



September 26, 2024

Ms. Linda Bridwell, Executive Director
KY Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

RE: Louisville Water and North Nelson Water District Wholesale Water Purchase Agreement

Dear Ms. Bridwell:

Please find attached a Water Purchase Agreement (Agreement) between Louisville Water (LW) and North Nelson Water District (NNWD), executed September 25, 2024. This Agreement replaces any and all other wholesale water purchase agreements between LW and NNWD.

This newly executed Agreement builds upon LW's existing partnership with NNWD. LW will provide up to 7 million gallons per day (MGD) capacity to NNWD, utilizing a phased in approach. Phase I will provide 4 MGD and is scheduled for completion December 2026. Phase II will provide 5 MGD and is scheduled for completion December 2029. Future needs above 5 MGD and up to 7 MGD will require an additional minimum purchase agreement.

The majority of the expanded water capacity will be "wheeled" through NNWD and delivered to City of Bardstown (Bardstown). Bardstown has experienced plant emergencies, source supply limitations, and growth in the bourbon and bourbon tourism industries. These factors have intensified their water supply challenges, causing Bardstown to seek an additional source of supply. As a result, Bardstown is negotiating a water purchase agreement with NNWD.

LW has committed to install over 6 miles of water transmission main, a new booster pump station and new master meter. NNWD and Bardstown have committed to install water transmission main to connect to these facilities. LW will fund the necessary improvements through minimum purchase water sales of 1.59 MGD to NNWD. NNWD will in turn, have minimum purchase water sales to Bardstown.

NNWD will continue to pay the current wholesale rate all other LW wholesale customers pay, as periodically adjusted by the LW Board of Water Works. The current wholesale rate is \$2.72 per thousand gallons. This new Agreement expires 50 years from the effective date.

LW has available capacity to meet the existing and future water supply needs of the Nelson County region. LW is excited to provide the area with additional water supply and support the existing and proposed economic development successes in the region.

If you have any questions or require additional information, please do not hesitate to contact me.

Sincerely,

Michael F. Tigue
Vice President, General Counsel and
Corporate Secretary

C: Damon Talley, Stoll Keenon Ogden

WATER PURCHASE AGREEMENT

This Water Purchase Agreement, (herein referred to as the "Agreement") is entered into as of this 25 day of September 2024, by and between:

LOUISVILLE WATER COMPANY
A Municipally-owned Corporation
Governed by the Board of Water Works
Pursuant to KRS 96.230 through 96.310
550 South Third Street
Louisville, KY 40202

("LW")

And

North Nelson Water District
A Water District Established and Governed by
KRS 74.010 through 74.416
P.O. Box 25
Coxs Creek, KY 40013

("North Nelson")

WITNESSETH:

WHEREAS, LW and North Nelson executed a water purchase agreement on or about November 7, 2009;

WHEREAS, the November 7, 2009 water purchase agreement included two points of delivery – the first one at Cedar Grove and Browington Road, and the second at Kentucky Highway 245 (Clermont Rd.) and Kentucky Highway 1604 (Lotus Rd.);

WHEREAS, North Nelson desires additional capacity at the existing Kentucky Highway 245 and Kentucky Highway 1604 points of delivery, therefore, LW and North Nelson have expressed interest in executing a new water purchase agreement to include the additional capacity and needed infrastructure improvements; and

WHEREAS, once this Agreement becomes effective, LW and North Nelson desire for this Agreement to supersede the November 7, 2009 water purchase agreement and any and all other wholesale water purchase agreements between them.

NOW, THEREFORE, in consideration of the terms set forth herein, LW and North Nelson (hereafter, collectively referred to as the "Parties") agree as follows:

1. FACILITIES TO BE CONSTRUCTED:

For the mutual benefit of the Parties hereto, LW agrees to construct a new water transmission main, parallel to the existing 16 inch transmission main along Kentucky Highway 245, replace and upsize the existing booster pump station, and replace and upsize the existing master meter located at Kentucky Highway 245 and Kentucky Highway 1604 (the "New Facilities").

The New Facilities shall include approximately 33,000 feet of 20-inch or 24-inch water main and shall be designed and constructed along Kentucky Highway 245 (Clermont Rd.) in Bullitt County, KY, from LW's existing transmission system along I-65 to the newly upsized existing master meter at Kentucky Highway 245 and Kentucky Highway 1604, in Bullitt County. It is recognized by both Parties that additional infrastructure, which will include a 20-inch or 24-inch water transmission main from the point of delivery along Kentucky Highway 245 to Bardstown, will need to be constructed and implemented by North Nelson at its expense to receive the additional flow from LW. North Nelson further agrees to complete the installation of this new water transmission main within two (2) years of Louisville Water completing the installation of its new facilities.

