC in a timely manner.

- 3.4 KAWC will perform all Maintenance and Repairs for the Project, and submit a monthly accounting to the PUC, along with a detailed invoice if Maintenance and Repair expenditures for the Project exceed the Maintenance and Repair Limit specified in Section 6.1.
- 3.5 KAWC will pay all Costs incurred in normal wastewater operations specified in **Appendix B** items 7 & 8.

4. **KAWC'S SCOPE OF SERVICES – WATER PRODUCTION AND TREATMENT:**

- 4.1 This Article shall apply to KAWC's O&M services for the PUC's potable water production and treatment facilities.
- 4.2 Within the existing design capacity and capabilities of the water production and treatment facilities described in Appendix A, KAWC will manage, operate and maintain such facilities so that water produced meets the requirements specified in **Appendix C-2**.
- 4.3 KAWC will perform all Maintenance and Repairs for the Project, and submit a monthly accounting to the PUC, along with a detailed invoice, if Maintenance and Repair expenditures for the Project exceed the Maintenance and Repair Limit specified in Section 6.1.
- 4.4 KAWC will pay all Costs incurred in normal water production and treatment operations specified in **Appendix B** items 7 & 8.

5. **PUC'S REPRESENTATIONS AND DUTIES:**

- 5.1 The PUC shall fund all necessary capital expenditures. Priority shall be given to capital expenditures deemed needed to rectify safety concerns. Any loss, damage, or injury resulting from the PUC's failure to provide capital improvements and/or funds in excess of the Maintenance and Repair Limit, when reasonably required by KAWC, shall be the sole responsibility of the PUC.
- 5.2 The PUC shall keep in force all Project warranties, guarantees, easements and licenses that have been granted to the PUC and are not transferred to KAWC under this Agreement.

- 5.3 The PUC shall pay all *ad valorem*, property, franchise, occupational and disposal taxes, or other taxes, if any, associated with the Project, other than taxes imposed upon KAWC's net income and/or payroll taxes for KAWC employees. In the event that KAWC is required to pay any sales tax or use taxes on the value of the services provided by KAWC hereunder, or the services provided by any subcontractor of KAWC, such payments shall be reimbursed by the PUC unless PUC furnishes a valid and properly executed exemption certificate relieving the PUC and KAWC of the obligation for such taxes.
- 5.4 The PUC shall provide KAWC, on an "as available" basis, with the temporary use of any piece of the PUC's heavy equipment that is available so that KAWC may discharge its obligations under this Agreement in the most cost-effective manner.
- 5.5 The PUC shall provide all registrations, licenses and appropriate proof of insurance for the PUC's vehicles used in connection with the Project.
- 5.6 The PUC shall provide for KAWC's exclusive use of all of the vehicles and equipment presently in full time use at the Project.
- 5.7 The PUC shall provide for KAWC's entry into existing disposal facilities for screenings, grit, sludge and scum.
- 5.8 The PUC represents and warrants that during the interim period between the initial Project inspection by KAWC and the Commencement Date specified in Section 10.1, the plant(s), facilities and other Project equipment have been operated only in the normal course of business, that all scheduled and proper maintenance has been performed, and that there are no issues known to the PUC regarding the Project, specifically including as to the condition of the facilities composing the Project, and/or any equipment used by the Project, that have not been disclosed to KAWC.

6. COMPENSATION:

- 6.1 KAWC's compensation under this Agreement shall consist of an Annual Fee. For the first year of this Agreement, KAWC's Total Annual Fee shall be \$1,350,000, representing \$1,110,000 for the management and operation of the Water system and \$240,000 for the management and operation of the Sewer system. The Maintenance and Repair Limit included in the Total Annual Fee is \$128,250, representing \$108,500 for the water system and \$20,250 for the Sewer system.

- 6.2 If actual Maintenance and Repair expenditures are less than the Maintenance and Repair Limit for any Agreement year, KAWC will rebate the entire difference to the PUC in accordance with Section 7.3. If actual maintenance and repair expenditures exceed the Maintenance and Repair Limit, the PUC will pay the excess to KAWC in accordance with Section 7.2. KAWC will notify the PUC when actual maintenance and repair expenditures equal eighty percent (80%) of the Maintenance and Repair Limit.
- 6.3 The Annual Fee shall be adjusted each year, to become effective as of the anniversary of this Agreement's Commencement Date. The Adjusted Annual Fee shall consist of the Annual Fee for the previous year of the contract, increased or decreased by the following items which shall be accurately reflected in the cumulative reports provided by KAWC pursuant to paragraph 2.17 hereof:
- (1) Scope changes specified in Section 8 of the contract;
 - (2) Cost changes associated with employee compensation and benefits;
 - (3) Cost savings realized as a result of KAWC's management and operation over the previous twelve (12) months, which savings shall be shared equally (50/50) between KAWC and PUC; and
 - (4) Cost savings realized as a result of a combination of both capital investment by PUC and the professional management and advice of KAWC, which savings shall be shared 75 percent by the PUC and 25 percent by KAWC.

Where savings result from a capital investment initiated prior to the contract date or where additional revenues are generated as a result of any capital improvement (including those initiated after the contract date) such savings and additional revenues shall not be subject to any division hereunder, but shall belong solely to PUC.

- 6.4 Should the PUC and KAWC fail to agree, the Annual Fee will be determined by the application of the procedures in **Appendix E**. In the event of the adjustment of the Annual Fee in accordance with **Appendix E**, the Maintenance and Repair Limit shall also increase, or decrease, by a percentage equal to the percentage change in the Annual Fee.

7. **PAYMENT OF COMPENSATION:**

- 7.1 One-twelfth (1/12) of the Annual Fee for the current year shall be due and payable on the 15th day of the month for each month that services are provided.
- 7.2 All other compensation to KAWC is due upon receipt of KAWC's invoice and payable within thirty (30) days.
- 7.3 Any monies payable to the PUC pursuant to Section 6.2 will be paid within sixty (60) calendar days after the end of each Agreement year.
- 7.4 The PUC shall pay interest at an annual rate equal to the prime rate established by BB&T Bank plus two percent (2.0%) on payments not paid and received within fifteen (15) calendar days of the due date, such interest being calculated from the due date of the payment. In the event that the interest charges under this Section 7.4 might exceed any limitation provided by law, such charges shall be reduced to the highest statutory rate.

8. SCOPE CHANGES:

- 8.1 A Change in the Scope of Services shall occur when and as KAWC's costs of providing services under this Agreement change as a result of:
 - 8.1.1 Any change in Project operations, personnel qualifications or staffing, or other costs which is mandated or otherwise required by 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;
 - 8.1.2 Increases or decreases of not less than ten percent (10%) in the influent flow or loadings as demonstrated by a twelve-month floating average, compared to the twelve month period ending on the effective date of this Agreement (baseline flow and loading information is located in **Appendix C-1 AND C-2**;
 - 8.1.3 Any increase in employee compensation rates and related rate increases associated with employee benefits shall constitute a change in scope;
 - 8.1.4 Any increased operational cost associated with capital projects entered into prior to the contract date, such as the new Water Treatment Plant under construction shall constitute a change in scope.

8.1.5 The PUC's request and KAWC's consent to provide additional services beyond the scope of this Agreement.

8.2 For Changes in Scope described in Sections 8.1.1 through and including 8.1.2, the Annual Fee shall be increased (or decreased) by an amount equal to KAWC's additional or reduced Cost associated with the change in Scope. Modifications of the Annual Fee as a result of conditions described in Section 8.1.2, 8.1.3, and 8.1.4 shall be retroactive to the beginning of the twelve-month comparison period.

8.3 Utility Rates:

8.3.1 The PUC will pay as additional compensation to KAWC any increases in Electrical Cost Plant and/or Natural Gas Cost Plant that are a result of Average Electrical Rate Plant and/or Average Natural Gas Rate Plant increases that occur during any Agreement year. The additional compensation will be calculated based upon \$0.0398 KWH of energy per year and/or \$10.4574 per MCF thousand cubic feet of gas per year, respectively.

8.3.2 KAWC will rebate one hundred percent (100%) of any decrease in Electrical Cost Plant and/or Natural Gas Cost Plant caused by Average Electrical Rate Plant, and/or Average Natural Gas Rate Plant decreases, subject to the above KWH cap and MCF cap.

9. INDEMNITY, LIABILITY AND INSURANCE:

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

9.2 The PUC agrees to indemnify and hold KAWC harmless from any liability or damage or bodily injury, including death, which may arise from all causes of any kind other than KAWC's negligence or willful misconduct including, but not limited to, breach of a PUC warranty.

9.3 KAWC shall be liable for those fines or civil penalties imposed by a regulatory or enforcement agency for violations occurring on or after the Commencement Date of the effluent quality requirements provided for in Appendix C-1. The PUC will assist KAWC in contesting any such fines in administrative proceedings, and/or in court, prior to any payment by KAWC. KAWC shall pay the cost of any such contest.

