

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT made and entered into this 18th day of Feb., 2014, by and between the **CITY OF VERSAILLES**, a municipal corporation and political subdivision of the Commonwealth of Kentucky (hereinafter "Versailles"), and **COLUMBIA GAS OF KENTUCKY, INC.**, a corporation created and existing under and by virtue of the laws of the Commonwealth of Kentucky,(hereinafter "Columbia Gas").

WITNESSETH:

WHEREAS, by Ordinance No. 2013-33 adopted December 3, 2013, Versailles provided for the creation and sale of a non-exclusive franchise, for the transmission, distribution and sale of gas for heating and other purposes within the public rights-of-way of the City of Versailles for an initial ten (10) year period with up to two (2) additional extensions of time of five (5) years each, in return for payment to Versailles of the sum of at least three percent (3%) of each franchisee's gross annual revenues from the sale, distribution and delivery of gas within Versailles and an option to increase the fee to an amount not to exceed five percent (5%); and

WHEREAS, Ordinance No. 2013-33 authorized the advertising for bids on said franchise, and Columbia Gas submitted a timely bid to acquire said franchise; and

WHEREAS, by Ordinance No. 2014-2 adopted Feb., 2014, Versailles accepted the bid of Columbia Gas to acquire said franchise; and

WHEREAS, Versailles and Columbia Gas have entered into this Franchise Agreement to memorialize the sale by Versailles to Columbia Gas of said franchise subject to the terms and conditions reflected in Ordinance Nos. 2013-33 and 2014-2 (collectively, the "Ordinances").



NOW THEREFORE, for and in consideration of the mutual covenants and agreements contained herein the receipt and sufficiency of which are hereby acknowledged, Versailles and Columbia Gas hereby agree to incorporate the foregoing recitals as if fully set forth herein and further agree as follows:

1. Ordinance No. 2013-33, which is attached hereto as Exhibit "A", is incorporated herein by reference in its entirety and shall apply as if fully set forth herein.

2. The bid of Columbia Gas for said franchise, which is attached hereto as Exhibit "B", is incorporated herein by reference in its entirety and shall apply as if fully set forth herein.

3. Ordinance No. 2014-2, which is attached hereto as Exhibit "C", is incorporated herein by reference in its entirety and shall apply as if fully set forth herein.

3. Versailles has granted unto Columbia Gas a non-exclusive franchise, for the transmission, distribution and sale of gas for heating and other purposes within the public rights-of-way of the City of Versailles for an initial ten (10) year period with up to two (2) additional extensions of time of five (5) years each, in return for payment to Versailles of the sum of at least three percent (3%) of each franchisee's gross annual revenues from the sale, distribution and delivery of gas within Versailles and an option to increase the fee to an amount not to exceed five percent (5%); subject to the provisions of the Ordinances.

4. The franchise memorialized in this Franchise Agreement shall commence March 1, 2014, and shall expire as provided in the terms and provisions of Ordinance No. 2013-33.

5. Columbia Gas does hereby bind itself, its successors and assigns, to faithfully and fully perform each and every condition of said franchise as memorialized in this Agreement, and further to faithfully perform all acts required of it as the purchaser of said franchise.



6. This Franchise Agreement memorializes the agreement between the parties contained and embodied in the Ordinances and shall be binding upon and inure to the benefit of the respective successors in interest to the parties hereto.

IN WITNESS WHEREOF, Versailles and Columbia Gas have executed this Franchise Agreement as their free and voluntary act and deed effective as of the day and year first above written.

[Signatures on following page]



CITY OF VERSAILLES

BY: Brian Traugott
BRIAN TRAU GOTT , MAYOR

ATTEST:

Allison White
ALLISON WHITE,
CITY CLERK

COLUMBIA GAS OF KENTUCKY, INC.

BY: Herb Miller
HERB MILLER, PRESIDENT

STATE OF KENTUCKY)
COUNTY OF Fayette)

The foregoing Franchise Agreement was subscribed, sworn to and acknowledged before me by Herb Miller, as President of Columbia Gas of Kentucky, Inc., on this the 26th day of March, 2014.

My commission expires: 05/15/2014

Evelyn Long Allen
NOTARY PUBLIC
KENTUCKY, STATE-AT-LARGE
419232



Exhibit List

- A Ordinance No. _____
- B Bid
- C Ordinance No. _____



CITY OF VERSAILLES, KENTUCKY

ORDINANCE NO. 2013-33

AN ORDINANCE CREATING AND ESTABLISHING FOR BID A NON-EXCLUSIVE GAS FRANCHISE FOR THE PLACEMENT OF FACILITIES FOR THE TRANSMISSION, DISTRIBUTION AND SALE OF GAS FOR HEATING AND OTHER PURPOSES WITHIN THE PUBLIC RIGHTS-OF-WAY OF THE CITY OF VERSAILLES FOR AN INITIAL TEN (10) YEAR PERIOD WITH UP TO TWO (2) ADDITIONAL EXTENSIONS OF TIME OF FIVE (5) YEARS EACH, IN RETURN FOR PAYMENT TO THE CITY OF VERSAILLES OF THE SUM OF AT LEAST THREE PERCENT (3%) OF EACH FRANCHISEE'S GROSS ANNUAL REVENUES FROM THE SALE, DISTRIBUTION, AND DELIVERY OF GAS WITHIN THE CITY OF VERSAILLES AND AN OPTION TO INCREASE THE FEE TO AN AMOUNT NOT TO EXCEED FIVE PERCENT (5%); ALL EFFECTIVE ON DATE OF PASSAGE.