LW commits to provide North Nelson a capacity of 7 million gallons per day (MGD) at the new point of delivery, and the New Facilities along Kentucky Highway 245 will be sized and constructed to provide this future capacity. To reach this capacity and meet existing contractual commitments to other customers, LW will also need to construct improvements in its primary transmission system along I-65, north of Kentucky Highway 245. These improvements will be completed over three phases of which Phase I and Phase II are currently underway. Phase I will provide a guaranteed capacity of 4 MGD to North Nelson along Kentucky Highway 245 and Phase II a guaranteed capacity of 5 MGD. Phase I is scheduled for completion by December 31, 2026 and Phase II is scheduled to be completed by December 31, 2029. Implementation of Phase III improvements to meet the guaranteed capacity of 7 MGD to North Nelson will be based on when North Nelson needs the additional supply. It is understood that construction of Phase III improvements to guarantee an additional supply of up to 7 MGD will require both parties, in good faith, to negotiate a new minimum purchase requirement based on the capital costs required to construct the Phase III improvements.

It is recognized additional quantities of water above the guaranteed capacities noted above may be available if other customers are not utilizing their contractual maximums. If North Nelson needs additional quantities of water above the guaranteed amounts at any time, LW will provide as much additional capacity as available up to the capacity of the New Facilities along Kentucky Highway 245.

2. OWNERSHIP AND MAINTENANCE OF FACILITIES:

LW will own and operate the New Facilities up to the point of delivery. LW will be responsible for all repairs and maintenance of the New Facilities, including the master meter, up to the point of delivery.

3. QUANTITY OF WATER:

LW agrees to pay for the construction of the New Facilities up to the point of delivery and to provide for their continued maintenance and repair. Following the completion of the construction of the New Facilities and any water supply facilities by North Nelson necessary to receive the increased capacity service from LW, LW agrees to furnish finished water that complies with all applicable state and federal regulatory agencies' standards for water quality, up to the capacity of the New Facilities, and North Nelson agrees to buy such quantities of finished water at the point of delivery, per the following:

North Nelson shall pay LW on a monthly basis for the actual quantity of water it received, but in no event shall North Nelson pay for less than 580 million gallons of water per year (the "Annual Minimum") (average of about 1.59 million gallons of water per day). The quantity of water shall be calculated based upon both metered points of delivery on an annual basis. North Nelson agrees that if its actual water usage for each calendar year is less than the Annual Minimum, that it will pay LW the difference between the Annual Minimum and the value of the actual quantity used. North Nelson agrees to pay such difference on or within thirty days from the end of the calendar year.

The Annual Minimum shall not be enforced by LW until such time as LW has completed its New Facilities, North Nelson has completed the construction of its proposed 20-inch or 24-inch water transmission main from the point of delivery to Bardstown along Kentucky Highway 245, and the City of Bardstown has completed its infrastructure improvements (the "Annual Minimum Commencement Date"). In the event the Annual Minimum Commencement Date is on any date other than January 1, the Annual Minimum shall be prorated for the first calendar year.

LW agrees to continue to provide water to North Nelson at the first existing point of delivery at Cedar Grove Road and Browington Road, at a maximum rate of 300 gallons per minute (gpm).

LW agrees to provide water to North Nelson at the second existing point of delivery and newly upsized master meter at Kentucky Highway 245 and Kentucky Highway 1604, at a future build out capacity of 4,861 gallons per minute (gpm) (see Section 1, "FACILITIES TO BE CONSTRUCTED, above).

Further, North Nelson agrees to provide LW with the Right of First Refusal should any third party agree to sell North Nelson treated water at any time during the term of this Agreement; subject, however, to the minimum purchase requirements contained in the existing Thirteenth Addendum to the Water Purchase Contract between the City of Bardstown and North Nelson (72 million gallons per calendar year), and any subsequent addendums to said Water Purchase Contract that may be executed between the City of Bardstown and North Nelson. LW reserves the right to match the terms of such third-party offer prior to North Nelson purchasing any water from the third party. North Nelson agrees to make available in writing to LW all terms and conditions regarding the third-party offer, and LW agrees to respond to North Nelson no later than 30 days upon receipt of such terms and conditions.