- 9.4 The PUC shall be liable for those fines or civil penalties imposed by any regulatory or enforcement agencies on the PUC which are directly related to the ownership of the Project, and shall indemnify and hold KAWC harmless from the payment of any such fines and/or penalties.
- 9.5 Indemnity obligations provided for in this Agreement shall survive the termination of the Agreement.
- 9.6 Each party shall obtain and maintain insurance coverage of a type and in the amounts described in Appendix F. Each party shall provide the other party with satisfactory proof of insurance.

10. TERM, TERMINATION AND DEFAULT:

TERM

- 10.1 The term of this contract shall be for a period of five (5) years commencing on January 1, 2002 and expiring on December 31, 2006.

TERMINATION AND DEFAULT

- 10.2 Either party may terminate this Agreement prior to its expiration on December 31, 2006 by reason of a material breach of the Agreement by the other party, but only after giving written notice of breach and allowing the party in default thirty (30) days to cure same or commence taking reasonable steps to cure the breach.
- 10.3 Upon notice of termination by the PUC, KAWC shall assist PUC in assuming operation of the Project. If additional Cost is incurred by KAWC at the request of the PUC, the PUC shall pay KAWC such Cost within 15 days of invoice receipt.
- 10.4 Upon termination of this Agreement and all renewals and extensions of same, KAWC will return the Project to the PUC 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 KAWC for use in the operation or maintenance of the Project shall remain the property of KAWC upon termination of this Agreement, unless the property was directly paid for by the PUC, or the PUC specifically reimbursed KAWC for the cost incurred to purchase the property, or this Agreement specifically provides to the contrary.
- 10.5 No person(s) shall be hired for employment by the PUC, KAWC or its affiliates during the initial five year term of Agreement who shall have

been an elected or appointed official of the City of Pineville, or a member of the PUC, during the negotiations for, and approval of, this agreement.

11. DISPUTES AND FORCE MAJEURE:

- 11.1 In the event that activities by employee groups or unions unrelated to KAWC cause a disruption in KAWC's ability to perform at the Project, the PUC, with KAWC's assistance, or KAWC at its own option, may seek appropriate injunctive court orders. During any such disruption, KAWC shall operate the facilities on a best-efforts basis until any such disruption ceases.
- 11.2 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, 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.

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Each of the Parties indicates their approval of this Agreement by their signatures below, 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.

CITY OF PINEVILLE, KENTUCKY COMMISSION:

By: Robert L. Madon
Name: Robert L. Madon
Title: Mayor

PINEVILLE UTILITIES COMMISSION:

By: _____
Name: Patricia M. Bingham
Title: Chairperson

KAWC, INC.

By: Joy W. Mundy
Name: Joy W. Mundy #
Title: President

APPENDIX A

DESCRIPTION OF THE "PROJECT"

KAWC agrees to provide the services necessary for the management, operation and maintenance of the following.

- a. All equipment, vehicles, grounds and facilities now being used to operate the PUC's Wastewater Treatment Plant. The Pineville Wastewater Treatment Plant is located approximately 0.75 miles north of the City of Pineville, on Stewart Branch Road in Wallsend Section, in Bell County, Kentucky. The wastewater treatment plant is authorized to discharge into the Cumberland River at mile point 652.7. The plant collects and treats wastewater from the City of Pineville, Wallsend, Newtown, Pine Mountain State Resort Park, Clear Creek Baptist Bible College and Bell County High School. It presently treats an average of 0.240 MGD.

- b. All equipment, vehicles, grounds and facilities now existing within the present property boundaries of, or being used to operate the PUC's Water Treatment Plant. The Pineville Water Treatment Plant is located approximately 5.5 miles south of the City of Pineville on the west side of US Highway 25E at Ferndale, in Bell County, Kentucky. The existing water treatment plant has a rated capacity of 2.0 MGD and presently serves over 5,000 customers with over 800 miles of distribution mains throughout the City of Pineville, and Bell County. The new water treatment plant now under construction will initially have a rated capacity of 2.4 MGD with the potential of being rated to 4.8 MGD just by increasing the flow rate through the filters. The new plant will be able to be expanded to a total rated capacity of 9.6 MGD with the addition of two more Pacer 2 Units being installed. The distribution system currently has 25 tanks, 23 pump stations, and one master meter connection with the City of Middlesborough.

APPENDIX B

DEFINITIONS

1. *"Adequate Nutrients"* means plant influent nitrogen, phosphorus and iron contents proportional to BOD₅ in the ratio of five (5) parts nitrogen, one (1) part phosphorus, and one-half (0.5) part iron for each one hundred (100) parts BOD₅.
2. *"Annual Fee"* means a predetermined, fixed sum for KAWC's services. The Annual Fee includes Cost and profit.
3. *"Average Electrical Rate Plant"* means the average cost per kilowatt hour as calculated by dividing the total kilowatt hours of energy consumed by the plant into the total dollars of plant electric cost for the twelve (12) month period ending three (3) months prior to the end of the current Agreement year. The Average Electrical Rate Plant for the period of July 1, 2000 to June 30, 2001 is \$0.0398 cents per KWH.
4. *"Average Natural Gas Rate Plant"* means the average cost per thousand cubic feet as calculated by dividing the total thousand cubic feet of gas consumed by the plant into the total dollars of plant gas cost for the twelve (12) month period ending three (3) months prior to the end of the current Agreement year. The Average Gas Rate Plant for the period of July 1, 2000 to June 30, 2001 is \$10.4574 per MCF.
5. *"Biologically Toxic Substances"* means any substance or combination of substances contained in the plant influent in sufficiently high concentration so as to interfere with the biological processes necessary for the removal of the organic and chemical constituents of the wastewater required to meet the discharge requirements of the PUC's NPDES Permit. Biologically toxic substances include, but are not limited to, heavy metals, phenols, cyanides, pesticides and herbicides.
6. *"Capital Expenditures"* means the total "Cost" of any expenditures for (1) the purchase of new equipment or facility items that cost more than Two Thousand Dollars (\$2,000); or (2) major repairs which significantly extend equipment or facility service life and which costs more than Two Thousand Dollars (\$2,000), or (3) expenditures that are planned, non-routine and budgeted by PUC.
7. *"Cost"* means all direct cost and indirect cost determined on an accrual basis in accordance with generally accepted accounting principles.
8. *"Direct Cost"* means the actual cost incurred for the direct benefit of the Project, including, but not limited to, expenditures for project 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.

9. **"Electrical Cost Plant"** means the total electricity cost as calculated by multiplying the Average Electrical Rate Plant by the total KWH.
10. **"Natural Gas Cost Plant"** means the total gas cost as calculated by multiplying the Average Gas Rate Plant by the total MCF.
11. **"Maintenance"** means the total "cost" of those routine and/or repetitive activities required or recommended by the equipment or facility manufacturer, or by KAWC, to maximize the service life of the equipment, sewer, vehicles and facilities.
12. **"Maintenance and Repair Limit"** means the "cost" of the total maintenance and repair expenditures that KAWC has included in the Annual Fee. Such expenditures exclude any labor costs for KAWC's staff assigned to the Project. KAWC or its affiliates specialized maintenance personnel and outside contract labor and services, not assigned at the Project, who provide such specialized services such as, but not limited to, vibration, thermographic and electrical analyses, instrumentation maintenance and repair will be charged to the Maintenance and Repair Limit.
13. **"Project"** means all equipment, vehicles, grounds, rights-of-way, sewers and facilities described in Appendix A and, where appropriate, the management, operations and maintenance of such.
14. **"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, sewer, vehicles or facilities or some component thereof.
15. **"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 Project, 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 utility necessary to furnish power for the operation and maintenance of the

Project, or (v) the failure of the PUC to make any Capital Expenditure previously identified as necessary for the Project to attain applicable performance standards.

APPENDIX C-1

**NPDES PERMIT AND
 PROJECT'S WASTEWATER CHARACTERISTICS**

1. KAWC will operate the Project so that effluent will meet the requirements of NPDES permit No. KY0024058 (issued on August 1, 2001) a full and complete copy of which is adopted by reference herein, as of the date hereof. KAWC shall be responsible for meeting the effluent quality requirements of the Permit unless one or more of the following occurs: (1) the Project influent does not contain Adequate Nutrients to support operation of Project biological processes and/or contains Biologically Toxic Substances which cannot be removed by the existing process and facilities; (2) dischargers into the PUC's sewer system violate any or all regulations as stated in the PUC's Industrial Water and Sewer Ordinance(s) or as required by law; (3) the flow or influent BOD₅ and/or suspended solids exceeds the Project design parameters, which are 0.724 million gallons of flow per day, 272 pounds of BOD₅ per day, 272 pounds of suspended solids and a daily peaking factor of 2.62 times flow; (4) if the Project is inoperable, or can operate only at a reduced capacity on account of construction activities, fire, flood, adverse weather conditions, labor disputes or other causes beyond KAWC's control.