BE IT ORDAINED BY THE CITY OF VERSAILLES:

Section 1 - There is hereby created a non-exclusive franchise to acquire, lay, maintain and operate in the public streets, alleys, avenues, public roads, highways, sidewalks and other public ways of the City of Versailles (hereinafter the "Rights-of-way"), a system of mains, pipes, fixtures and appliances for the transmission, distribution and sale of gas for heating and other purposes, subject to all the provisions of this Ordinance and any franchise agreement entered into pursuant to the terms of this Ordinance. This Ordinance does not excuse the franchisee from complying with any and all existing and future local laws and ordinances, as may be amended

Section 2 - The person, firm or corporation that shall become the purchaser of said franchise, or any successor or assignee of such person, shall hereinafter be referred to as the "Company" or "Franchisee". The City of Versailles shall hereinafter be referred to as "Versailles", or the "Government".

Section 3 - The Company acquiring this franchise shall have the right and privilege of laying, maintaining and operating gas mains and pipes, equipment and apparatus, and appurtenances necessary or appropriate in connection therewith, in, along and under the Rights-



of-way within the corporate boundaries of Versailles as they now exist or may hereafter be extended (referred to herein as "System" or "Facilities"); subject to the provisions hereof and to all powers (including police power) inherent in, conferred upon, or reserved to Versailles.

Section 4 – In the operation of its System as it relates to the rights conferred by this franchise, the Company shall conform to at least the minimum standards or requirements contained in federal or state law or regulation related to transportation of gas and liquids by pipeline. In addition to complying with all of the requirements contained in federal or state law or regulation, the Company agrees that:

(a) All working facilities and conditions used during construction, installation and maintenance of Facilities under this franchise shall comply with the standards of the Occupational Safety and Health Administration;

(b) It shall construct and operate the System and Facilities under this franchise in accordance with all generally accepted related industry codes and standards that are applicable;

(c) It guarantees the first-class quality of all construction and of all materials and equipment used or installed under this franchise. In case of any defect in the work, materials or equipment, whether latent or patent, the Company will forthwith remedy such defects without cost to Versailles; and

(d) In the construction or reconstruction or maintenance or removal of any of said Facilities, the Company shall have due regard for the rights of Versailles and others, and shall not interfere with, or in any way injure the property of Versailles or others lawfully under, on, or above the Right-of-way. The Company shall comply with all the laws of the Commonwealth of Kentucky and the City of Versailles as to placing lights, danger signals or warning signs and shall be liable for any and all damage that may arise by reason of its failure or neglect to comply with



such laws. Work by the Company hereunder shall be done in a workmanlike manner and so as not to unnecessarily interfere with public use of the Rights-of-way.

Section 5 – (a) No pavement, sidewalks, curbs, gutters or other street installations shall be disturbed and no excavations in any of the said streets shall be made, without the written permission of the Versailles Director of Public Works or his or her lawful designee. Where approval of the Versailles Director of Public Works is required hereunder, and the Company has delivered a written request for said permission, the Versailles Director of Public Works shall render a decision regarding said permission in a reasonable amount of time. Any written communication required by this subsection may be transmitted via e-mail. Any communication to the Government required by this subsection must be sent both to the Director of Public Works and the Assistant Director of Public Works.

(b) However, in the event of an emergency, the Company may disturb, excavate or other make use of the Rights-of-way without first obtaining written permission of the Director of Public Works, or his or her lawful designee, provided such person is notified within five (5) days of such work with the time, date, location and extent of the work performed.

(c) When the Company enters upon any street for the purpose of constructing, erecting, installing, operating, maintaining, repairing, removing, replacing, inspecting its Facilities, it shall prosecute the work without cost to Versailles and shall dig and close up all trenches and exposed places as rapidly as possible, and in no cases shall trenches be exposed for more than twenty-four (24) hours, unless special permission is granted by the Director of Public Works. The Company shall leave the streets in a same or similar condition as existed prior to when it entered for said purposes. If a temporary or "rough" repair is done, said temporary or "rough" repair shall be maintained in such a way that vehicle traffic is not impacted and replaced by a permanent repair within thirty (30) days if a local asphalt plant is open. If a local asphalt plant is not open, the



Company shall have thirty days (30) after the opening of such plant to make the permanent repair. Such work shall be maintained by the Company for one (1) year in as good condition as the remainder of the street. In the event the Company fails, refuses or neglects to comply with this provision, Versailles, may give written notice to the company. If after twenty-one (21) days after receipt of said written notice to the Company to make such repairs, such repairs are not completed, Versailles may make such repairs and the cost and expense of such repairs shall be paid by the Company within thirty (30) days following the date from which the itemized bill is presented to the Company.

