

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
JUN 29 2010
PUBLIC SERVICE
COMMISSION

In the Matter of:

PROPOSES ADJUSTMENT OF THE
WHOLESALE WATER SERVICE RATES OF
THE CITY OF WHITESBURG
CASE NO. 2009-00465

RESPONSE TO COMMISSION STAFF'S THIRD INFORMATION
REQUEST TO THE CITY OF WHITESBURG

Comes the City of Whitesburg, and for its Response to the Commission Staff's Third Information

Request states as follows:

1. Provide the audit reports for the 2008 and 2009 fiscal years as requested in the Commission's Order of December 1, 2009.

Response: The 2008 and 2009 audit reports have not yet been provided to the City of Whitesburg by its accountants/ auditors/

2. Provide a trial balance for the 12-month test period.

Response: The trial balance dated July 31, 2007 was provided as Exhibit 8 to the Commission Staff's First Information Requests. Further information is not available.

3. Provide a trial balance for the fiscal year ending June 30, 2009.

Response: The trial balance dated July 31, 2007 was provided as Exhibit 8 to the Commission Staff's First Information Requests. Further information is not available.

4. Provide an income statement (including depreciation expense) for both the test period and the fiscal year ending June 30, 2009. Provide this information in the format shown on pages 4 and 5 of Exhibit 3 filed in response to the Commission's Order of December 1, 2009. Include in this format a category for the amounts to be allocated to Whitesburg's wholesale customer.

Response: This information is not available. All information available was provided as Exhibit 7 to the Commission Staff's First Information Requests.

5. Using the same format as item 4, for both the test period and the fiscal year ending June 30, 2009, provide a breakdown of the underlying revenues and expenses comprising the response to item 4 above.

Response: This information is not available. All information available has been previously provided.

6. Provide an explanation of how the revenues and expenses provided in response to item 4 above were allocated to the wholesale customer.

Response: This information is not available. All information available has been previously provided.

7. Provide a signed copy of the contract between Whitesburg and Veolia Water for the provision of management services.

Response: Please see executed contract attached.

8. Provide detailed monthly invoices from Veolia for the services provided under the above contract for both the test period and the fiscal year ending June 30, 2009. These invoices should include, at a minimum, the date, expense and amount of the service provided. Reconcile these expenses with the amounts shown in response to Item 4 above.

Response: This information is not available. All information available has been previously provided.

9. In response to Item 3 of the Commission's Order of December 1, 2009, Whitesburg referenced a cost-of-service study performed by the Kentucky Rural Water Association for a 2006 fiscal year test period. Provide an explanation as to why there was no reference to the actual test period used in this proceeding.

Response: The 2006 cost of service study performed by the Kentucky Rural Water Association was the most recent available.

10. Provide an explanation and calculation for each of the amounts shown in Exhibit 7(b) provided in response to the Commission Staff's Second Information Request.

Response: This information is not available. All information available has been previously provided.

11. Identify the period of time that is covered in the information shown in Exhibit 7(a) of the Commission Staff's Second Information Request.

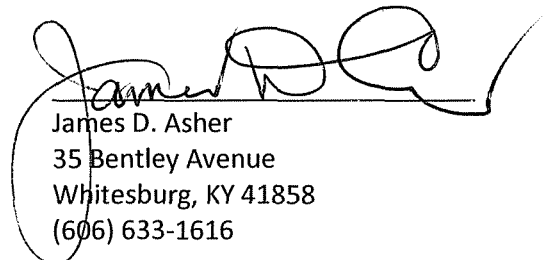
Response: Fiscal Year 2008-2009.

12. Provide a depreciation schedule for the test period and fiscal year ending June 30, 2009. Allocate depreciation between total company, water department, sewer department and wholesale customer.

Response: This information is not available. All information available has been previously provided.

13. Provide three-year average debt service coverage for the test period and the fiscal year ending June 30, 2009. Show the calculation and allocate the debt service between the whole company, the water department, sewer department and wholesale customer. Provide an explanation of the allocation to the wholesale customer.


Response: This information is not available. All information available has been previously provided.



James D. Asher
35 Bentley Avenue
Whitesburg, KY 41858
(606) 633-1616

CERTIFICATION

I hereby certify that the foregoing responses are true and accurate answers to the best of my knowledge, information and belief.


Garnett Sexton, City Clerk
City of Whitesburg, Kentucky

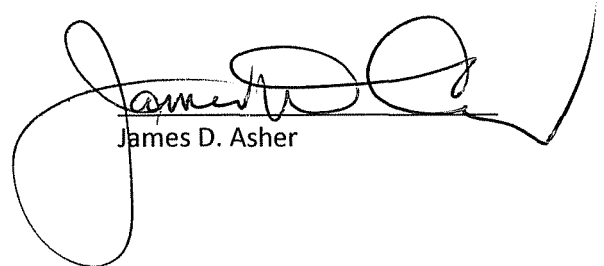
CERTIFICATION OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was served by first class mail, postage prepaid, to the following on the 28 day of June, 2010:

Jeff R. Derouen, Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

Hon. Todd Osterloh
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

Hon. Jamie Hatton
52 Broadway Street, Suite A
Whitesburg, KY 41858
Counsel for Letcher County Water and Sewer District


James D. Asher

Agreement For Operations, Maintenance and Management Services

THIS AGREEMENT is entered into this 30th day of October 2009, by and between:

The City of Whitesburg, Kentucky, with offices at 38 East Main Street, Whitesburg, Kentucky, 41858 (hereinafter "CITY");

and

Veolia Water North America – South, LLC, with offices at 14055 Riveredge Drive, Suite 240, Tampa, Florida 33637 (hereinafter "VWNA").

WHEREAS, CITY owns and provides for the operation of a water and wastewater system; and,

WHEREAS, CITY desires to employ the services of VWNA in the management, operation and maintenance of these facilities and VWNA desires to perform such services for the compensation provided for herein.

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

1. General

1.1 Definitions of words and phrases used in this Agreement and the attachments are contained in Appendix A.

1.2 All land, buildings, facilities, easements, licenses, rights-of-way, equipment and vehicles presently or hereinafter acquired or owned by CITY shall remain the exclusive property of CITY 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. Consent shall not be unreasonably withheld.