2. In the event that any one of the Project influent characteristics, suspended solids, BOD₅ or flow exceeds the design parameters stated above, KAWC shall return the plant effluent to the characteristics required by NPDES in accordance with the following schedule after Project influent characteristics return to within design parameters.

Characteristics Exceeding Design Parameters By	Recovery Period Maximum
▪ 10% or Less	5 days
▪ Above 10% Less than 20%	10 days
▪ 20% and Above	30 days

Notwithstanding the above schedule, if the failure to meet effluent quality limitations is caused by the presence of Biologically Toxic Substances or the lack of Adequate Nutrients in the influent, then KAWC will have a thirty (30) day recovery period after the influent is free from said substances or contains Adequate Nutrients.

3. KAWC shall not be responsible for fines or legal action as a result of discharge violations within the period that influent exceeds design parameters, does not contain Adequate Nutrients, contains Biologically Toxic Substances or is inoperable, and the subsequent recovery period.

4. The Annual Fee for services under this Agreement is based upon the following:

a. Project influent characteristics:

Flow 0.301 million gallons per day
BOD₅ 123.8 pounds per day
TSS 148.2 pounds per day
DHS* N/A mg/L
PH 6.71
NH₃ 12.49

*DHS means Dissolved Hydrogen Sulfide concentration. No historical data is available as of the date of this Agreement.

The above characteristics are the actual twelve (12) months' average for the period ended September 30, 2001. Any change of 10 percent (10%) or more in any of these characteristics, based upon a twelve (12) month moving average, will constitute a Change in Scope as provided in Article 8 of the Agreement.

b. KAWC's expenses for hauling by truck and disposing of Waste shall give rise to a Change in Scope and the additional costs shall be added to the Annual Fee, if any. At this time Pineville Wastewater System has not had to waste anything. It is typical for the BIOLAC Systems to go around 10 to 15 years without wasting/sludge removal. When it does come time to do so, they have an agreement with Middlesborough to haul it there and use their thickeners and belt filter press and then haul it to the landfill.

APPENDIX C-2

PROJECT'S WATER CHARACTERISTICS

1. The Project has the following design characteristics:

A capacity of 2.0 MGD of finished water production with ability for chemical additions, flocculation, sedimentation and filtration based on 3.8 gallons per minute per square foot of filter area. The Project has the capability for post treatment by chlorination and fluoridation.

2. KAWC will operate the Project so that water treated will meet the current drinking water standards as established by applicable state or federal law. KAWC's Annual Fee includes all costs for treating an average daily flow of 1.7 MGD of raw water per day to the standards specified below.

Turbidity	1.0 to 2.5 NTU
Iron	<0.3 mg/L
Manganese	<0.05 mg/L
Fluoride	0.8 average mg/L
PH	6.9 to 7.3
Color	<15 color units
Corrosivity	Non-corrosive
Odor	<3.0 TON
E. Coli	Negative
Hardness	12 PPM
Alkalinity	6 to 10 PPM

APPENDIX D

WATER QUALITY TESTING OBLIGATIONS

KAWC shall have the following water quality testing obligations while the Contract is in effect: performing, or causing to be performed, by a Kentucky-certified laboratory, all water and wastewater sampling, analysis, testing and reporting required for water sources, distribution mains, collection mains or customer premises, or required by the U.S. Environmental Protection Agency, the Kentucky Division of Water, or future acts of the U.S. Congress, or Kentucky Legislature; scheduling and collecting water and wastewater samples to test for microbiological, inorganic and organic constituents; transportation to a certified lab; preparing monitoring plans; sample collection training; reporting to appropriate regulators; record keeping; analysis interpretation; special or emergency sample collection and analysis, and emergency notification to affected customers, if required; preparing and distributing all published and distributed customer reports on water quality; water source sampling and analysis; response to customer inquiries on water quality; coordination of cross-connection control and potential contamination issues; conducting an annual system survey with the Kentucky Division of Water; obtaining any necessary permits and compliance with appropriate air district regulations; providing hazardous materials control program, and ensuring all operator certification compliance with Kentucky and Federal requirements. Now existing, or which may be implemented during the Term of this Agreement.

APPENDIX E

ANNUAL FEE ADJUSTMENT FORMULA

$$AAF = AF_0 \left(X \frac{C}{C_0} + Y \frac{E}{E_0} \right)$$

Where

- AF₀ = Annual Fee specified in Section 6.1 before any annual modification.
- AAF = Adjusted Annual Fee.
- C₀ = Consumer Price Index for All Urban Consumers (U.S. City Average) as published by the U.S. Department of Labor, Bureau of Labor Statistics in the CPI Detailed Report for the month three (3) months prior to KAWC beginning service under this Agreement.
- C = Consumer Price Index for All Urban Consumers (U.S. City Average) as published by the U.S. Department of Labor, Bureau of Labor Statistics in the CPI Detailed Report for the month three (3) months prior to the beginning of the period for which an adjusted base fee is being calculated.
- E₀ = Average Electrical Rate Plant is \$.0398 cents per kWh for the initial year of this Agreement.
- E = Average Electrical Rate Plant for the twelve (12) months prior to the beginning of the period for which an Adjusted Annual Fee is being calculated.
- X = 1.0 - (Y)
- Y = Total budgeted Electrical Cost Plant for first contract year divided by total budgeted Direct Cost for first contract year.]

APPENDIX F

INSURANCE COVERAGE

KAWC SHALL MAINTAIN:

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

PUC SHALL MAINTAIN:

1. Statutory Workers' Compensation insurance coverage for all of PUC'S employees associated with the Project as required by the Commonwealth of Kentucky.
2. Property damage insurance for all property, including vehicles owned by PUC and operated by KAWC under this Agreement. Any property, including vehicles not properly or fully insured, shall be the financial responsibility of the PUC.
3. Automobile liability insurance for collision, comprehensive, and bodily injury on all motor vehicles owned by the PUC and used in furtherance of the Project, as required by the Commonwealth of Kentucky.

PARTIES will provide each other at least thirty (30) days notice of the cancellation of any policy it is required to maintain under this Agreement. KAWC 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 PUC. The PARTIES, on behalf of themselves and their insurers, waive their rights of subrogation with respect to losses occurring to property dedicated to this PROJECT.

APPENDIX G

**AMORTIZATION SCHEDULE FOR
KAWC STARTUP AND CAPITAL EXPENDITURES**

The PARTIES mutually agree that for all purposes, the beginning principal shall be \$_____. The interest rate applied shall be calculated at ____%. The amortization term shall be ____ years.

NONE

APPENDIX H

PUC PERSONNEL MANUAL, (PAP)

**The Commonwealth of
Kentucky**
**MASTER AGREEMENT MODIFICATION
(APPROVED)**

Page 1 of 1
Master
Agreement No: M-02179395
Modification No: 1
Requisition No: R-02179395
IMPORTANT
Show Master Agreement number on all packages, invoices, and correspondence.

Description: Water Plant Operation Sub Type: MA Mod-Fluctuating Price
Effective Date: 01 Feb 2003 Expiration Date: 31 Jan 2005
Administered By: JOE BARRETT Cited Authority: 218
Telephone: (859) 293-4224 ext () Issued By: GREG HUGHES, INTERNAL POLICY ANALYST II

KENTUCKY AMERICAN WATER
2300 RICHMOND RD
LEXINGTON KY 40502

- This section applies only to modifications of Contracts. It modifies the Contract as described:
- A. This change Order is issued pursuant: (Specify authority)
 - B. The above numbered Contract/Order is modified to reflect the administrative changes (such as changes in paying office, appropriation date, etc.) Set forth in item pursuant to the authority stated herein.
 - C. This supplemental agreement is entered into pursuant to authority of:
 - D. Other (Specify type of modification and authority)

The agency concluded that it was impossible for KY American Water Co (KAWC) to take over operations on 01 Nov 2002 as stated in the original contract. It was agreed by the agency and KAWC that 01 Feb 2003 was a good date to begin. Effective date changed to February 1, 2003.

Line	Description	Del. Days	Quantity	Unit/Issue	Unit Price	Misc.	Total Price
0001	OPERATION OF WATER PLANT	0	2.0000	Year	\$86,000.00000	\$0.00	\$172,000.00

Extended Description
Contract operations and maintenance for water, wastewater and storm water systems at Bluegrass Station Divison, 5751 Briar Hill Road, Lexington, Kentucky 40516.
\$86,000 per year for the total of \$172,000 for the initial 2 year contract term.
See attached for specifications.