(d) If Versailles constructs, reconstructs, repairs, maintains, or alters any street or other municipal public works within the Rights-of-way, and, to accommodate such work Versailles orders the Company to relocate its Facilities that are located within the Rights-of way and not within a pre-existing easement or other right in favor of the Company, that are interfering with such work, then the Company shall, at its own expense, change or relocate its Facilities so as to not interfere with the work to be performed. In the event the Company makes such a change or relocation, then any additional change or relocation pursuant to a subsequent order by Versailles to change or relocate the same Facilities shall not be at the Company's expense. Prior to any change or relocation, the Company shall be given access to all street plans, construction plans, and other specifications for the work.

(e) Prior to Versailles paving or repaving any street, Versailles shall provide the Company with reasonable advance written notice so the Company may make any changes, repairs, maintenance, installations, relocations, replacements or improvements of its own Facilities beneath the proposed paving prior to such paving. In the event the Company refrains from performing such work, it shall thereafter be precluded from doing so, except for emergencies, for a period of one (1) year following the paving. Within the one (1) year period, any work may be



made in the unpaved area of the street and shall not disturb the new pavement unless permission is granted from the Versailles Director of Public Works.

Section 6 – The Company may be required to provide a performance guarantee for significant projects with construction costs of one hundred thousand dollars (\$100,000) or more involving the Rights-of-way. This performance guarantee shall be set in an amount and duration to be determined by Versailles upon discussing and verifying the scope of such a project with the Company, and shall be in favor of Versailles to be issued by an entity subject to jurisdiction and venue in Kentucky. In no event shall the total cumulative amount of such performance guarantee exceed two hundred thousand dollars (\$200,000), unless otherwise provided in this Ordinance or by law.

Section 7 – As consideration for the granting of this franchise, the Company agrees to defend, indemnify, and hold harmless Versailles from liability on account of injuries or damages to persons or property arising out of the construction, maintenance, repair or operation of its System, and in the event of lawsuit brought against Versailles, the Company shall defend Versailles at the cost of the Company. The obligation to defend, indemnify and hold harmless does not include defending, indemnifying, and holding harmless Versailles for its own negligent acts or intentional acts or the negligence or acts of its employees, contractors or agents.

Section 8 - The Company shall comply with all applicable federal, state or local non-discrimination and affirmative action requirements of any laws, regulations and executive directives, and shall not discriminate in its employment practices against any employee or applicant for employment because of race, color, religion, national origin, sex, age or physical handicap.

Section 9 - The Company agrees to procure and maintain throughout the term of any franchise agreement awarded pursuant to this Ordinance and any extension thereof, commercial



general liability insurance in the principal amount of at least One Million dollars (\$1,000,000) per occurrence with a Two Million Dollar (\$2,000,000.00) aggregate, with an insurance company authorized to do business in the Commonwealth of Kentucky with the provision, "it is agreed and understood that the City of Versailles, its agents, employees, officers and elected officials, as their interests may appear, are additional insureds, in the same manner as if a separate policy had been issued, under the provision of the policies required to be issued during the term of this franchise or as otherwise required by this Ordinance." All insurance policies shall be broad form in nature and shall be through a company with an A.M. Best Rating of "A" or better, admitted to do business in Kentucky, and the contract shall be non-cancelable without at least thirty (30) days advance written notice by registered mail to Versailles from the insurance company.

Section 10 – (a) Versailles, through its Mayor or his designee, or through such assistants as Versailles may employ or designate, may, at all reasonable times and under reasonable conditions with prior notice, have access to all or any of the property owned or used in part or in whole by the Company in its operating and maintaining the System under this franchise and located within the Rights-of-way. In like manner, Versailles's above-mentioned officers and assistants may at all reasonable times and under reasonable conditions with prior notice, inspect, examine or verify all or any of the accounts, books, records, contracts, documents or papers of the Company relating to gross revenues in the City of Versailles in order to audit and recompute any amounts determined to be payable under this Ordinance consistent with the provisions of Section 20(b) of this Ordinance. In the event that Versailles determines that it desires an audit of this franchise, the Company agrees to comply with all reasonable requests of Versailles pertaining to obtaining any necessary information or documentation from the Company reasonably necessary to the administration of this franchise, subject to any reasonable confidentiality agreement.

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OF KENTUCKY

(b) The Company agrees further to furnish the Mayor or his designee timely written notice of its filing an application with the Public Service Commission for an increase in general rates or change in its billing practices concurrent with said filing. Should Versailles choose to intervene in the Commission action, the Company shall not oppose such intervention, and Versailles shall be given access to records related to said application, as required by the Commission.

(c) The Company agrees to provide Versailles with information pertaining to its provision of services pursuant to this franchise upon reasonable request. This shall include, but is not necessarily limited to, attending official public meeting(s) at which some or all the Councilmembers are in attendance in order to provide such information upon reasonable advanced notice) and providing an annual update to the Council upon its request.

Section 11 - (a) The franchise hereby created shall be for an initial period of ten (10) years from the date of acceptance by Versailles.