1.5 All notices shall be in writing and transmitted to the party's address stated above. All notices shall be deemed effectively given when delivered, if delivered personally or by courier mail service, i.e., Federal Express or Airborne Express, delivered after such notice has been deposited in the United States mail postage

1.6 This Agreement, including Appendices, is the entire Agreement between the parties. This Agreement may be modified only by written agreement signed by both parties. wherever used, the terms "VWNA" and "CITY" 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 that the relationship of VWNA to CITY is that of independent contractor. The services provided under this Agreement are of a professional nature and shall be performed in accordance with good and accepted industry practices for contract operators similarly situated. However, such services shall not be considered engineering services and nothing herein is intended to imply that VWNA is to supply professional engineering services to CITY unless specifically stated in this Agreement to the contrary.

1.9 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.

1.10 Nothing in this Agreement shall be construed to create in any third party or in favor of any third party, any right(s), licensees), power(s) or privilege(s).

1.11 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 and compensation therefore, execute written Change Orders reflecting such changes, render decisions promptly, and furnish information expeditiously to the other party when necessary.

1.12 This Agreement shall be interpreted in accordance with its plain meaning and not strictly for or against either party hereto.

2. VWNA's Services - General

2.1 VWNA offered employment to all personnel of CITY actively working full-time in the water and sewer departments as of August 1, 1999. VWNA will continue to provide employment to all personnel who accept employment with VWNA so long as their positions are necessary to VWNA's performance under this Agreement and they continue to perform their duties in a satisfactory manner. Where applicable, all such personnel must hold current licenses, certificates or authority to perform the work required of their respective positions.

2.2 VWNA will staff the Project with employees who have met appropriate licensing and certification requirements of the Commonwealth of Kentucky.

2.3 VWNA shall provide ongoing training and education for appropriate personnel in all necessary areas of modern water and/or wastewater process control, maintenance, safety, and

supervisory skills.

2.4 VWNA shall develop and/or supply and utilize computerized programs for maintenance, process control, cost accounting, and laboratory Quality Assurance/Quality Control.

2.5 Within fifteen (15) days after VWNA begins service under this Agreement, VWNA will provide a physical inventory of CITY'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 VWNA will provide CITY with a physical inventory of chemicals and other consumables on hand when VWNA begins services under this Agreement. VWNA will provide CITY with the same quantity of chemicals or equivalent upon termination of this Agreement.

2.7 VWNA shall be responsible for maintaining all manufacturers' warranties on new equipment purchased by CITY and assist CITY in enforcing existing equipment warranties and guarantees.

2.8 VWNA shall provide the CITY with full documentation that preventive maintenance is being performed on CITY's owned equipment in accordance with manufacturer's recommendations at intervals and in sufficient detail as may be determined by the CITY. Such a maintenance program must include documentation of corrective and preventive maintenance.

2.9 VWNA shall operate, maintain and/or monitor the Project on a 24-hour per day, seven day per week schedule.

2.10 Visits may be made at any time by the Mayor or his designate. Keys for the Project shall be provided to CITY by VWNA for such visits. All visitors to the Project shall comply with VWNA's operating and safety procedures.

2.11 VWNA will implement and maintain an employee safety program in compliance with applicable laws, rules and regulations and make recommendations to CITY regarding the need, if any, for CITY to rehabilitate, expand or modify the Project to comply with governmental safety regulations applicable to VWNA's operations hereunder and federal regulations promulgated pursuant to the Americans With Disability Act ("ADA"). Nothing herein shall be construed to place upon VWNA a duty to find and report violations of either the safety laws or the ADA at the Facility.

2.12 VWNA 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, no modification shall be without CITY'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, VWNA may act without

written amendment or change order, at VWNA's discretion, to prevent threatened damage, injury or loss. VWNA shall be compensated by CITY for any such emergency work notwithstanding the lack of a written amendment. Such compensation shall include VWNA's non-labor direct Costs for the emergency work. Nothing contained in this Section shall impose upon VWNA a duty to perform any emergency work absent a change order and failure to perform any such emergency work shall not impose upon VWNA any liability for errors and omissions.

2.14 As required by law, permit or court order, VWNA will prepare plant performance reports and submit them to CITY for signature and transmittal to appropriate authorities.

2.15 VWNA 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 VWNA will provide for the collection and hauling of solid waste, screenings, grit, sludge and scum ("Waste") to CITY's existing or approved disposal sites. It shall be the sole right and responsibility of CITY to designate, approve or select disposal sites to be used by VWNA for CITY's waste materials. All Waste and/or byproduct treated and/or generated during VWNA's performance of services is and shall remain the sole and exclusive property of CITY. All manifests or other documentation required for disposal of Waste shall be signed by or in the name of the CITY.

2.17 Upon request of CITY or as it shall deem necessary, VWNA will provide a listing of recommended capital improvements required for the Project. VWNA will not be relieved of its responsibility to perform if the recommendations are not implemented; provided, however, the failure to meet effluent requirements (or other damage or injury) resulting from the failure to make recommended capital improvements necessary to meet federal, state or local laws, rules or regulations for the safety of persons in or about the facilities and to meet ADA requirements shall not be optional for the CITY, and VWNA shall be provided relief from meeting the performance guarantees contained herein if such capital improvements are not made. If approved, the CITY will make arrangements for the design and construction of said improvements.

3. VWNA's Scope of Services -Wastewater

3.1 This Article shall apply to VWNA's OM&M services for the CITY's wastewater treatment system.

3.2 Within the design capacity and capabilities of the Waste Treatment Plant described in Appendix B, VWNA will manage, operate and maintain the Plant so that effluent discharged from the Plant's outfalls meets the requirements specified in Appendix C

3.3 Subject to the availability of funds within the Maintenance and Repair Limit, VWNA will perform all Maintenance and Repairs for the Wastewater portion of the Project, and submit a monthly accounting to CITY. Maintenance and Repair expenditures for the Project which exceed the Maintenance and Repair Limit specified in Section 7.1 will be invoiced to the CITY pursuant to Section 7.2. No expenditures over the limit will be paid without prior approval of the CITY.

3.4 VWNA will pay all Costs incurred in normal Wastewater operations; provided such costs were paid by CITY prior to VWNA's start-up.

3.5 VWNA will assist the CITY in locating a land site for land application of waste in compliance with the Commonwealth of Kentucky Solid Waste Division rules and regulations for use as a biosolids disposal site. This site will be approved by CITY as per Section 2.16, and will be permitted in the CITY's name.