Additional Markings and Instructions

DMA DIV OF ADMIN SERVICES ATTN: LESLIE STAMPER 100 MINUTEMAN PARKWAY FRANKFORT KY 40601 Phone: (502) 607-1510 () Fax: (502) 607-1240 <This address is applicable to all line items>	DMA BLUEGRASS STATION DIVISION ATTN: JOE BARRETT 5751 BRIAR HILL ROAD LEXINGTON KY 40516-9721 Phone: (859) 293-4224 () Fax: () - <This address is applicable to all line items>
---	--

Total Amount \$172,000.00

<p style="font-size: 24pt; margin: 0;">The Commonwealth of Kentucky</p> <p style="font-size: 24pt; margin: 0; text-align: center;">MASTER AGREEMENT</p> <p style="font-size: 24pt; margin: 0;">(APPROVED)</p>	Page 1 of 1
	Master Agreement No: M-02179395
	Requisition No: R-02179395
	IMPORTANT
	Show Master Agreement number on all packages, invoices and correspondence.

Description: Water Plant Operation <i>Eff. Feb 1, 2003</i>	Sub Type: MA-Fluctuating Price
Effective Date: 01 Nov 2002	Expiration Date: 31 Oct 2004

Administered By: JOE BARRETT Telephone: (859) 293-4224 ext ()	Cited Authority: 218 Issued By: GREG HUGHES, INTERNAL POLICY ANALYST II
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KENTUCKY AMERICAN WATER
2300 RICHMOND RD
LEXINGTON KY 40502

COMMERCIAL

Line	Description	Del. Days	Quantity	Unit Issue	Unit Price	Misc.	Total Price
0001	OPERATION OF WATER PLANT	0	2.0000	Year	\$86,000.00000	\$0.00	\$172,000.00

Extended Description
Contract operations and maintenance for water, wastewater and storm water systems at Bluegrass Station Divison, 5751 Briar Hill Road, Lexington, Kentucky 40516.

\$86,000 per year for the total of \$172,000 for the initial 2 year contract term.

See attached for specifications.

Additional Markings and Instructions

<p>DMA DIV OF ADMIN SERVICES ATTN: LESLIE STAMPER 100 MINUTEMAN PARKWAY FRANKFORT KY 40601 Phone: (502) 607-1510 () Fax: (502) 607-1240</p> <p style="text-align: center;"><This address is applicable to all line items></p>	<p>DMA BLUEGRASS STATION DIVISION ATTN: JOE BARRETT 5751 BRIAR HILL ROAD LEXINGTON KY 40516-9721 Phone: (859) 293-4224 () Fax: () -</p> <p style="text-align: center;"><This address is applicable to all line items></p>
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	Total Amount	\$172,000.00
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Solicitation	Document No. S-02179395	Document Title Water Plant Operation	Page 1 of 6
	Buyer Name Greg Hughes (Fin-DMPS)		

Kentucky-American Water Co. Primary Point of contact for Bluegrass Station:

Dillard Griffi, Operations Superintendent
 2300 Richmond Road
 Lexington, KY 40502
 Office Phone: 859-268-6340
 Cell Phone: 859-339-6823
 E-mail: dgriffin@kawc.com

Type/Term of Contract

Contract for the operation and maintenance of the water, wastewater and storm water systems at Bluegrass Station. The contract shall have a fixed term of two. This contract may be extended on an annual basis at the completion of the initial contract term for four additional one year periods. The annual renewal of the contract is subject to the approval of the Division of Material and Procurement Services and DMA.

The initial two-year contract shall be fixed-cost for a defined scope of services. Any repairs, replacement and improvement work on system materials and equipment that fall outside the scope would be compensated for with a time and materials arrangement, based on approved labor and equipment rates agreed upon by both parties. Negotiations would take place prior to the beginning of work. FAC and DMA may solicit proposals from other contractors if they deem it to be in their best interest.

Basis of Price Quotations/Revisions – Price Firm for Initial Period

Prices quoted in response to this Solicitation shall remain firm for the initial period of the contract. After this time prices are subject to revision which may be either increases or decreases. Such revisions may be requested by either of the contracting parties and must be requested in writing. The requesting party must furnish documented evidence substantiating the validity of the request. The party to whom the request is presented must notify the requesting party of the decision within 30 days after receipt of the request or satisfactory supporting documentation whichever occurs later. In the event the requested revision is refused, the requesting party shall have the right to withdraw from the contract, without prejudice. Provided, however, that the vendor must continue service, at the contract prices, until a new contract can be established (usually about 60 days).

Optional Renewal Period

The Commonwealth of Kentucky reserves the right to renegotiate any terms and/or conditions as may be necessary to meet requirements for the extended period. The vendor will be advised of any proposed revisions prior to the renewal periods. In the event proposed revisions cannot be agreed upon, either party shall have the right to withdraw without prejudice from either exercising the option or continuing the contract in an extended period.

Owners' Declarations

- Owners will furnish utility maps to the successful Bidder.
- If the contractor finds utilities located differently than indicated on maps, it is his responsibility to inform DMA of the discrepancy in writing or through drawings.

Solicitation	Document No. S-02179395	Document Title Water Plant Operation	Page 2 of 6
	Buyer Name Greg Hughes (Fin-DMPS)		

- If the contractor causes damage to any structure, utility line or other item due to a lack of reasonable care during operation, maintenance or construction, the contractor shall bear the responsibility of any remedial measures required and no compensation shall be requested of FAC or DMA.

Basis for Proposal

The price proposal submitted shall constitute the full offer for providing O&M services for the water, wastewater and storm water systems at Bluegrass Station. These services cover several different areas and include the following:

Water System O&M

- Provide all personnel and associated wages, salaries, and benefits; material, including chemicals, fuel and vehicle expense, utilities and other consumables; and services necessary to operate the water distribution system in accordance with all applicable laws, regulations, statutes and guidelines. The water distribution system shall be operated in a manner to ensure that the system satisfies legal and regulatory requirements. The contractor shall assume responsibility for payment of any fines resulting from faulty operation or operation not in conformance with applicable law.
- Provide all personnel, materials and services necessary to support the operation of the water distribution system, including but not limited to management, administration, engineering, purchasing, reporting and laboratory testing.
- Provide all personnel, materials and services necessary to maintain the water distribution system, equipment, mechanical, electrical, HVAC, instrumentation, communication and computer systems adequately to ensure efficiency, long-term reliability and conservation of capital investment. Prudent maintenance must be provided in accordance with industry standards, equipment manufacturers' instructions, and the operating and maintenance manuals. Provisions shall be made for enforcing existing equipment warranties and guarantees, and for maintaining all warranties on new equipment purchased after the effective date of the contract. Provisions shall be made to employ a state-of-the-art maintenance program including predictive, preventive, routine, and, as needed, corrective maintenance elements. Within 120 days of start-up, the contractor will have completed a full review of the existing maintenance management and work order management system and made appropriate recommendations to DMA regarding the adequacy of such system.
- Provide comprehensive monthly recording and reporting to DMA of water distribution system parameters, maintenance activities, equipment and parts inventories, manpower utilization and other relevant information.
- Respond to all telephone calls involving complaints or requests for service, including new service. Attend to all work orders including repair orders generated as a result of such telephone calls.
- Perform all activities related to monthly meter reading as necessary. Currently, there are 63 meters within Bluegrass Station.

Solicitation	Document No. S-02179395	Document Title Water Plant Operation	Page 3 of 6
	Buyer Name Greg Hughes (Fin-DMPS)		

- Prepare detailed annual expenditure estimates and report actual amounts to DMA on a monthly basis.
- Meet with representatives of DMA at least twice yearly to review operations, reports and costs. Also, conduct an annual comprehensive water distribution system inspection with representatives of DMA to evaluate and document conditions, safety, or other concerns.
- Provide assistance to DMA in the development and implementation of a capital improvement program for the water distribution system. Participate in capital program strategic planning meetings. At least annually and upon request by DMA, evaluate all water distribution system equipment and buildings and notify DMA of specific capital expenditure needs for replacing or upgrading of structures, equipment, mechanical, electrical, HVAC, instrumentation, computer and communication system.
- Provide a minimum of one qualified and experienced operator on site at least five days a week for a period of time not less than one hour per day or the time required to adequately fulfill the water systems' O&M requirements of the contract, whichever is greater. In addition, the contractor shall provide a staffed office with personnel available to assist DMA during regular business hours and provide a 24-hour/7-day-a-week "on call" contact point for emergency activities.