(b) This franchise may be renewed for up to two (2) additional terms not to exceed five (5) years each upon the request of the Company and the approval of the request by Versailles. The request shall be made in writing to Versailles at least one hundred eighty (180) days, but no earlier than one (1) year, in advance of the termination date of the Company's franchise agreement. The ultimate decision of whether to grant an additional franchise term shall solely be that of the Government.

(c) This franchise is not exclusive, and the Government reserves the right to grant similar franchises to more than one Company. All franchises awarded pursuant to this Ordinance are intended to terminate at the same time. Therefore any other Company awarded



a franchise pursuant to this Ordinance shall only be awarded a franchise that is equal in duration to the remaining term of the initial franchise(s).

(d) This franchise creates no vested rights in the Company and any installation or emplacement of Facilities by the Company in the Rights-of-way is at the Company's risk. If the Company is not granted a new or extended franchise upon the expiration of the term for which the franchise is granted, or if the Company's franchise is terminated or cancelled, as provided for herein, Versailles shall have the right to require the Company to remove at its own expense all portions of the system from all Rights-of-way within the confines of the City of Versailles. The Company shall be provided a reasonable time within which to remove its facilities.

(e) No assignment of this franchise or the System subject to this franchise shall take place without at least sixty (60) days advance written notice to Versailles, and consent by Versailles, which consent shall not be unreasonably withheld. In the event that such an assignment is subject to the jurisdiction of the Public Service Commission, the Company agrees not to object to Versailles's intervention in any action before the Public Service Commission on this subject.

(f) The Company shall not object to Versailles's intervention in any action before the Public Service Commission involving the transfer of control of the Company.

(g) In the event that the Company, or its parent entity, announces through a public filing with the Securities and Exchange Commission, or other public agency filing, that a majority, or more, of the assets of the Company, are available for sale to the public separate and apart from the sale or transfer involving additional companies or assets owned by a parent entity and that such sale involves the seeking of publicly solicited bids for such Company's assets, the Company shall notify Versailles in writing within ten (10) business days of such filing. Versailles shall then be provided a period of time not less than the period of time allowed by any other



potential bidder, and in accordance with the procedure set forth by the Company, to determine whether it wishes to make an offer on the assets that become available for sale and submit its offer. However, such right to make an offer shall not preclude other parties from making offers, nor does such an offer create an obligation on the Company to accept such offer or delay a sale or transfer of the assets nor is this provision intended to prevent the Company, its Board of Directors and its officers from exercising their regulatory and fiduciary duties in the decision to accept, reject, modify or alter any offer submitted by any bidder or to amend or withdraw the procedure established for the solicitation of such bids. Versailles recognizes that the terms of this section are applicable only in the event that bids are publicly solicited according to this section.

Section 12 - (a) If, after the Company is provided the opportunity to appear and present evidence before Versailles's Mayor or his designee, Versailles determines that the Company has violated any of the following provisions of this Ordinance, the following penalties shall be recoverable. The above-determination, which must be in writing and provide the basis for the decision, shall be the final administrative decision, which may be appealed to a court of competent jurisdiction.

(1) For failure to complete any construction project by no later than the ending term of any franchise awarded pursuant to this Ordinance or any extension thereof, the Company shall forfeit five hundred dollars (\$500.00) per day or part thereof that the violation continues; in lieu of a penalty, the Company may post a performance bond, letter of credit or other surety acceptable to Versailles in an amount sufficient to complete such construction projects. This section shall not apply to any projects for which performance bonds or other surety is already pledged.



(2) For failure to provide data and reports requested by Versailles and as required by this Ordinance the Company shall forfeit one hundred dollars (\$100.00) per day or part thereof that the violation continues.

(3) For failure to pay the franchise fee when due pursuant to Section 19 of this Ordinance, or any itemized bill presented by Versailles pursuant to Section 5 of this Ordinance or this section, the Company shall forfeit one hundred dollars (\$100.00) per day or part thereof that the violation continues. However, this provision shall not apply if interest is assessed by Versailles pursuant to Section 20(c).

(4) For failure to comply with the provisions of Section 5 of this Ordinance, the Company shall forfeit one hundred dollars (\$100.00) per day or part thereof that the violation continues.

(b) If the Company fails to comply within thirty (30) days of any Versailles City Council resolution directing compliance with any other provisions of this Ordinance, the Company shall forfeit one hundred dollars (\$100.00) per day or part thereof that the violation continues. The decision of the Council may be appealed to a court of competent jurisdiction.

(c) The Company shall not be excused from complying with any of the terms and conditions of this Ordinance by any failure of Versailles, upon any one or more occasions, to insist upon the Company's performance or to seek the Company's compliance with any one or more of such terms or conditions. Payment of penalties shall not excuse non-performance under this Ordinance. The right of Versailles to seek and collect penalties as set forth in this section is in addition to its right to terminate and cancel as set forth in Section 14 of this Ordinance.