4. VWNA' Scope of Services – Water

4.1 This Article shall apply to VWNA's OM&M services for the CITY's drinking water treatment system.

4.2 Within the design capacity and capabilities of the Water Treatment Plant described in Appendix B, VWNA will manage, operate and maintain the Plant so that water produced from the Plant meets the requirements specified in Appendix C-2.

4.3 VWNA shall operate the water treatment plant(s), pump station(s), and water tanks.

4.4 Subject to the availability of funds within the Maintenance and Repair Limit, VWNA will perform all Maintenance and Repairs for the Water portion of the Project, and submit a monthly accounting to CITY, along with a detailed invoice, if Maintenance and Repair expenditures exceed the Maintenance and Repair Limits specified in Section 7.1.

5. VWNA's Scope of Services - Wastewater Collection System and Water Distribution System

5.1 This Article shall apply to VWNA's maintenance and repair services for the CITY's wastewater collection system and drinking water distribution system.

5.2 The scope of VWNA's services for the maintenance and repair of the collection system and the distribution system is the meters, lines, pumps, tanks, valves, hydrants and lift stations on November 1, 2009.

5.3 Costs associated with the services described in this Article shall be charged to the Maintenance and Repair Limit.

5.4 VWNA shall read water meters before the 20th of each month and provide readings to the CITY.

5.5 VWNA will carry out customer service needs of investigating complaints, turning service on/off, and setting new services.

5.6 VWNA will respond to emergency services after hours and on weekends.

5.7 Sewer Back-Up Procedure. From and after the inception of the Term of this Agreement, VWNA shall establish (i) a routine, normal sewer line preventative maintenance program, and (ii)

corrective procedures to be implemented in the event of any personal injury or property damage resulting from a sewer back-up which will consist of the following:

- 5.7.1 Upon receipt of a citizen notice, VWNA will determine whether the cause of the sewer back-up was an obstruction in CITY's lateral line or the citizen's house line;
- 5.7.2 If the obstruction is in CITY's lateral line, VWNA will (i) remove the cause of the sewer line obstruction by implementation of its corrective procedures; (ii) document the approximate date and time of the obstruction; (iii) determine the extent of the personal injury or property damage, if any; (iv) contact a predetermined remediation company to clean up the sewer back-up and to minimize any damage, the cost of which will be paid by CITY; and (v) provide notice to CITY's insurance carrier of the potential loss claim;
- 5.7.3 If the sewer line back-up is the citizen's house line, VWNA will advise the citizen to contact a remediation service company and citizen's homeowner's insurance carrier; and
- 5.7.4 If the citizen files a claim against CITY or VWNA, VWNA will notify CITY and CITY's independent insurance carrier who will make a determination of whether or not to pay the claim filed by the citizen.

Except as provided in Section 10.1 below, after completing the procedure set forth in Subsections 5.7.1 through 5.7.4 above, VWNA shall have no further responsibility or liability to CITY or the citizen(s) for the personal injury or property damage caused by the sewer back-up or the consequences thereof.

6. CITY'S Duties

6.1 The CITY shall directly contract for and pay for all electricity used or required in connection with the Project, and VWNA shall have no responsibility to provide or pay for such electricity or any electricity charges.

6.2 The CITY shall fund all Capital Expenditures, which shall be performed by VWNA under an appropriate Change in Scope amendment to this Agreement. Priority shall be given to safety and the ADA related expenses described in Section 2.11. Any loss, damage, or injury resulting from CITY's failure to provide capital improvements and/or funds in excess of the Maintenance and Repair Limit when reasonably requested by VWNA shall be the sole responsibility of CITY.

6.3 The CITY shall keep in force all Project warranties, guarantees, easements and licenses that have been granted to CITY and are not transferred to VWNA under this Agreement.

6.4 The CITY shall pay all sales, excise, *ad valorem*, property, franchise, occupational and disposal taxes, or other taxes associated with the Project other than taxes imposed

upon VWNA's net income and/or payroll taxes for VWNA employees. In the event VWNA is required to pay any sales tax or use taxes on the value of the services provided by VWNA hereunder or the services provided by any subcontractor of VWNA, such payments shall be reimbursed by the CITY unless the CITY furnishes a valid and properly executed exemption certificate relieving the CITY and VWNA of the obligation for such taxes. In the event the CITY furnishes an exemption certificate which is invalid or not applicable to services by VWNA, the CITY shall indemnify VWNA for any taxes, interest, penalties, and increment costs, expenses or fees which it may incur as a result of VWNA's reliance on such certificate.

6.5 The CITY shall provide VWNA, within a reasonable time after request and on an "as available" basis, with the temporary use of any piece of CITY's heavy equipment that is available so that VWNA may discharge its obligations under this Agreement in the most cost-effective manner.

6.6 CITY shall provide all registrations and licenses for CITY's vehicles used in connection with the Project.

6.7 CITY shall provide for VWNA's use, on a non-exclusive basis, all of the CITY vehicles and equipment presently in use at the Project. In the event that VWNA is unable to use the vehicles and equipment for some reason, VWNA shall be entitled to rent or lease the equipment from a third party and the CITY shall reimburse VWNA for such cost,

6.8 CITY shall provide for VWNA's entry into existing Letcher County transfer station and Pike County landfill for disposal of garbage, screenings, grit, sludge and scum. CITY shall pay for all disposal costs incurred by VWNA for disposal of screenings and grit.

6.9 CITY shall be responsible for any losses resulting from the theft, damage, or unauthorized use of property owned by CITY and shall accept liability for such losses except to the extent such losses are directly caused by the negligent acts or omissions of VWNA.

6.10 CITY warrants that during the interim period between the initial Project inspection by VWNA and the Commencement Date, the Project and facilities and equipment have been operated only in the normal course of business, all scheduled and proper maintenance have been performed and there are no issues known to CITY regarding the condition of the Project, and Facility composing the Project and/or any equipment used by the Project.

6.11 The CITY will provide a central point of contact for the CITY's residents to phone in for any types of customer service requests related to the Project activities.

6.12 The CITY shall keep in force any project warranties, guarantees, easements and licenses that have been granted to CITY and are not transferred to VWNA under this Agreement.