Wastewater Collection/Treatment System and Storm Water System O&M

- Provide all personnel and associated wages, salaries, and benefits; material, including chemicals, fuel and vehicle expense, utilities and other consumables, and services necessary to operate the wastewater and storm water collection systems, lift stations and treatment facilities in accordance with all applicable laws, regulations, statutes and guidelines and the facility's KPDES permit. The contractor shall assume responsibility for payment of any fines resulting from faulty operation or operation not in conformance with applicable law.
- Provide all personnel, materials and services necessary to support the operation of the wastewater and storm water collection systems, lift stations and treatment facilities including, but not limited to, management, sample collection, laboratory testing, computer control system operation and maintenance, administration, purchasing, reporting, janitorial, security, residuals disposal and building upkeep.
- Provide all personnel, materials and services necessary to maintain the lift stations and wastewater treatment structures, equipment, mechanical, electrical, HVAC, instrumentation, communication and computer systems adequately to ensure efficiency, long-term reliability and conservation of capital investment. Maintenance must be provided in accordance with industry standards, equipment manufacturers' instructions, and the operating and maintenance manuals. Provisions shall be made for enforcing existing equipment warranties and guarantees, and for maintaining all warranties on new equipment purchased after the effective date of the contract.
- Administer the transportation, handling and disposal of sludge, grit, screenings and other wastes in accordance with applicable regulations and requirements.
- Provide comprehensive annual recording and reporting to DMA on plant operating parameters, laboratory analysis, maintenance plans and activities, treatment results,

Solicitation	Document No. S-02179395	Document Title Water Plant Operation	Page 4 of 6
	Buyer Name Greg Hughes (Fin-DMPS)		

equipment and parts inventories, manpower utilization and other relevant information in accordance with all applicable laws, regulations, ordinances, permits and guidelines.

- Assist DMA by providing all information requested for the preparation of reports and permit renewals related to the operation and maintenance of the wastewater treatment facilities to other regulatory bodies.
- Prepare detailed annual expenditure estimates and report actual monthly amounts to DMA monthly.
- Meet with representatives of DMA at least twice yearly to review operations, reports and costs. Also, conduct annual comprehensive plant inspections with representatives of DMA to evaluate and document condition, safety, or other concerns.
- Provide assistance to DMA in the development and implementation of a capital improvement program for the wastewater and storm water collection systems, lift stations and treatment facilities at their request. Participate in capital program strategic planning meetings. At least annually and upon request, evaluate all lift stations, plant equipment and buildings and notify DMA of specific capital expenditure needs for replacing or upgrading structures, equipment, mechanical, electrical, HVAC, instrumentation, computer and communication systems.
- Provide a minimum of one qualified and experienced operator on site at least five days a week for a period of time not less than one hour per day or the time required to adequately fulfill the wastewater and storm water systems' O&M requirements of the contract, whichever is greater. In addition, the contractor **shall** provide a staffed office with personnel available to assist DMA during regular business hours and provide a 24-hour/7-day-a-week "on call" contact point for emergency activities.

Water Distribution System

- Flushing of system twice annually.
- Flow test master meter within two years (issue written report).
- Flow test 40 percent of the meters within the initial contract period and 20 percent of the meters during each renewal period (issue written report).
- Exercise and perform routine maintenance on all valves and hydrants annually.
- Test all backflow preventers annually.

Wastewater Collection System/Treatment Facilities

- Clean 40 percent of the sewer system within the initial contract period and 20 percent of the sewer during each renewal period (issue written report).
- Inspect all manholes within two-year period (issue written report).
- Provide and maintain a rain gauge.

Systems Repair/Improvements

- Perform justifiable repairs, replacements or improvements of materials and/or equipment up to a reimbursable limit of \$1,000 per incident. If the amount of the identified work is expected

Solicitation	Document No. S-02179395	Document Title Water Plant Operation	Page 5 of 6
	Buyer Name Greg Hughes (Fin-DMPS)		

to exceed that threshold, the contractor is required to get authorization from DMA. The contractor will be compensated or reimbursed separately for all repairs or improvements made on the systems based on a time and materials structure which would be agreed upon by both parties. The contractor is specifically not granted exclusive rights to all work on the water, wastewater and storm water systems at Bluegrass Station. FAC and DMA may solicit proposals from other contractors if they deem it to be in their best interest.

Agreement Between Parties

By submitting a bid, the bidder acknowledged and agreed to be bound by the terms and conditions of the Solicitation.

The bidder agrees that this contract is the complete and exclusive statement of the agreement between the parties, which supersedes all prior agreements, oral or written, and all other communications between the parties relating to the subject matter of this Solicitation. It is further agreed between the parties, that any valid modification of contractual agreement must be formalized by issuance of an Contract Modification from the Division of Material and Procurement Services.

Service Performance

All services performed under contract shall be in accordance with the terms and provisions of the contract. It will be the agency's responsibility to ensure that such services rendered are performed and are acceptable.

Major deviations of services performed will not be made without the written approval of the Division of Material and Procurement Services. Problems, which arise under any aspect of performance, should first be resolved between the vendor and the agency. Either party should refer in writing any such problems and/or disagreements that cannot be resolved to the Division of Material and Procurement Services for settlement.

Addition or Deletion of Items or Services

The Division of Material and Procurement Services reserves the right to add new and similar services, with the consent of the vendor, to any contract. A Contract Modification will be issued by the Division of Material and Procurement Services to effect this change.

Obligations of Bidder

At the time of the opening of proposal, it is expected that each bidder has reviewed the specifications to resolve any questions. The failure of any bidder to examine any proposal requirement shall in no way relieve the bidder of any obligation or condition regarding this contract.

Insurance/Indemnity

The contractor shall provide a comprehensive liability insurance policy with limits of \$1,000,000 per occurrence and \$2,000,000 annual aggregate. This policy will name the FAC, DMA and the contractor as co-insureds for personal injury and property damage. Additionally, the contractor will be required to provide auto insurance covering all vehicles used on Bluegrass Station premises.

The contractor shall hold harmless the FAC, DMA and their agents, officers, assigns, attorneys and employees from any loss or liability from claims, damages or lawsuits for reasons resulting from acts or omissions by the contractor or its agents during the term of contract.

Solicitation	Document No. S-02179395	Document Title Water Plant Operation	Page 6 of 6
	Buyer Name Greg Hughes (Fin-DMPS)		

Contract Performance Review

There shall be a performance review at the end of the initial two-year contract period. If the FAC and DMA determine that contract performance has not been in full compliance, it may choose to establish remedial measures for the contractor or terminate the contract. Performance review will also be done at the end of each renewal period. Based on these reviews, FAC and DMA will determine whether or not to exercise the contract option for the next year.

Subcontracting

No part of the work described in this contract may be assigned, transferred, conveyed, subcontracted or otherwise disposed of, without the written consent of the FAC and DMA.

ALL SPECIFICATIONS, TERMS AND CONDITIONS IN SOLICITATION S-02179395, AS AMENDED, INCORPORATED BY REFERENCE AS CONTRACT PROVISIONS.

Current labor and equipment rates by classification for work that might be done outside the scope outlined in the Solicitation.

Labor Rates:

Engineering \$44.00
 Distribution \$32.00
 Maintenance \$52.00
 Water Quality \$36.00

Equipment Rates:

Backhoe \$45.00
 Dump Truck \$45.00

The Commonwealth of Kentucky

CONTRACT

(APPROVED)

Page 1 of 4
 Contract No. C-03303453
 Requisition No:
IMPORTANT
 Show Contract number on all packages, invoices, and correspondence.

Description KRA LEAK DETECTION 2 **Sub Type:** Contract-PSC-Standard

Effective Date: 01 Oct 2003 **Expiration Date:** 30 Jun 2004

Administered By: DON MORSE **Cited Authority:** 218
Telephone: () - ext () **Issued By:** DON MORSE

Credit Card Payment: No Yes **Card Number:**

C O N T R A C T I O N

KENTUCKY AMERICAN WATER
 2300 RICHMOND RD
 LEXINGTON KY 40502-1308
 USA

Line	Description	Due Date	Quantity	Unit Issue	Unit Price	Misc.	Total Price
0001	LEAK DETECTION FOR KY RIVER BASIN WATE		500.0000	Hour	\$95.00000	\$0.00	\$47,500.00

Extended Description
 Services to locate line leaks and other sources of water losses or water utility operational deficiencies with the symptoms of line leaks for water utilities using water from sources within the Kentucky River Basin. This includes water producers and distribution districts who purchase water from within the Basin. Consultant is to use his own personnel and equipment to pinpoint the location of a line leak or advise the utility of other causes and solutions which cause water loss or pressure loss. Consultant is not required to perform repairs. Supervision of the repairs is required only if specifically requested by the utility and approved by the Authority. All assignments are made by the Authority based on requests from the utility.

Additional Markings and Instructions

B 083 KENTUCKY RIVER AUTHORITY ATTN: DON MORSE 70 WILKINSON BLVD FRANKFORT KY 40601 Phone: (502) 564-2866 () Fax: (502) 564-2681 <This address is applicable to all line items>	S Phone: () - () Fax: () -
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0002	Travel Cost		.0000	Each	\$0.00000	\$4,783.00	\$4,783.00
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Extended Description
 The contractor is allowed a reimbursement for mileage within the Commonwealth of Kentucky between the office of the consultant and each water utility at the rate of \$.36 per mile. Reimbursement for meals and lodging at cost shall be provided when overnight stay at the location of the water utility is required. The value of this item includes both mileage and all travel cost.