Section 13 - At all times and under all circumstances the Company shall be obligated to do everything reasonably within its power to ensure that its customers in the City of Versailles receive uninterrupted service, unless such customer has elected interruptible service

Section 14 - (a) In addition to all other rights and powers pertaining to Versailles by virtue of the franchise or otherwise, Versailles, by and through its City Council, reserves the right to terminate and cancel any franchise awarded pursuant to this Ordinance and all rights and privileges of the Company hereunder in the event that the Company:

(1) Willfully violates any material provision of the franchise or any material rule, order, or determination of Versailles made pursuant to the franchise, except where such violation is without fault or through excusable neglect, including but not limited to cases of force majeure;

(2) Willfully attempts to evade any material provision of the franchise or practices any fraud or deceit upon Versailles;

(3) Knowingly makes a material misrepresentation of any fact in the application, proposal for renewal, or negotiation of the franchise; or

(4) Fails to begin service restoration following seventy-two (72) consecutive hours of interrupted service, except when approval of such interruption is obtained from Versailles. Such approval shall not be unreasonably withheld. In cases of force majeure or acts beyond the Company's control approval shall be granted. The Company shall provide, at a minimum, daily restoration status reports.

(b) Prior to attempting to terminate or cancel this franchise pursuant to this section, Versailles shall make a written demand that the Company do or comply with any such provision, rule, order or determination. If the alleged violation of Section 14(a), by the Company continues for a period of thirty (30) days following such written demand without written proof that



the corrective action has been taken or is being actively and expeditiously pursued, Versailles may place its request for termination of the franchise as early as the next regular City Council meeting agenda. Versailles shall cause to be served upon Company, at least ten (10) days prior to the date of such City Council meeting, a written notice of intent to request such termination and the time and place of the meeting, legal notice of which shall be published in accordance with any applicable laws.

(b) If the violation, found in Section 14(a) of this Ordinance, by the Company continues for a period of thirty (30) days following such written demand without written proof that the corrective action has been taken or is being actively and expeditiously pursued, Versailles may place its request for termination of the franchise as early as the next regular City Council meeting agenda. The Government shall cause to be served upon Company, at least ten (10) days prior to the date of such City Council meeting, a written notice of intent to request such termination and the time and place of the meeting, legal notice of which shall be in accordance with any applicable laws.

(1) The Versailles City Council shall consider the request of the Government and shall hear any person interested therein, and shall determine in its reasonable discretion, whether or not any alleged violation by the Company occurred or was with just cause.

(2) If such violation by the Company is found to have been with just cause, the City Council shall direct the Company to comply therewith within such time and manner and upon such terms and conditions as are just and reasonable.

(3) If the City Council determines such violation by the Company was without just cause, then the City Council may, by resolution or ordinance, declare that the franchise of the Company shall be terminated and forfeited unless there is compliance by the Company within such period as the City Council may fix.



Section 15 - The Company shall provide Versailles at least sixty (60) days advance written notice of the foreclosure or other judicial sale of all or a substantial part of the Company's Facilities, or upon the termination of any lease covering all or a substantial part of its Facilities, and such notification shall be treated as a notification that an assignment of the franchise has taken place, and the provisions of Section 11 of this Ordinance, governing the consent of Versailles to such assignment, shall apply.

Section 16 – (a) Versailles shall have the right to cancel this franchise thirty (30) days after the appointment of a receiver, or trustee, to take over and conduct the business of the Company, whether in receivership, reorganization, bankruptcy, or other action or proceeding, unless such receivership or trusteeship shall have been vacated prior to the expiration of said thirty (30) days, unless:

(1) Within thirty (30) days after his election of appointment, such receiver or trustee shall have fully complied with all the provisions of this Ordinance and remedied all defaults thereunder; and,

(2) Such receiver or trustee, within said thirty (30) days shall have executed an agreement, duly approved by the court having jurisdiction in the premises, whereby such receiver or trustee assumes and agrees to be bound by each and every provision of this Ordinance and the franchise granted to the Company.

(b) The Company shall have the right to cancel this franchise upon any act of bankruptcy, receivership, reorganization, application for the appointment of a receiver, or any other initiation of insolvency proceedings on behalf of, or against, Versailles. Notwithstanding the foregoing, and subject to an order of an appointed trustee or receiver, Versailles does not waive the ability to claim that the Company is still required to pay Versailles a franchise fee in order to maintain its System or Facilities in the Rights-of-way.

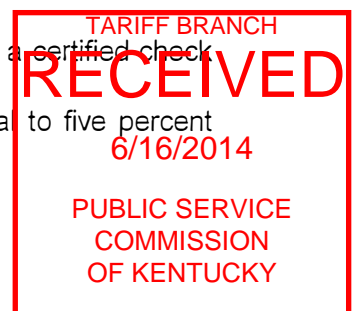


Section 17 - It shall be the duty of the Mayor or other lawful designee as soon as practicable after the passage of this Ordinance to offer for sale at public auction said franchise and privilege. In the event that additional interested bidders are identified or express an interest in obtaining a franchise after this initial offering, the additional offering and advertisement to accommodate such bidders is hereby authorized. Said franchise and privilege shall be sold to the highest and best bidder or bidders at a time and place fixed by the Mayor after he or she has given due notice thereof by advertisement or publication as required by law.