6.13 The CITY shall provide water, sewer and garbage services to the Project, at no cost to VWNA.

6.14 The CITY shall continue to employ a meter reader and to perform meter reading services under the Agreement. The CITY will perform meter and meter box repairs and replacements; repair meter leaks; perform meter re-reads, meter disconnects, meter reconnects and meter inspection for leaks; assignment of account numbers, and the CITY will order and purchase all parts needed to conduct these duties. In the event that the CITY requests and authorizes VWNA to perform any of these services, all Costs associated with such services shall be charged to the Maintenance and Repair Limit.

7. Compensation

7.1 VWNA's compensation under this Agreement shall consist of an Annual Fee. The Annual Fee for the period November 1, 2009 to October 31, 2010, shall be \$967,144.00. The Maintenance and Repair Limit included in the Annual Fee is \$125,040.00. The Chemical Limit included in the Annual Fee is \$100,455. The Laboratory Services Limit included in the Annual Fee is \$22,617.

7.2 If the Actual Maintenance and Repair expenditures are less than the Maintenance and Repair Limit for any Agreement year, VWNA will rebate the entire difference to CITY in accordance with Section 8.3. If actual Maintenance and Repair expenditures exceed the Maintenance and Repair Limit, CITY will pay the excess to VWNA in accordance with Section 8.2. VWNA will notify CITY monthly about the expenditures for the month and a year to date total.

7.3 If the Actual Chemical expenditures are less than the Chemical Limit for any Agreement year, VWNA will rebate the entire difference to CITY in accordance with Section 8.3. If actual Chemical expenditures exceed the Chemical Limit, CITY will pay the excess to VWNA in accordance with Section 8.2.

7.4 If the Actual Laboratory Services expenditures are less than the Laboratory Services Limit for any Agreement year, VWNA will rebate the entire difference to CITY in accordance with Section 8.3. If actual Laboratory Services expenditures exceed the Laboratory Services Limit, CITY will pay the excess to VWNA in accordance with Section 8.2.

7.5 The services being provided under this Agreement are based on reasonably expected overtime for normal breakdowns or services required after hours. Any additional expenses, incurred by VWNA, including straight or over time wages caused by severe weather, a disaster or unplanned events (particularly in which funds may be recovered through billing any third party including the State or Federal Government FEMA funds) will be invoiced by VWNA to the CITY for reimbursement in accordance with Section 8.2.

7.6 VWNA will provide under this Agreement: O&M of the CITY water, wastewater, distribution and collection systems. VWNA will repair water mains and service lines up to the CITY side of the lines. VWNA will install new water connections and provide estimates for new connection costs.

7.7 The services being provided under the Agreement are based on reasonably expected overtime for normal breakdowns or services required after hours. Any additional expenses, incurred by VWNA, including straight or overtime wages caused by severe weather, a disaster or unplanned events (particularly in which funds may be recovered through billing by third party including the State or Federal Government FEMA funds) will be invoiced by VWNA to the CITY for reimbursement in accordance with Section 8.2.

7.8 The Annual Fee (and Maintenance and Repair Limits included therein) shall be negotiated each year at least four (4) months prior to the anniversary of this Agreement's effective date. Should CITY and VWNA fail to agree, the Annual Fee (and Maintenance and Repair Limits included therein) will be adjusted upward by multiplying the existing Annual Fee by the greater one plus (i) three percent (3.0%) or (ii) the percentage increase in the sum of 0.5 multiplied by the 12-month percent change in the CPI - US City Average - Services less Energy - not seasonally adjusted - CUUR0000SASLE, plus 0.5 multiplied by the 12-month percent change in the CPI - US City Avg - Water & Sewer & Trash Services - not seasonally adjusted - CUUR0000SEHG. CPI data will be that as published by the U. S. Department of Labor, Bureau of Labor Statistics for the most recent twelve (12) month period prior to the beginning of the period for which an adjusted Annual Fee is being calculated.

7.9 The CITY and VWNA agree that the CITY will make the payments detailed in the payment schedule detailed in Exhibit A, which is incorporated herein for all purposes. The attached spreadsheet details amounts due Professional Services Group, Inc. ("PSG") under the previous Agreement for Operations, Maintenance and Management Services between the CITY and PSG. The CITY agrees that all such invoices are valid and still due and owing to PSG. The attached payment schedule outlines the payments due and payable by the CITY to pay the PSG invoices and the new amounts owed to VWNA under this Agreement. For convenience, the CITY can simply cut one check to VWNA for the balance owed both PSG and VWNA as reflected on the payment schedule. The CITY agrees to make the payments outlined in the payment schedule in a timely manner until the entire outstanding balance of the invoices due PSG are paid in full and the CITY's account is brought current on all invoices and other amounts due either PSG and VWNA under this Agreement or the prior agreement. In the event that this Agreement is terminated for any reason, including, without limitation, any actual or alleged default by VWNA or the CITY, all of the amounts due PSG in the attached spreadsheet for past due invoices and all amounts due VWNA for services performed and expenses incurred by VWNA under this Agreement shall become immediately due and payable to PSG and VWNA, as the case may be. The CITY agrees that the past due amounts due PSG and VWNA shall accrue interest at the rate of 6% per annum until paid in full.

8. Payment of Compensation

8.1 One-twelfth (1/12) of the Annual Fee for the current year shall be due and payable on the first of the month for each month that services are provided, except the first year where pro-rated payments shall be made as explained in Section 7.1 above.

8.2 All other compensation to VWNA is due upon receipt of VWNA's invoice and payable within thirty (30) days.

8.3 Any monies payable pursuant to Sections 7.2, 7.3 and 7.4 will be paid within sixty (60) calendar days after the end of each Agreement Year.

8.4 CITY shall pay interest at an annual rate equal to the prime rate most recently published by the Wall Street Journal plus 2.75%, said rate of interest not to exceed any limitation provided by law, 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 the charges hereunder might exceed any limitation provided by law, such charges shall be reduced to the highest rate or amount within such limitation.