4. QUALITY OF WATER:

Water furnished by LW shall be treated water that complies with applicable water quality standards of the Environmental and Public Protection Cabinet of Kentucky, Division of Water. The disinfectant residual for LW supplied water will be chloramine.

5. PRESSURES AT THE POINTS OF DELIVERY:

LW's water pressure at both points of delivery will be sufficiently high to provide water service to North Nelson's existing storage facilities with an overflow elevation of 887 feet mean sea level (msl) and to New Facilities and Bardstown storage facilities with an overflow elevation of 882 feet msl.

Emergency failures of pressure or failures of supply due to main breaks, power failure, flood, fires and/or use of water to fight fires, labor unrest, earthquake, tornado and/or other extraordinary circumstances shall excuse LW from any failure to comply with this paragraph for such reasonable period of time as may be necessary to resolve the situation.

During such times as the above stated circumstances exist and LW is unable to restore the required pressure at the point of delivery within one day, LW will waive the average daily minimum agreed upon in paragraph 3 of this Agreement for such period of time as such circumstances exist.

6. MASTER METERS TESTING AND ADJUSTMENT:

LW will test the master meter(s) located at both points of delivery once every year. Additional testing may be performed by LW at its sole discretion, at any time. LW will provide test results to the appropriate official or agent designated by North Nelson. A meter registering within the acceptable limits as identified by AWWA standards shall be deemed to be accurate.

A reading of the meter determined by test results to be inaccurate (registering outside of acceptable limits of AWWA standards based upon type of meter) shall cause billings for at least one, and up to three months previous to such test, to be adjusted by the percentage of inaccuracy found by such test. If any meter shall fail to register usage for any regular billing period, the amount of water furnished during such billing period shall be considered to be the same as the amount of water furnished during the corresponding billing period immediately prior to the failure, unless the Parties agree to determine the amount of water furnished by some other method. LW may make adjustments in the next billing period should the next reading be substantially higher than the previous billing period prior to the one in which usage did not register. An appropriate official or agent designated by North Nelson shall have access to the master meters for the purpose of collecting daily usage data and verifying the meters' readings.

7. REDUCTION IN WATER SUPPLY:

In the event of an extended shortage of water, or in the event that the overall supply of water available from LW is diminished over an extended period of time, water service to North Nelson shall be reduced or diminished in the same ratio or proportion as the reduction of water service to LW's other wholesale customers.

During such a period of a reduction of water supply to North Nelson at the point of delivery, LW agrees to reduce the mandatory required minimum in place at the time of such reduction in an amount equal to the proportionate reduction in water being supplied.

8. RATES AND PAYMENTS:

- a. LW agrees to charge and North Nelson agrees to pay LW's current standard wholesale water rate, currently \$2.72 per thousand gallons as identified in the Board of Water Works 2024 Rate Schedule. In addition, North Nelson shall pay a flat monthly service charge fee based upon the requested size of the master meter(s). Such service charge will only be charged for meters that are in service, and actively delivering water to North Nelson. North Nelson shall pay the same rates and charges as all other wholesale customers of LW.
- b. North Nelson further acknowledges that LW's wholesale water rate and monthly service charge fee will be reviewed and periodically adjusted by the Board of Water Works (BOWW) and that upon such adjustment it shall pay LW at the adjusted wholesale water rate and monthly service charge fee adopted by the BOWW. Further, LW agrees to provide North Nelson thirty (30) days written notice as soon as practical of any rate increases.

- c. LW agrees that in determining future rates, it will use cost-based, industry standard ratemaking methods, as identified in the American Water Works Association M-1 Rate Making Manual, a generally accepted authoritative guide for water utility ratemaking.

9. WARRANTIES:

North Nelson covenants and warrants that it shall be responsible for the management and safety of water quality within its water system including any issues that may result from any mixing of waters purchased from LW.

LW covenants and warrants that it will communicate as soon as practical with North Nelson when LW becomes aware of any event within LW's system that will result in interruption of service to North Nelson. LW will restore full service to North Nelson as soon as reasonably possible.

10. PSC REVIEW AND EFFECTIVE DATE:

The Parties acknowledge that this Agreement cannot become effective until it has been reviewed and accepted for filing by the Public Service Commission ("PSC"). LW shall file an executed copy of this Agreement with the PSC. North Nelson pledges its assistance to help expedite the PSC review process. The Effective Date of this Agreement shall be the date the Agreement is deemed to be "filed" by the PSC. LW shall give written notice of the Effective Date to North Nelson.