Section 18 - Bids and proposals for the purchase and acquisition of the franchise and privileges hereby created shall be in writing and shall be delivered to the Mayor or other lawful designee upon the date and at the time fixed by him or her in said publication or advertisement for receiving same. Thereafter, the Mayor shall report and submit to the City Council, at the time of its next regular meeting or as soon as practicable thereafter, said bids and proposals for its approval. The City Council reserves the right, for and on behalf of Versailles, to reject any and all bids for said franchise and privileges; and, in case the bids reported by the Mayor shall be rejected by the City Council, it may direct, by resolution or ordinance, said franchise and privilege to be again offered for sale, from time to time, until a satisfactory bid therefore shall be received and approved.

(a) Each bid shall be accompanied by a nonrefundable payment to Versailles in the amount of five hundred dollars (\$500.00) to cover its cost of advertising and other administrative expenses incurred.

(b) In addition, any bid submitted by an entity or person not already owning within the territorial limits of the City of Versailles, plant, equipment, and/or Facilities sufficient to render the service required by this Ordinance must be accompanied by cash or a certified check drawn on a bank of the Commonwealth of Kentucky, or a national bank, equal to five percent



(5%) of the fair estimated cost of the system required to render the service, which check or cash shall be forfeited to the Government in case the bid should be accepted and the bidder should fail, for thirty (30) days after the confirmation of the sale, to pay the price and to give a good and sufficient bond in a sum equal to one-fourth (1/4) of the fair estimated cost of the system to be erected, conditioned that it shall be enforceable in case the purchaser should fail, within sixty (60) days, to establish and begin rendering the service in the manner set forth in this Ordinance. Bids shall include such documentation as is necessary to support the bidder's determination of the fair estimated cost of the system required to render the service. Versailles reserves the right to review any of bidder's supporting documentation that justifies bidder's determination of said estimated cost.

Section 19 - (a) In consideration for the granting of the franchise the Company agrees to pay the franchise fee as provided herein which shall automatically be established in an amount of three percent (3%) of the gross annual revenues received by the Company for the direct sale, distribution, and delivery of natural gas provided by the Company within the City of Versailles and rendered on its bills (excluding nonrecurring charges as defined in Chapter 807 of the Kentucky Administrative Regulations Section 5:006, now or as hereafter amended) unless Versailles establishes the franchise fee in a different amount pursuant to this section. Versailles reserves the right at any time, and upon sixty (60) days written notice, during the effective period of the franchise to be awarded hereby to impose upon the Company a franchise fee in an amount not to exceed five percent (5%), inclusive of any other City permitting fees, of the gross annual revenues as defined herein. At a minimum, the franchise fee is intended to apply to gross revenues related to those services which include the franchise fee as part of the tariff filed with the Public Service Commission as of the date of the adoption of this Ordinance, and the Company expressly agrees that it will continue to pay franchise fees on the gross revenues derived from these services for



the duration of this franchise. The Company will also assess and pay the franchise fee on any such gross revenues from revised, amended, or additional tariffs (except for nonrecurring charges in Versailles) unless Versailles specifically indicates that it does not want the fee to apply, and subject to any necessary approval by the Public Service Commission. Calculations of amounts payable hereunder and payments shall commence with the first billing period following tariff approval by the Kentucky Public Service Commission. The Company is otherwise required to continue submitting payments to Versailles under the terms of its existing tariff and/or franchise until such time as this tariff approval is obtained.

(b) The parties acknowledge and agree that the natural gas supplied by certain large volume suppliers is not currently included as part of the gross revenues to which the franchise fee is applied. In the event that Versailles determines during the franchise period that it wishes to pursue the collection of the franchise fee from these suppliers through the Company, it will notify the Company, in advance, of the methodology and procedures for such collection, and be subject to any necessary approval of the Public Service Commission.

(c) In the event Versailles requires the Company to pay any fees for the permitting, excavation, occupation or other use of its rights-of-way that are in addition to the franchise fee established herein, such fees may be calculated, assessed, collected and paid as an appropriate percentage of gross revenues at the option of the Company. Notwithstanding the foregoing, the Company may elect to pay for its permit fees upon application for each respective permit. These permitting fees are subject to change during the term of the franchise based upon an audit of the actual cost of permitting for Versailles, or a change in the amount of such respective permitting fees. In the event of such a change, the Company shall be provided at least sixty (60) days advance written notice.



(d) No later than ten (10) working days after final acceptance of its bid by Versailles or any subsequent notification of any change in the amount of the fees in this Section 19, the Company shall, if lawfully required, file an application or tariff with the Kentucky Public Service Commission to provide for prompt and satisfactory cost recovery of the amount(s) payable under this Ordinance and any franchise awarded pursuant to its terms for any amounts for which it desires recovery. The Company shall provide Versailles with copies of any tariffs it files with the Kentucky Public Service Commission related to the franchise in order to satisfy the obligations created herein.