9. Scope Changes

9.1 A Change in Scope of services shall occur when and as VWNA's costs of providing services under this Agreement change as a result of:

9.1.1 any change in Project operations, personnel qualifications or staffing or other Cost which is a result of an Unforeseen Circumstance;

9.1.2 increases or decreases in the user base;

9.1.3 increases or decreases of not less than five percent (5%) 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-I);

9.1.4 increases or decreases in rates or other related charges (including taxes) imposed upon VWNA by a taxing authority - excluding taxes based on VWNA's net income; and/or

9.1.5 CITY's request of VWNA and VWNA's consent to provide additional services.

9.2 For Changes in Scope described in Sections 9.1.1 through, and including, 9.1.3, the Annual Fee shall be increased (or decreased) by an amount equal to VWNA's additional (reduced) Cost associated with the Change in Scope plus ten percent (10%). Modifications of the Annual Fee as a result of conditions described in Section 9.1.3 shall be retroactive to the beginning of the twelve month comparison period.

9.3 For Changes in Scope described in Section 9.1.4, the Annual Fee shall be increased (or decreased) by an amount equal to VWNA's additional (reduced) Cost associated with the Change in Scope. (See Section 4.5)

9.4 CITY and VWNA shall negotiate an increase in VWNA's Annual Fee for Changes in Scope based on Section 9.1.5.

10. Indemnity, Liability and Insurance

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

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

10.3 Neither VWNA nor the CITY 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.

10.4 VWNA shall be liable for those fines or civil penalties imposed by a regulatory or enforcement agency for violations occurring on or after Commencement Date, of the effluent quality requirements provided for in Appendices C-1 and C-2 that are a result of VWNA's negligence. CITY will assist VWNA to contest any such fines in administrative proceedings and/or in court prior to any payment by VWNA. VWNA shall pay the cost of any such contest.

10.5 CITY shall be liable for those fines or civil penalties imposed by any regulatory or enforcement agencies on CITY and/or VWNA that are not a result of VWNA's negligence or are otherwise directly related to the ownership of the Project and shall indemnify and hold VWNA harmless from the payment of any such fines and/or penalties.

10.6 OWNER shall be liable for those fines or civil penalties imposed by any regulatory or enforcement agencies on OWNER and/or VWNA that are not a result of VWNA's negligence or are otherwise directly related to the ownership of the Project and shall indemnify and hold VWNA harmless from the payment of any such fines and/or penalties.

10.7 To the fullest extent permitted by law and notwithstanding any other provision of this Agreement, VWNA's liability for performance or non-performance of any obligation

arising under the Agreement (whether arising under breach of contract, tort, strict liability, or any other theory of law or equity) including, but not limited to its indemnity obligations specified in Section 11.1 of the Agreement, shall not exceed \$2,000,000 cumulatively for the duration of the Agreement, provided that the foregoing limitation shall not apply to any losses resulting from the gross negligence or willful misconduct of VWNA or VWNA's subcontractors, employees or agents in breach of VWNA's obligations under this Agreement.

10.8 Indemnity agreements provided for in this Agreement shall survive the termination of the Agreement.

10.9 Each party shall obtain and maintain insurance coverage of a type and in the amounts described in Appendix D. Each party shall provide the other party with satisfactory proof of insurance.

11. Term, Termination and Default

11.1 The initial term of this Agreement shall be two (2) years commencing November 1, 2009. Thereafter, this Agreement shall be automatically renewed for successive terms of two (2) years each unless canceled in writing by either party no less than one hundred and twenty (120) days prior to expiration of any term.

11.2 A party may terminate this Agreement only for a material breach of the Agreement by the other party; only after giving written notice of breach; and, except in case of a breach by CITY for non-payment of VWNA's invoices in which case termination may be immediate by VWNA, only after allowing the other party thirty (30) days to cure or commence taking reasonable steps to cure the breach. Any failure by the CITY to make the payments detailed in Exhibit A in a timely manner shall entitle VWNA to immediately terminate this Agreement for cause.

11.3 In the event that this Agreement is terminated for any reason prior to the termination date of the initial term, CITY shall immediately pay to VWNA the remaining unamortized balance of any capital investments made by VWNA under this Agreement and all invoices and other amounts owed to VWNA under this Agreement and to Professional Services Group, Inc. under the prior agreement with (see Exhibit A for the payment schedule and amounts due PSG under the prior agreement).

11.4 Upon notice of termination by CITY, VWNA shall assist CITY through the date of termination in assuming operation of the Project, subject to receipt of its prorated Annual Fee. If additional Cost is incurred by VWNA due to requests for assistance by the CITY, CITY shall pay VWNA such Cost incurred within 15 days of invoice receipt.

11.5 Upon termination of this Agreement and all renewals and extensions of it, VWNA will return the Project to CITY in the same condition as it was upon the effective date of this Agreement, ordinary wear and tear excepted. Equipment and other personal property purchased by VWNA for use in the operation or maintenance of the Project shall remain the property of VWNA upon termination of this Agreement unless the property was directly paid for by CITY or CITY specifically reimbursed VWNA for the cost incurred to purchase the property or this Agreement provides to the contrary.

12. Disputes and Force Majeure

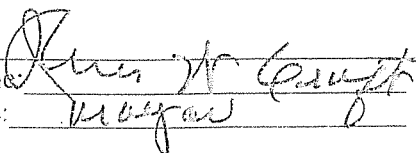
12.1 In the event activities by employee groups or unions cause a disruption in VWNA's ability to perform at the Project, CITY, with VWNA's assistance or VWNA at its own option, may seek appropriate injunctive court orders. During any such disruption, VWNA shall operate the facilities on a best-efforts basis until any such disruptions cease.


12.2 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.

Both parties indicate their approval of this Agreement by their signatures below, and each party warrants that all corporate or governmental action necessary to bind the parties to the terms of this Agreement has been and will be taken.

THE CITY OF WHITESBURG

VEOLIA WATER NORTH AMERICA –
SOUTH, LLC

By: 
Name: _____
Title: _____

By: 
Name: Jeffrey Kowal
Title: President

APPENDIX A

DEFINITIONS

A1 "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.

A.2 "Agreement Year" shall mean the twelve (12) month period commencing November 1 and terminating October 31 of each year.

A3 "Annual Fee" means a predetermined, fixed sum for VWNA's services. The Annual Fee includes Cost and profit.

A4 "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 CITY's Certificate of Approval. Biologically toxic substances include, but are not limited to, heavy metals, phenols, cyanides, pesticides, herbicides and hazardous wastes.

A5 "Capital Expenditures" means 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 cost more than Two Thousand Dollars (\$2,000) or (3) expenditures that are planned, non-routine and budgeted by CITY.