Additional Markings and Instructions

Total Order Amount \$52,283.00

The Commonwealth of Kentucky

CONTRACT

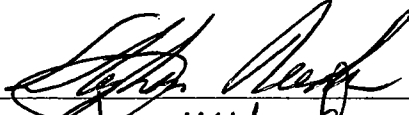
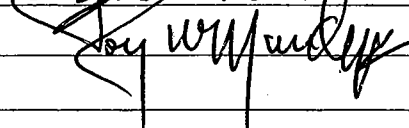
Page 2 of 4

Contract No. C-03303453


Requisition No:

Name and Title of Contracting Officer

By signing this contract, the vendor agrees that electronic approvals may serve as electronic signatures.

1st Party X:  Title: Executive Director Date: 9/12/2003
2nd Party X:  Title: President Date: 9/16/03
Other Party X: _____ Title: _____ Date: _____

Approved as to form and legality:


Attorney

LEGISLATIVE RESEARCH COMMISSION PROOF OF NECESSITY FORM

Page 3 of 4

Contract No. C-03303453

Requisition No:

AGENCY / BRANCH / DIVISION: FIN-KENTUCKY RIVER AUTHORITY

TYPE OF AWARD N

1. NAME AND ADDRESS OF VENDOR

KENTUCKY AMERICAN WATER
2300 RICHMOND RD
LEXINGTON KY 40502-1308
USA

2. EFFECTIVE PERIOD OF AWARD

Effective Date: 01 Oct 2003

Expiration Date: 30 Jun 2004

3. DESCRIPTION OF WORK TO BE PERFORMED

Assist water utilities in the Ky River Basin to locate and plan repairs for line leaks and other causes of water losses.

4. FINANCIAL AND AWARD COST DATA

Total Projected Cost of Award: \$52,283.00

Source of Funds:	Federal:	\$0.00
	General:	\$0.00
	Agency:	\$52,283.00
	Capital	
	Construction:	\$0.00
	Other:	\$0.00

If Other, specify: Not Applicable

If federal, is there an associated grant? Not Applicable

Is the agency paying FICA? Yes No

Was award cost included as a line item in the most recent budget bill for the Commonwealth? Yes No

Was this cost included in the current agency budget? Not Applicable

If No, explain source of funds: Not Applicable

Detailed Description of Projected Cost:

500 hours of services @ \$95 per hour plus \$4,783 allowance for mileage, meals and lodging. Mileage reimbursed at \$.36 per mile.

Method of Payment:

Frequency of Payment: Monthly

If Other, explain: Not Applicable

5. CONTRACTOR JUSTIFICATION

Could or should the work be performed by state personnel? Yes No

Justification for Outside Service Provider:

This service requires special expertise and equipment not available to state personnel.

LEGISLATIVE RESEARCH COMMISSION PROOF OF NECESSITY FORM

Page 4 of 4

Contract No. C-03303453

Requisition No:

AGENCY / BRANCH / DIVISION: FIN-KENTUCKY RIVER AUTHORITY

6. NAME/ADDRESSES OF OTHER PROVIDER(S) CONSIDERED:

Leak Eliminators
1925 Manley Leestown Rd
Frankfort Ky 40601

Utility Services Associates
10013 MLK Jr. Way South
Seattle Wa 98178

**7. BASIS FOR SELECTION OF PROPOSED CONTRACTOR (PSC) /
REASON FOR EXCHANGE OF RESOURCES OR RESPONSIBILITIES (MOA):**

Ky American recieved the highest score on best value rating of S-03303453-1 solicitation and had the lowest bid.

8. PLANNED PERFORMANCE MONITORING ACTIVITIES:

Executive Director will approve all invoices and he or his designate will approve all assignments to contractor.

Award / Contract	Document No. C-03303453	Document Title KRA LEAK DETECTION 2	Page 1 of 1
	Buyer Name Don Morse		

Section 1: L -- FREE-FORM TERMS AND CONDITIONS

FREE FREE-FORM TERMS & CONDITIONS

The contractor shall assist water utilities within the Kentucky River Basin in the location of line leaks or other operational problems related to water and pressure losses in their systems. Each service call will be assigned by the Authority based on requests from the utilities.

Following each assignment, the contractor shall provide the Authority with a brief report of the cause of the leaks discovered, the required repairs and the schedule for such repairs by the utility.

Compensation at the hourly rate for leak detection services shall compensate the contractor for all personnel and equipment while on site with the assigned utility. Hours while in travel status shall not be reimbursed except by reimbursement under travel expense. Travel shall be reimbursed at the rate of \$.36 per mile required for travel to and from the utility from the contractor's office. Lodging and meals shall be reimbursed at actual cost when overnight stay at the utility is required. Invoices may be submitted monthly.

Award / Contract	Document No. C-03303453	Document Title KRA LEAK DETECTION 2	Page 2 of 1
	Buyer Name Don Morse		

Section 2: A -- CANNED SPECIFICATIONS FOR THE COMMONWEALTH OF KENTUCKY

Section 1: A -- CANNED SPECIFICATIONS FOR THE COMMONWEALTH OF KENTUCKY

PSC1 Personal Service Contract Clauses

WHEREAS, THE STATE AGENCY HAS CONCLUDED THAT EITHER STATE PERSONNEL ARE NOT AVAILABLE TO PERFORM SAID FUNCTION, OR IT WOULD NOT BE FEASIBLE TO UTILIZE STATE PERSONNEL TO PERFORM SAID FUNCTION; AND WHEREAS, THE SECOND PARTY IS AVAILABLE AND QUALIFIED TO PERFORM SUCH FUNCTION, AND WHEREAS, FOR THE HEREINBEFORE-STATED REASONS, THE STATE AGENCY DESIRES TO AVAIL ITSELF OF THE SERVICES OF THE SECOND PARTY.

INVOICES FOR FEES:

THE CONTRACTOR SHALL MAINTAIN SUPPORTING DOCUMENTS TO SUBSTANTIATE INVOICES AND SHALL FURNISH SAME IF REQUIRED BY STATE GOVERNMENT.

TRAVEL EXPENSES, IF AUTHORIZED:

THE CONTRACTOR SHALL BE PAID FOR NO TRAVEL EXPENSES UNLESS AND EXCEPT AS SPECIFICALLY AUTHORIZED BY THE SPECIFICATIONS OF THE CONTRACT.

OTHER EXPENSES, IF AUTHORIZED HEREIN:

THE CONTRACTOR SHALL BE REIMBURSED FOR NO OTHER EXPENSES OF ANY KIND, UNLESS AND EXCEPT AS SPECIFICALLY AUTHORIZED WITHIN THE SPECIFICATIONS OF THE CONTRACT.

IF THE REIMBURSEMENT OF SUCH EXPENSES IS AUTHORIZED, THE REIMBURSEMENT SHALL BE ONLY ON AN OUT-OF-POCKET BASIS. REQUEST FOR PAYMENT OF SAME SHALL BE PROCESSED UPON RECEIPT FROM THE CONTRACTOR OF VALID, ITEMIZED STATEMENTS SUBMITTED PERIODICALLY FOR PAYMENT AT THE TIME ANY FEES ARE DUE. THE CONTRACTOR SHALL MAINTAIN SUPPORTING DOCUMENTS THAT SUBSTANTIATE EVERY CLAIM FOR EXPENSES AND SHALL FURNISH SAME IF REQUESTED BY STATE GOVERNMENT.

I. INVOICING FOR FEE: THE CONTRACTOR'S FEE SHALL BE ORIGINAL INVOICE(S) AND SHALL BE DOCUMENTED BY THE CONTRACTOR. THE INVOICE(S) MUST CONFORM TO THE METHOD DESCRIBED IN THE SPECIFICATIONS OF THE CONTRACT.

II. INVOICING FOR TRAVEL EXPENSES: THE CONTRACTOR MUST FOLLOW INSTRUCTIONS DESCRIBED IN THE SPECIFICATIONS OF THE CONTRACT. EITHER ORIGINAL OR CERTIFIED COPIES OF RECEIPTS MUST BE SUBMITTED FOR AIRLINE TICKETS, MOTEL BILLS, RESTAURANT CHARGES, RENTAL CAR CHARGES, AND ANY OTHER MISCELLANEOUS EXPENSES.

III. INVOICING FOR MISCELLANEOUS EXPENSES: THE CONTRACTOR MUST FOLLOW INSTRUCTIONS PRESCRIBED IN THE SPECIFICATIONS OF THE CONTRACT. EXPENSES SUBMITTED SHALL BE DOCUMENTED BY ORIGINAL OR CERTIFIED COPIES.

EFFECTIVE DATE:

THIS AGREEMENT IS NOT EFFECTIVE UNTIL THE SECRETARY OF THE FINANCE

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AND ADMINISTRATION CABINET OR HIS AUTHORIZED DESIGNEE HAS APPROVED THE CONTRACT AND UNTIL THE CONTRACT HAS BEEN SUBMITTED TO THE GOVERNMENT CONTRACT REVIEW COMMITTEE.