11. PRIOR AGREEMENTS SUPERSEDED:

As of the Effective Date of this Agreement, the November 7, 2009 water purchase agreement and any and all other wholesale water purchase agreements between the Parties shall be superseded by this Agreement.

12. DURATION AND TERMINATION OF AGREEMENT:

This Agreement commences on the Effective Date as defined in paragraph 10, and shall expire 50 years from the Effective Date of this Agreement, unless extended by written agreement of the Parties or terminated pursuant to the terms of this Agreement. Either party may terminate this Agreement with twelve (12) months advance written notice to the other party, in the event of any of the following:

- a. For North Nelson to terminate:
 - (1) Repeated failure of LW to meet water delivery requirements stated herein (except for failures related to the temporary interruptions described in paragraph 5 above); or

- (2) Final revocation of LW's authority to operate water system by one or more governmental authorities having jurisdiction over such matters; or
 - (3) Repeated failure of LW to meet water quality requirements of the Environmental and Public Protection Cabinet of Kentucky (except for failures related to the temporary interruptions described in paragraph 5 above).
- b. For LW to terminate:
- (1) Repeated failure of North Nelson to pay within forty-five (45) days of the due date for monthly wholesale water service described in this Agreement; or
 - (2) Final revocation of North Nelson's authority to operate a water system by one or more governmental authorities having jurisdiction over such matters; or
 - (3) Multiple findings against North Nelson by the Environmental and Public Protection Cabinet of Kentucky or its successors, that North Nelson has been classified as a significant non-complier resulting in LW's being in violation of any drinking water regulations.

It is understood and agreed that the remedies specified in (a) and (b) above shall be in addition to, and not in lieu of, other remedies available by law.

13. AUTHORIZATION TO ENTER INTO AGREEMENT:

North Nelson shall obtain any approvals required for the purchase of water contemplated by this Agreement, and LW agrees to cooperate to obtain any such approvals. North Nelson affirms that it has the necessary authority to enter into the Agreement.

14. WAIVER:

Neither LW's failure nor North Nelson's failure to assert their respective rights under any provision or term of this Agreement shall be construed as a waiver of that right or any other right at any time in the future.

15. ASSIGNMENTS:

The Parties agree that this Agreement shall not be assigned without the written consent of the other party, such consent not to be unreasonably withheld.

16. NOTICES:

All notices required under the Agreement shall be in writing addressed as follows and sent via Certified Mail, Return Receipt Requested.

If to LW: President/CEO
 Louisville Water Company
 550 S. Third Street
 Louisville, KY 40202

If to North Nelson: North Nelson Water District
 P.O. Box 25
 Coxs Creek, KY 40013

17. SEVERABILITY OF PROVISIONS:

Should any provision or paragraph in this Agreement be held to be invalid or unlawful, the remaining provisions or paragraphs in the Agreement shall be fully enforceable and shall remain in full effect.

18. ENTIRE AGREEMENT:

This Agreement represents the entire agreement by the Parties regarding wholesale water sales by LW to North Nelson and, subject to the provisions of paragraphs 10 and 11, supersedes any and all other previous agreements regarding this matter, whether written or oral.

19. JURISDICTION:

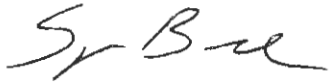
As a result of Simpson County Water District v. City of Franklin, 872 S.W.2d 460 (Ky. 1994), the Parties acknowledge that the PSC has exclusive jurisdiction to resolve disputes concerning "rates and services" which may arise under this Agreement. Notwithstanding the foregoing, LW reserves the right to terminate this agreement with twenty-four (24) months advance notice in the event that the PSC modifies and/or requires a material modification to the rates and services provided for in this agreement. Any other dispute arising under this Agreement shall be filed and be heard in the Circuit Court of Jefferson County, Kentucky.

(Remainder of this page intentionally left blank – signature page to follow.)

IN TESTIMONY WHEREOF, witness the signatures of the Parties by their duly authorized officers (as evidenced by resolutions of their respective governing boards) as of the day and year first above written, it being understood and agreed that this Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

For

LOUISVILLE WATER



Spencer Bruce, PE
President & CEO

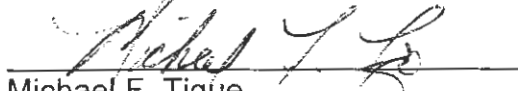
For

NORTH NELSON WATER DISTRICT



Robert Cecil
Chairman

Approved for Legality and Form:



Michael F. Tighe
Vice President, General Counsel
Louisville Water Company