A6 "Commencement Date" means November 1, 2009.

A7 "Cost" means all Direct Cost and indirect cost determined on an accrual basis in accordance with generally accepted accounting principles.

A8 "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, 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.

A9 "Maintenance" means those routine and/or repetitive activities required or recommended by the equipment or facility manufacturer or by VWNA to maximize the service life of the equipment, sewer, vehicles and facilities.

A10 "Maintenance and Repair Limit" means the total Maintenance and Repair expenditures that VWNA has included in the Annual Fee. Such expenditures exclude any labor costs for VWNA's staff assigned to the Project. VWNA's specialized maintenance

personnel, 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.

A11 The "Project" means all equipment, vehicles, grounds, rights of way, sewers and facilities described in Appendix B and, where appropriate, the management, operations and maintenance of such

A12 "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.

A13 "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, province or governmental body, (iv) labor disputes, strikes, work slowdowns or work stoppages, but excluding labor disputes, strikes, work slowdowns or work stoppages by employees of VWNA; and (v) significant changes in the quality or quantity of the influent water or wastewater quality, including, without limitation, the presence of Biologically Toxic Substances in the influent water or wastewater; and (vi) loss of or inability to obtain service from a utility necessary to furnish power for the operation and maintenance of the Project.

APPENDIX B
DESCRIPTION OF PROJECT

VWNA agrees to provide the services necessary for the management, operation and maintenance of the following:

- a. All equipment, vehicles, grounds and facilities now existing within the present property boundaries of or being used to operate:

CITY's Water Treatment Plant located at River Park Road; and
CITY's Wastewater Treatment Plant, located behind Food City.

- b. All equipment, grounds and facilities now existing within the present property boundaries of pumping stations described as follows:

Lift Stations

1. Wal-Mart (2 pumps)
2. Eddie Caudill (1 pump)
3. Vocational School (2 pumps)
4. Nursing Home (1 pump)
5. Tunnel Hill (1 pump)
6. Upper Bottom (2 pumps)
7. Stone Avenue (2 pumps)
8. Western Auto (2 pumps)
9. College (2 pump)
10. Bertha's Craft Shop (1 pump)
11. Caudill Town (1 pumps)
12. John High (2 pumps)
13. Maple Street (2 pumps)
14. Shell Station (1 pump)
15. Parkway Inn (2 pumps)
16. Whitco (2 pumps)
17. Main Station (2 pumps)
18. Waste Water Plant (2 pumps)

E1 Stations

25 Stations

Water Tanks

- | | |
|----------------|-----------------|
| 1. Colley | 325,000 gallons |
| 2. Tunnel Hill | 175,000 gallons |
| 3. School | 250,000 gallons |
| 4. New | 500,000 gallons |

- | | |
|--------------|-----------------|
| 5. Bartista | 10,000 gallons |
| 6. Cowan | 100,000 gallons |
| 7. Clearwell | 175,500 gallons |

Booster Stations

1. Colley (2 pumps)
 2. Bartista (2 pumps)
 3. Cowan (2 pumps)
- c. All gravity sewers, force mains, and manholes in service on the Commencement Date.
- d. All water lines, meters, hydrants and valves in service on the Commencement Date.

APPENDIX C-1
NPDES PERMIT AND
PROJECT CHARACTERISTICS

C.1 VWNA will operate so that effluent will meet the requirement of NPDES permit No. KY0023183 (issued on July 1, 2007) a full and complete copy of which is adopted by reference herein as of the date hereof VWNA shall be responsible for meeting the effluent quality requirements of the Permit of 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 CITY's sewer system violate any or all regulations as stated in CITY'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 0.6 million gallons of flow per day, 959 pounds of BOD₅ per day, 1293 pounds of suspended solids and a daily peaking factor of 1.5 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 Unforeseen Circumstances.

C.2 In the event anyone of the Project influent characteristics, suspended solids, BOD₅ or flow, exceeds the design parameters stated above, VWNA 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	90 days
Above 10% Less than 20%	90 days
20% and Above	90 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 VWNA will have a ninety (90) day recovery period after the influent is free from said substances or contains Adequate Nutrients.

C3. VWNA 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.

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

(a) Project influent characteristics:

Flow	0.381 million gallons per day
BOD ₅	478 pounds per day
TSS	466.7 pounds per day

The above characteristics are the actual six (6) months' average for the period ended June 30, 2009. Any change of 5 percent (5%) or more in any of these characteristics, based upon a twelve (12) month moving average, will constitute a Change in Scope. (See Article 9)

APPENDIX C-2

PROJECT CHARACTERISTICS

C.1 The Project has the following design characteristics:

A capacity of 0.864-MGD of finished water production with an ability for chemical additions, flocculation, sedimentation and filtration based on 4 gallons per minute per square foot of filter area. The Project has the capability for post treatment by chlorination and fluoridation.

C.2 VWNA will operate the Project so that water treated will meet the current Provincial Drinking Water Standards. VWNA's Annual Fee includes all costs for treating an average daily flow of 0.736 MGD of raw water per day to the standards specified below.

Turbidity	<0.3 NTU
Iron	<0.3 mg/l
Manganese	<0.05 mg/l
Fluoride	0.8 average mg/l
pH	>= 7.0
Color	< 15 color units
Corrosivity	Non-corrosive
Odor	< 3.0 TON
E.Coli	Negative

C3 If any of the following contaminants in the raw water causes the finished water to exceed the Maximum Contaminant Levels (MCL) established for finished water quality, VWNA will treat the raw water to reduce said contaminant to an acceptable MCL. The cost of any specific treatment will be in addition to the Annual Fee for the treatment required by this Article C3.