PAYMENTS ON PERSONAL SERVICE CONTRACTS AND MEMORANDUA OF AGREEMENT SHALL NOT BE AUTHORIZED FOR SERVICES RENDERED AFTER GOVERNMENT CONTRACT REVIEW COMMITTEE DISAPPROVAL, UNLESS THE DECISION OF THE COMMITTEE IS OVERRIDDEN BY THE SECRETARY OF THE FINANCE AND ADMINISTRATION CABINET OR AGENCY HEAD, IF THE AGENCY HAS BEEN GRANTED DELEGATION AUTHORITY BY THE SECRETARY.

SOCIAL SECURITY: (Check One)

THE PARTIES ARE COGNIZANT THAT THE STATE IS NOT LIABLE FOR SOCIAL SECURITY CONTRIBUTIONS PURSUANT TO 42 U.S. CODE, SECTION 418, RELATIVE TO THE COMPENSATION OF THE SECOND PARTY FOR THIS CONTRACT.

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CANCELLATION:

THE STATE AGENCY SHALL HAVE THE RIGHT TO TERMINATE AND CANCEL THIS AGREEMENT AT ANY TIME NOT TO EXCEED THIRTY (30) DAYS' WRITTEN NOTICE SERVED ON THE CONTRACTOR BY REGISTERED OR CERTIFIED MAIL.

PURCHASING AND SPECIFICATIONS:

THE CONTRACTOR CERTIFIES THAT HE WILL NOT ATTEMPT IN ANY MANNER TO INFLUENCE ANY SPECIFICATIONS TO BE RESTRICTIVE IN ANY WAY OR RESPECT NOR WILL HE ATTEMPT IN ANY WAY TO INFLUENCE ANY PURCHASING OF SERVICES, COMMODITIES OR EQUIPMENT BY THE COMMONWEALTH OF KENTUCKY. FOR THE PURPOSE OF THIS PARAGRAPH AND THE FOLLOWING PARAGRAPH THAT PERTAINS TO CONFLICT-OF INTEREST LAWS AND PRINCIPLES, "HE" IS CONSTRUED TO MEAN "THEY" IF MORE THAN ONE PERSON IS INVOLVED AND IF A FIRM, PARTNERSHIP, CORPORATION, OR OTHER ORGANIZATION IS INVOLVED, THEN "HE" IS CONSTRUED TO MEAN ANY PERSON WITH AN INTEREST THEREIN.

CONFLICT-OF-INTEREST LAWS AND PRINCIPLES:

THE CONTRACTOR CERTIFIES THAT HE IS LEGALLY ENTITLED TO ENTER INTO THIS CONTRACT WITH THE COMMONWEALTH OF KENTUCKY, AND BY HOLDING AND PERFORMING THIS CONTRACT WILL NOT BE VIOLATING EITHER ANY CONFLICT OF INTEREST STATUTE (KRS45A.330-45A.340, 45A.990, 164,390), OR KRS 11A.040 OF THE EXECUTIVE BRANCH CODE OF ETHICS, RELATING TO THE EMPLOYMENT OF FORMER PUBLIC SERVANTS.

CHOICE OF LAW AND FORUM.

ALL QUESTIONS AS TO THE EXECUTION, VALIDITY, INTERPRETATION, CONSTRUCTION AND PERFORMANCE OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE COMMONWEALTH OF KENTUCKY. FURTHERMORE, THE PARTIES HERETO AGREE THAT ANY LEGAL ACTION WHICH IS BROUGHT ON THE BASIS OF THIS AGREEMENT SHALL BE FILED IN THE FRANKLIN COUNTY CIRCUIT COURT OF THE COMMONWEALTH OF KENTUCKY.

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DISCRIMINATION:

(BECAUSE OF RACE, RELIGION, COLOR, NATIONAL ORIGIN, SEX, AGE, OR DISABILITY) PROHIBITED. THIS SECTION APPLIES ONLY TO CONTRACTS UTILIZING FEDERAL FUNDS, IN WHOLE OR IN PART.

DURING THE PERFORMANCE OF THIS CONTRACT, THE CONTRACTOR AGREES AS FOLLOWS:

1. THE CONTRACTOR WILL NOT DISCRIMINATE AGAINST ANY EMPLOYEE OR APPLICANT FOR EMPLOYMENT BECAUSE OF RACE, RELIGION, COLOR, NATIONAL ORIGIN, SEX OR AGE. THE CONTRACTOR FURTHER AGREES TO COMPLY WITH THE PROVISIONS OF THE AMERICANS WITH DISABILITIES ACT (ADA), PUBLIC LAW 101-336, AND APPLICABLE FEDERAL REGULATIONS RELATING THERETO PROHIBITING DISCRIMINATION AGAINST OTHERWISE QUALIFIED DISABLED INDIVIDUALS UNDER ANY PROGRAM OR ACTIVITY. THE CONTRACTOR AGREES TO PROVIDE, UPON REQUEST, NEEDED REASONABLE ACCOMODATIONS. THE CONTRACTOR WILL TAKE AFFIRMATIVE ACTION TO ENSURE THAT APPLICANTS ARE EMPLOYED AND THAT EMPLOYEES ARE TREATED DURING EMPLOYMENT WITHOUT REGARD TO THEIR RACE, RELIGION, COLOR, NATIONAL ORIGIN, SEX, AGE OR DISABILITY. SUCH ACTION SHALL INCLUDE, BUT NOT BE LIMITED TO THE FOLLOWING; EMPLOYMENT, UPGRADING, DEMOTION OR TRANSFER; RECRUITMENT OR RECRUITMENT ADVERTISING; LAYOFF OR TERMINATION; RATES OF PAY OR OTHER FORMS OF COMPENSATIONS; AND SELECTION FOR TRAINING, INCLUDING APPRENTICESHIP. THE CONTRACTOR AGREES TO POST IN CONSPICUOUS PLACES, AVAILABLE TO EMPLOYEES AND APPLICANTS FOR EMPLOYMENT, NOTICES SETTING FORTH THE PROVISIONS OF THIS NON-DISCRIMINATION CLAUSE.

2. THE CONTRACTOR WILL, IN ALL SOLICITATIONS OR ADVERTISEMENTS FOR EMPLOYEES PLACED BY OR ON BEHALF OF THE CONTRACTOR, STATE THAT ALL QUALIFIED APPLICANTS WILL RECEIVE CONSIDERATION FOR EMPLOYMENT WITHOUT REGARD TO RACE, RELIGION, COLOR, NATIONAL ORIGIN, SEX, AGE OR DISABILITY.

3. THE CONTRACTOR WILL SEND TO EACH LABOR UNION OR REPRESENTATIVE OF WORKERS WITH WHICH HE HAS A COLLECTIVE BARGAINING AGREEMENT OR OTHER CONTRACT OR UNDERSTANDING, A NOTICE ADVISING THE SAID LABOR UNION OR WORKERS' REPRESENTATIVE OF THE CONTRACTOR'S COMMITMENTS UNDER THIS SECTION, AND SHALL POST COPIES OF THE NOTICE IN CONSPICUOUS PLACES AVAILABLE TO EMPLOYEES AND APPLICANTS FOR EMPLOYMENT. THE CONTRACTOR WILL TAKE SUCH ACTION WITH RESPECT TO ANY SUBCONTRACT OR PURCHASE ORDER AS THE ADMINISTERING AGENCY MAY DIRECT AS A MEANS OF ENFORCING SUCH PROVISIONS, INCLUDING SANCTIONS FOR NONCOMPLIANCE.

4. THE CONTRACTOR WILL COMPLY WITH ALL PROVISIONS OF EXECUTIVE ORDER NO. 11246 OF SEPTEMBER 24, 1965 AS AMENDED, AND OF THE RULES, REGULATIONS AND RELEVANT ORDERS OF THE SECRETARY OF LABOR.

5. THE CONTRACTOR WILL FURNISH ALL INFORMATION AND REPORTS REQUIRED BY EXECUTIVE ORDER NO. 11246 OF SEPTEMBER 24, 1965, AS AMENDED, AND BY THE RULES, REGULATIONS AND ORDERS OF THE SECRETARY OF LABOR, OR PURSUANT THERETO, AND WILL PERMIT ACCESS TO HIS BOOKS, RECORDS AND ACCOUNTS BY THE ADMINISTERING AGENCY AND THE SECRETARY OF LABOR FOR PURPOSES OF INVESTIGATION TO ASCERTAIN COMPLIANCE WITH SUCH RULES, REGULATIONS AND ORDERS.