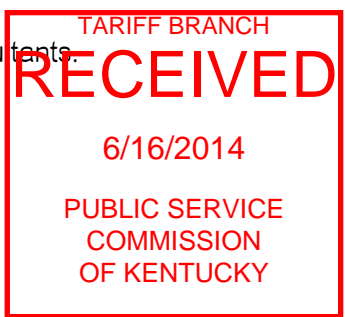
(e) If, after a period of sixty (60) days from the filing of the Company's above application, the Kentucky Public Service Commission shall have made no final determination concerning the prompt and satisfactory recovery of amounts payable by the Company under this Section of the Ordinance, then the Company's obligation to pay the amount specified in Section 19(a) of this Ordinance shall be suspended, provided the Company shall first give Versailles ten (10) days written notice of its intention to suspend payment pending the decision of the said Commission. In the event of suspension of the Company's obligation as herein provided, Versailles shall have the option to terminate this franchise within thirty (30) days of receipt of said written notification from the Company. Notwithstanding the above, any Company that had a previously existing franchise with Versailles shall continue to pay the fees established pursuant to its previous franchise.

Section 20 - (a) Payment of any amount due under this Ordinance shall be made monthly, within thirty (30) days of the end of the preceding calendar month. Upon request, and provided the Company has the capability to do so without additional cost, Company shall deposit such payments electronically to an account specified by Versailles. In the event of suspension of the Company's obligation pursuant to Section 19(e) herein, said suspension shall



not have application to any amount due hereunder for the preceding calendar month, and the gross income received by the Company during any such suspension period shall be excluded from the Company's annual gross revenues for the purpose of calculating amounts due under Section 19 (a) herein.

(b) No acceptance of any franchise fee payment by Versailles shall be construed as an accord and satisfaction that the amount paid is in fact the correct amount nor shall acceptance be deemed a release to any claim Versailles may have for future or additional sums pursuant to this Ordinance. Versailles shall have the right to inspect the Company's income, financial, and records relating to gross revenues in order to audit, and to re-compute any amounts determined to be payable under this Ordinance. The Company shall respond to a reasonable request for information related to obtaining audit information within ten (10) business days unless agreed otherwise by the parties. This provision shall survive the term of any franchise agreement awarded pursuant to this Ordinance for a period of one (1) year. Any additional amount due to Versailles as a result of the audit shall be paid within ten (10) days following written notice to the Company by Versailles which notice shall include a copy of the audit report. If as a result of such audit or review Versailles determines that the Company has underpaid its franchise fee by five percent (5%) or more for any six (6) month period then in addition to making full payment of the relevant obligation it shall reimburse Versailles for all of the reasonable costs associated with the audit or review. If such audit or review is performed in connection with the granting of a new franchise, and extension of the terms of this franchise, a sale or transfer of control of the Company, or a substantive modification of the terms to, or an assignment of this franchise, the Company shall reimburse Versailles for all of the reasonable costs associated with the audit or review including all out-of-pocket costs for attorneys, accountants and other consultants.



(c) In the event that any franchise payment or recomputed amount is not made on or before the applicable dates heretofore specified, interest shall be charged from such date at the annual rate of eight percent (8%). Overpayments discovered by Versailles or the Company shall be an adjustment on the next monthly payment at an annual rate of interest of eight percent (8%).

(d) With respect to its billing of Versailles, Company agrees to, upon request, provide an explanation of any and all billing adjustments or credits including the account(s) impacted and any and all late payments.

Section 21 – Bids offered for purchase of this franchise shall state the bidder's acceptance of the conditions set forth in this Ordinance. If any bid shall include an offer of payment over and above the terms of the franchise, then a certified check for said amount, payable to the City of Versailles, shall be deposited with the Government. This amount shall be in addition to the provision for payments contained in Sections 18 and 19 of this Ordinance, which shall be considered as a condition of this franchise. Any check deposited by an unsuccessful bidder shall be returned when Versailles shall have accepted the bid or bids, which in its judgment is or are the highest and best.

Section 22 – Any violation by the Company, its vendee, Lessee, or successor of the provisions of this franchise or any material portions thereof, or the failure promptly to perform any of the provisions thereof, shall be cause for the forfeiture of any franchise awarded pursuant to this Ordinance and all rights hereunder after written notice to the Company and continuation of such violations, failure or default, as set forth in Section 14 of this Ordinance.

Section 23 – This Ordinance and any franchise awarded pursuant to it shall be governed by the laws of the Commonwealth of Kentucky, both as to interpretation and performance. The venue for any litigation related to this Ordinance or a franchise shall be in the court of



competent jurisdiction in Woodford County, Kentucky.

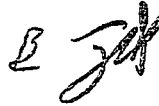
Section 24 - This Ordinance and any franchise awarded pursuant to it does not create a contractual relationship with or right of action in favor of a third party against either Versailles or the Company.

Section 25 - If any section, sentence, clause or phrase of the Ordinance is held unconstitutional or otherwise invalid, such infirmity shall not affect the validity of the remaining Ordinance.

Section 26 - The franchise created by this Ordinance shall become effective when the Versailles City Council accepts the bid(s) for it.

Section 27 - This Ordinance shall become effective on the date of its passage.