<u>Radionuclides</u>	<u>MCL</u>
Radium	5.0 Pci/L
Gross Alpha	15.0 Pci/L

Organic Chemicals

<u>Contaminant</u>	<u>MCL (mg/l)</u>
Alachlor	0.002
Aldicarb	0.003
Aldicarb Sulfone	0.002
Aldicarb Sulfoxide	0.004
Atrazine	0.003
Benzene	0.005
Carbofuran	0.04
Carbon Tetrachloride	0.005
Chlordane	0.002

<u>Contaminant</u>	<u>MCL (mg/l)</u>
2,4-D	0.07
Dibromochloropropane (DBCP)	0.0002
o-Dichlorobenzene	0.6
p-Dichlorobenzene	0.075
1,2-Dichloroethane	0.005
1,1-Dichloroethylene	0.007
cis-1,2-Dichloroethylene	0.07
trans-1,2-Dichloroethylene	0.1
1,2-Dichloropropane	0.005
Endrin	0.002
Ethylbenzene	0.7
Ethylene Dibromide (EDB)	0.00005
Heptachlor	0.0004
Heptachlor Epoxide	0.0002
Lindane	0.0002
Methoxychlor	0.04
Monochlorobenzene	0.1
Pentachlorophenol	0.001
Polychlorinated Biphenyls (PCB)	0.0005
Styrene	0.1
Tetrachloroethylene	0.005
Toluene	1
Toxaphene	0.003
2,4,5-TP (Silvex)	0.05
1,1,1-Trichloroethane	0.02
Trichloroethylene	0.005
Total Trihalomethanes	0.1
Vinyl Chloride	0.002
Xylenes (Total)	10

Inorganic Chemicals

<u>Contaminant</u>	<u>MCL (mg/l)</u>
Arsenic	0.05
Asbestos	7 (million fibers/liter)
Barium	2
Cadmium	0.005
Chromium	0.1
Fluoride	4
Mercury	0.002
Nitrate	10 (as nitrogen)
Nitrite	1 (as nitrogen)
Total Nitrate Nitrite	10
Selenium	0.05
Chloride	300
Copper	1.0
Fluoride	2.0

Silver	0.10
Sulfate	300
Total dissolved solids (TDS)	1,000
Zinc	5

C.4 VWNA will provide laboratory services for monitoring only the following contaminants on an as-requested basis. These contaminants do not have an established MCL.

Aldrin
 Benzo(a)pyrene
 Butachlor
 Carbayl
 Dalapon
 Di(2-ethylhexy) adipate
 Di(2-ethylhexyl)phthalate
 Didamba
 DichloromethaneDieldrin
 Dinoseb
 Diquat
 Entodhall
 Glyphosate
 Hexachlorobenzene
 Hexachlorocyclopentadiene
 3-Hydroxycarbofuran
 Methomyl
 Metolachlor
 Metribuzin
 Oxyamyl (vydate)
 Pictoram
 Propachlor
 Simazine
 2,3,7,8-TCDD (Dioxin)
 1,2,4-Trichlorobenzene
 1,1,2-Trichloroethane

APPENDIX D
INSURANCE COVERAGE

VWNA SHALL MAINTAIN:

1. Statutory workers compensation for all of VWNA's employees at the Project as required by the Commonwealth of Kentucky.
2. Comprehensive general liability insurance, insuring VWNA's negligence, in an amount not less than \$1,000,000 combined single limits for bodily injury and/or property damage.

CITY SHALL MAINTAIN:

1. Statutory workers compensation for all of CITY's employees associated with the Project as required by the Commonwealth of Kentucky.
2. Property damage insurance for all property, including vehicles owned by CITY and operated by VWNA under this Agreement. Any property, including vehicles, not properly or fully insured shall be the financial responsibility of the CITY.
3. Automobile liability insurance for collision, comprehensive, and bodily injury.

VWNA will provide at least thirty (30) days notice of the cancellation of any policy it is required to maintain under this Agreement. Each party will name the other party as additional insureds to its Comprehensive General Liability property and automobile liability coverage. VWNA may self-insure reasonable deductible amounts under the policies it is required to maintain to the extent permitted by law.

EXHIBIT A

PAYMENT SCHEDULE

The attached spreadsheet details amounts due VWNA's affiliate, Professional Services Group, Inc. ("PSG"), under the previous Agreement for Operations, Maintenance and Management Services between the CITY and PSG. The CITY agrees that all such invoices are valid and still due and owing to PSG. The attached payment schedule is referenced in the Compensation section (Section 7) and outlines the payments due and payable by the CITY to pay the PSG invoices and the new amounts owed to VWNA under this Agreement. For convenience, the CITY can simply cut one check to VWNA for the balance owed both PSG and VWNA as reflected on the payment schedule. The CITY agrees to make the payments outlined in the payment schedule until the entire outstanding balance of the invoices due PSG are paid in full and the CITY's account is brought current on all invoices and other amounts due either PSG and VWNA under this Agreement or the prior agreement. In the event that this Agreement is terminated for any reason, including, without limitation, any actual or alleged default by VWNA, all of the amounts due PSG in the attached spreadsheet for past due invoices and all amounts due VWNA for services performed and expenses incurred by VWNA under this Agreement shall become immediately due and payable to PSG and VWNA, as the case may be. The CITY agrees that the past due amounts due PSG and VWNA under this Agreement and the prior agreement with PSG shall accrue interest at the rate of 6% per annum until paid in full.

EXHIBIT A
PAYMENT SCHEDULE
 City of Whitesburg and Veolia Water North America

Amounts Owed and to be Paid under Existing PSG Contract

ITEM	DESCRIPTION	INVOICE NUMBER	INVOICE DATE	INVOICE AMOUNT	Payments to be made, on or before												
					10/31/09	11/01/09	12/01/09	01/01/10	02/01/10	03/01/10	04/01/10	05/01/10	06/01/10	07/01/10	08/01/10	09/01/10	
	2007/2008 Limit Reconciliation	6006773	7/16/2008	\$209,437.22	\$209,437.22												
	Monthly Service Fee - March 2009	2403432	3/31/2009	\$55,855.50	\$ 55,855.50												
	Monthly Service Fee - May 2009	2403502	5/31/2009	\$55,855.50		\$ 27,927.75	\$ 27,927.75										
	Monthly Service Fee - June 2009	2403535	6/30/2009	\$55,855.50				\$ 27,927.75	\$ 27,927.75								
	Monthly Service Fee - July 2009	2403568	7/31/2009	\$55,855.50						\$ 27,927.75	\$ 27,927.75						
	2008/2009 Limit Reconciliation	6007375	8/27/2009	\$274,663.85								\$ 27,927.75	\$ 27,927.75	\$ 27,927.75	\$ 27,927.75	\$ 27,927.75	\$ 27,927.75
	July 2009 Limit Reconciliation	6007389	8/27/2009	\$14,072.70													
	August 2009 Limit Reconciliation	6007426	9/3/2009	\$32,333.73													
	September 2009 Limit Reconciliation	6007481	10/12/2009	\$12,518.10													
	Monthly Service Fee - October 2009	TBD	TBD	\$55,855.50													
	October 2009 Limit Reconciliation	TBD	TBD	TBD													
-Total					\$265,292.72	\$ -	\$ 27,927.75	\$ 27,927.75	\$ 27,927.75	\$ 27,927.75	\$ 27,927.75	\$ 27,927.75	\$ 27,927.75	\$ 27,927.75	\$ 27,927.75	\$ 27,927.75	\$ 27,927.75