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6. IN THE EVENT OF THE CONTRACTOR'S NONCOMPLIANCE WITH THE NONDISCRIMINATION CLAUSES OF THIS CONTRACT OR WITH ANY OF THE SAID RULES, REGULATIONS OR ORDERS, THIS CONTRACT MAY BE CANCELLED, TERMINATED OR SUSPENDED IN WHOLE OR IN PART AND THE CONTRACTOR MAY BE DECLARED INELIGIBLE FOR FURTHER GOVERNMENT CONTRACTS OR FEDERALLY-ASSISTED CONSTRUCTION CONTRACTS IN ACCORDANCE WITH PROCEDURES AUTHORIZED IN EXECUTIVE ORDER NO. 11246 OF SEPTEMBER 24, 1965, AS AMENDED, AND SUCH OTHER SANCTIONS MAY BE IMPOSED AND REMEDIES INVOKED AS PROVIDED IN OR AS OTHERWISE PROVIDED BY LAW.

7. THE CONTRACTOR WILL INCLUDE THE PROVISIONS OF PARAGRAPHS (1) THROUGH (7) OF SECTION 202 OF EXECUTIVE ORDER 11246 IN EVERY SUBCONTRACT OR PURCHASE ORDER UNLESS EXEMPTED BY RULES, REGULATIONS OR ORDERS OF THE SECRETARY OF LABOR, ISSUED PURSUANT TO SECTION 204 OF EXECUTIVE ORDER NO. 11246 OF SEPTEMBER 24, 1965, AS AMENDED, SO THAT SUCH PROVISIONS WILL BE BINDING UPON EACH SUBCONTRACTOR OR VENDOR. THE CONTRACTOR WILL TAKE SUCH ACTION WITH RESPECT TO ANY SUBCONTRACT OR PURCHASE ORDER AS THE ADMINISTERING AGENCY MAY DIRECT AS A MEANS OF ENFORCING SUCH PROVISIONS INCLUDING SANCTIONS FOR NONCOMPLIANCE; PROVIDED, HOWEVER, THAT IN THE EVENT A CONTRACTOR BECOMES INVOLVED IN, OR IS THREATENED WITH, LITIGATION WITH A SUBCONTRACTOR OR VENDOR AS A RESULT OF SUCH DIRECTION BY THE AGENCY, THE CONTRACTOR MAY REQUEST THE UNITED STATES TO ENTER INTO SUCH LITIGATION TO PROTECT THE INTERESTS OF THE UNITED STATES.

CAMPAIGN FINANCE.

THE CONTRACTOR CERTIFIES THAT NEITHER HE/SHE NOR ANY MEMBER OF HIS/HER IMMEDIATE FAMILY HAVING AN INTEREST OF 10% OR MORE IN ANY BUSINESS ENTITY INVOLVED IN THE PERFORMANCE OF THIS CONTRACT, HAS CONTRIBUTED MORE THAN THE AMOUNT SPECIFIED IN KRS 121.056(2), TO THE CAMPAIGN OF THE GUBERNATORIAL CANDIDATE ELECTED AT THE ELECTION LAST PRECEDING THE DATE OF THIS CONTRACT. THE CONTRACTOR FURTHER SWEARS UNDER THE PENALTY OF PERJURY, AS PROVIDED BY KRS 523.020, THAT NEITHER HE/SHE NOR THE COMPANY WHICH HE/SHE REPRESENTS, HAS KNOWINGLY VIOLATED ANY PROVISIONS OF THE CAMPAIGN FINANCE LAWS OF THE COMMONWEALTH, AND THAT THE AWARD OF A CONTRACT TO HIM/HER OR THE COMPANY WHICH HE/SHE REPRESENTS WILL NOT VIOLATE ANY PROVISIONS OF THE CAMPAIGN FINANCE LAWS OF THE COMMONWEALTH.

CERTIFICATION.

THE STATE AGENCY CERTIFIES THAT IT IS IN COMPLIANCE WITH THE PROVISIONS OF KRS 45A.695.

"ACCESS TO CONTRACTOR'S BOOKS, DOCUMENTS, PAPERS, RECORDS, OR OTHER EVIDENCE DIRECTLY PERTINENT TO THE CONTRACT". THE CONTRACTOR, AS DEFINED IN KRS 45A.030(7), AGREES THAT THE CONTRACTING AGENCY, THE FINANCE AND ADMINISTRATION CABINET, THE AUDITOR OF PUBLIC ACCOUNTS, AND THE LEGISLATIVE RESEARCH COMMISSION, OR THEIR DULY AUTHORIZED REPRESENTATIVES, SHALL HAVE ACCESS TO ANY BOOKS, DOCUMENTS, PAPERS, RECORDS, OR OTHER EVIDENCE, WHICH ARE DIRECTLY PERTINENT TO THIS CONTRACT FOR THE PURPOSE OF FINANCIAL AUDIT OR PROGRAM REVIEW. FURTHERMORE, ANY BOOKS, DOCUMENTS, PAPERS, RECORDS, OR OTHER EVIDENCE PROVIDED TO THE CONTRACTING AGENCY, THE FINANCE AND ADMINISTRATION CABINET, THE AUDITOR OF PUBLIC ACCOUNTS, OR THE LEGISLATIVE RESEARCH COMMISSION WHICH ARE DIRECTLY PERTINENT TO THE CONTRACT SHALL BE SUBJECT TO PUBLIC DISCLOSURE REGARDLESS OF THE PROPRIETARY NATURE OF THE INFORMATION, UNLESS SPECIFIC INFORMATION IS IDENTIFIED AND EXEMPTED AND AGREED TO BY THE SECRETARY OF THE FINANCE AND ADMINISTRATION CABINET AS MEETING THE PROVISIONS OF KRS 61.878(1)(C) PRIOR TO THE EXECUTION OF THE CONTRACT. THE SECRETARY OF THE FINANCE AND ADMINISTRATION CABINET SHALL NOT RESTRICT THE

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PUBLIC RELEASE OF ANY INFORMATION WHICH WOULD OTHERWISE BE SUBJECT TO PUBLIC RELEASE IF A STATE GOVERNMENT AGENCY WAS PROVIDING THE SERVICES.

VIOLATION OF TAX AND EMPLOYMENT LAWS.

KRS 45A.485 REQUIRES THE CONTRACTOR TO REVEAL TO THE COMMONWEALTH, PRIOR TO THE AWARD OF A CONTRACT, ANY FINAL DETERMINATION OF A VIOLATION BY THE CONTRACTOR WITHIN THE PREVIOUS FIVE (5) YEAR PERIOD OF THE PROVISIONS OF KRS CHAPTERS 136, 139, 141, 337, 338, 341, AND 342. THESE STATUTES RELATE TO THE STATE SALES AND USE TAX, CORPORATE AND UTILITY TAX, INCOME TAX, WAGES AND HOURS LAWS, OCCUPATIONAL SAFETY AND HEALTH LAWS, UNEMPLOYMENT INSURANCE LAWS, AND WORKERS COMPENSATION INSURANCE LAWS, RESPECTIVELY.

TO COMPLY WITH THE PROVISIONS OF KRS 45A.485, THE CONTRACTOR SHALL REPORT ANY SUCH FINAL DETERMINATION(S) OF VIOLATION(S) TO THE COMMONWEALTH BY PROVIDING THE FOLLOWING INFORMATION REGARDING THE FINAL DETERMINATION(S): THE KRS VIOLATED, THE DATE OF THE FINAL DETERMINATION, AND THE STATE AGENCY WHICH ISSUED THE FINAL DETERMINATION.

KRS 45A.485 ALSO PROVIDES THAT, FOR THE DURATION OF ANY CONTRACT, THE CONTRACTOR SHALL BE IN CONTINUOUS COMPLIANCE WITH THE PROVISIONS OF THOSE STATUTES WHICH APPLY TO THE CONTRACTOR'S OPERATIONS, AND THAT THE CONTRACTOR'S FAILURE TO REVEAL A FINAL DETERMINATION AS DESCRIBED ABOVE OR FAILURE TO COMPLY WITH THE ABOVE STATUTES FOR THE DURATION OF THE CONTRACT, SHALL BE GROUNDS FOR THE COMMONWEALTH'S CANCELLATION OF THE CONTRACT AND THE CONTRACTOR'S DISQUALIFICATION FROM ELIGIBILITY FOR FUTURE STATE CONTRACTS FOR A PERIOD OF TWO (2) YEARS.

Contractor must check one:

CPB
9/17/03

THE CONTRACTOR HAS NOT VIOLATED ANY OF THE PROVISIONS OF THE ABOVE STATUTES WITHIN THE PREVIOUS FIVE (5) YEAR PERIOD.

THE CONTRACTOR HAS VIOLATED THE PROVISIONS OF ONE OR MORE OF THE ABOVE STATUTES WITHIN THE PREVIOUS FIVE (5) YEAR PERIOD AND HAS REVEALED SUCH FINAL DETERMINATION(S) OF VIOLATION(S). A LIST OF SUCH DETERMINATION(S) IS ATTACHED