Amounts to be Paid Under New VWNA Contract *

ITEM	DESCRIPTION	INVOICE NUMBER	INVOICE DATE	INVOICE AMOUNT	Payments to be made, on or before												
					10/31/09	11/01/09	12/01/09	01/01/10	02/01/10	03/01/10	04/01/10	05/01/10	06/01/10	07/01/10	08/01/10	09/01/10	
	Monthly Service Fee - November 2009			\$80,595.33		\$ 80,595.33											
	Monthly Service Fee - December 2009			\$80,595.33			\$ 80,595.33										
	Monthly Service Fee - January 2010 & Beyond		monthly	\$80,595.33				\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33
-Total					\$ -	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33
TOTAL PAYMENTS					\$265,292.72	\$ 80,595.33	\$108,523.08	\$108,523.08	\$108,523.08	\$108,523.08	\$108,523.08	\$108,523.08	\$108,523.08	\$108,523.08	\$108,523.08	\$108,523.08	\$108,523.08

Items identified as Items A through I have been issued and are outstanding as of 10-14-09.

Items identified as Items J through K are to be determined (TBD). City will pay actual and final invoice amount in the time period identified.

Interest charges have not been included; City shall pay interest at an annual rate equal to the prime rate most recently published by the Wall Street Journal plus 2.75% and assessed monthly (prime rate as of October 2009).

City shall utilize moneys to pay VWNA and reduce the term of this payment schedule.

Contract language prevails over dates, amounts and payment terms if representation herein is inconsistent with contract language; Limit Overage invoices may be assessed in addition to the monthly service fee.

Exhibit only represents a portion on contractual term (Items L-N) to represent payments scheduled from 11/1/2009 through 6/1/2011.

Amounts in Item N exclude any annual fee escalation that will be assessed.

EXHIBIT A
PAYMENT SCHEDULE
City of Whitesburg and Veolia Water North America

Accounts Owed and to be Paid under Existing PSG Contract

ITEM	DESCRIPTION	INVOICE NUMBER	INVOICE DATE	INVOICE AMOUNT	Payments to be made, on or before									Balance Due		
					10/01/10	11/01/10	12/01/10	01/01/11	02/01/11	03/01/11	04/01/11	05/01/11	06/01/11		07/01/11	08/01/11
	2007/2008 Limit Reconciliation	6006773	7/16/2008	\$209,437.22												\$ -
	Monthly Service Fee - March 2009	2403432	3/31/2009	\$55,855.50												\$ -
	Monthly Service Fee - May 2009	2403502	5/31/2009	\$55,855.50												\$ -
	Monthly Service Fee - June 2009	2403535	6/30/2009	\$55,855.50												\$ -
	Monthly Service Fee - July 2009	2403568	7/31/2009	\$55,855.50												\$ -
	2008/2009 Limit Reconciliation	6007375	8/27/2009	\$274,683.85	\$ 27,927.75	\$ 27,927.75	\$ 27,927.75	\$ 27,927.75	\$ 27,927.75	\$ 23,334.10						\$ -
	July 2009 Limit Reconciliation	6007389	8/27/2009	\$14,072.70						\$ 4,593.65	\$ 9,479.05					\$ -
	August 2009 Limit Reconciliation	6007426	9/3/2009	\$32,333.73							\$ 18,448.70	\$ 13,885.03				\$ -
	September 2009 Limit Reconciliation	6007481	10/12/2009	\$12,518.10								\$ 12,518.10				\$ -
	Monthly Service Fee - October 2009	TBD	TBD	\$55,855.50							\$ 1,524.62	\$ 27,927.75	\$ 26,403.13			\$ -
	October 2009 Limit Reconciliation	TBD	TBD	TBD									TBD due	TBD due		\$ -
b-Total					\$ 27,927.75	\$ 27,927.75	\$ 27,927.75	\$ 27,927.75	\$ 27,927.75	\$ 27,927.75	\$ 27,927.75	\$ 27,927.75	\$ 27,927.75	\$ 26,403.13	TBD due	\$ -

Accounts to be Paid Under New VVNA Contract *

ITEM	DESCRIPTION	INVOICE NUMBER	INVOICE DATE	INVOICE AMOUNT	Payments to be made, on or before									Balance Due		
					10/01/10	11/01/10	12/01/10	01/01/11	02/01/11	03/01/11	04/01/11	05/01/11	06/01/11		07/01/11	08/01/11
	Monthly Service Fee - November 2009			\$80,595.33												\$ -
	Monthly Service Fee - December 2009			\$80,595.33												\$ -
	Monthly Service Fee - January 2010 & Beyond		monthly	\$80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ -
b-Total					\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ 80,595.33	\$ -
TOTAL PAYMENTS					\$108,523.08	\$108,523.08	\$108,523.08	\$108,523.08	\$108,523.08	\$108,523.08	\$108,523.08	\$108,523.08	\$108,523.08	\$83k + TBD	\$83k + TBD	\$ -

invoices identified as Items A through I have been issued and are outstanding as of 10-14-09.

invoices identified as Items J through K are to be determined (TBD). City will pay actual and final invoice amount in the time period identified.

Interest charges have not been included; City shall pay interest at an annual rate equal to the prime rate most recently published by the Wall Street Journal plus 2.75% and assessed monthly (3% as of October 2009).

Could City receive significant payments / settlements related to water and wastewater services, City shall utilize moneys to pay VVNA and reduce the term of this payment schedule

Contract language prevails over dates, amounts and payment terms if representation herein is different than contract language; Limit Overage invoices may be assessed in addition to the monthly service fee

This exhibit only represents a portion on contractual term (items L-N) to represent payments anticipated 11/1/2009 through 6/1/2011

Amounts in Item N exclude any annual fee escalation that will be assessed