DATE OF PASSAGE: DECEMBER 3, 2013 :



MAYOR, CITY OF VERSAILLES, KENTUCKY

ATTEST:

Alison B. White
CITY CLERK

00382513



Allison White, City Clerk
City Hall
196 South Main Street
Versailles, KY 40383

January 10, 2014

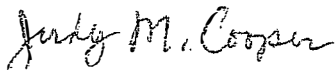
HAND-DELIVERED

To Whom It May Concern:

Please find enclosed the bid of Columbia Gas of Kentucky, Inc. in response to the request for bids for a natural gas franchise as advertised in the December 24, 2013 issue of *The Woodford Sun*. Pursuant to Ordinance No. 2013-33, the bid is submitted with a check in the amount of \$500.00.

If you have any questions please contact me at 288-0242 or e-mail jmcoop@nisource.com. Thank you for your assistance.

Sincerely,



Judy M. Cooper
Director, Regulatory Policy

Enclosures (Sealed Envelope)



BID OF COLUMBIA GAS OF KENTUCKY, INC.

To the Mayor and City Council of Versailles, Kentucky:

Upon the terms and conditions hereinafter set forth, Columbia Gas of Kentucky, Inc., ("Columbia") submits the following bid for the gas distribution franchise authorized by the City of Versailles ("Versailles") in Ordinance No. 2013-33 on December 3, 2013 and advertised in *The Woodford Sun* on December 24, 2013.

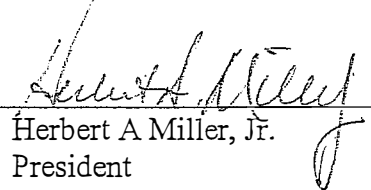
Columbia hereby accepts the terms and conditions of Ordinance No. 2013-33. In consideration of the granting of the franchise for sale, distribution, and/or delivery of natural gas within Versailles, Columbia agrees to pay to Versailles a sum equal to three percent (3%) of the gross annual revenues received from the sale, distribution, and/or delivery of gas within the corporate limits of Versailles in accordance with the provisions of Columbia's filed tariff with the Public Service Commission.

Columbia represents and warrants that it was granted an Application for a Certificate of Public Convenience and Necessity from the Kentucky Public Service Commission in Case No. 2013-00483 dated January 3, 2014 which authorized it to bid on the subject franchise offered by Versailles, as required under KRS 278.020 (3).

Columbia further represents and warrants that it presently owns plant, facilities and equipment within the corporate limits of Versailles sufficient to render the service required by Ordinance 2013-33.

COLUMBIA GAS OF KENTUCKY, INC.

BY:


Herbert A Miller, Jr.
President



CITY OF VERSAILLES, KENTUCKY
ORDINANCE 2014-2

ORDINANCE CONFIRMING THE SALE AND AWARD A NONEXCLUSIVE FRANCHISE TO COLUMBIA GAS OF KENTUCKY, INC. FOR THE PLACEMENT OF FACILITIES FOR THE TRANSMISSION, DISTRIBUTION AND SALE OF GAS FOR HEATING AND OTHER PURPOSES WITHIN THE PUBLIC RIGHTS-OF-WAY OF THE CITY OF VERSAILLES FOR AN INITIAL TEN (10) YEAR PERIOD WITH UP TO TWO (2) ADDITIONAL EXTENSIONS OF TIME OF FIVE (5) YEARS EACH, IN RETURN FOR PAYMENT TO THE CITY OF VERSAILLES OF THE SUM OF AT LEAST THREE PERCENT (3%) OF EACH FRANCHISEE'S GROSS ANNUAL REVENUES FROM THE SALE, DISTRIBUTION, AND DELIVERY OF GAS WITHIN THE CITY OF VERSAILLES AND AN OPTION TO INCREASE THE FEE TO AN AMOUNT NOT TO EXCEED FIVE PERCENT (5%); ALL EFFECTIVE ON DATE OF PASSAGE.

WHEREAS, Ordinance 2013-33, adopted by the Versailles City Council on December 3, 2013, provided for the creation and sale of a non-exclusive franchise, for a term of ten (10) years with up to two (2) additional extensions of time of five (5) years each, for the privilege of constructing, operating, maintaining and distributing natural gas along and under public right-of-way within the corporate boundaries of the City of Versailles; and

WHEREAS, Ordinance 2013-33 also established a process by which the successful franchisee would be permitted to excavate within public right-of-way for the purpose of installing and maintaining its gas transmission and distribution lines in order to furnish natural gas to the residents of Versailles, Kentucky; and

WHEREAS, after publication of said advertisement on December 24, 2013, the only bid received by the City Clerk was from Columbia Gas of Kentucky, Inc..

NOW, THEREFORE, BE IT ORDAINED BY THE CITY OF VERSAILLES, KENTUCKY, AS FOLLOWS:

Section 1. That the gas franchise created by Ordinance 2013-33 be, and it hereby is, awarded to the highest and best bidder, Columbia Gas of Kentucky, Inc., for the cost of advertising and sale of said gas franchise, plus three percent (3%) of its annual gross revenues, which shall be payable to the City of Versailles, Kentucky, on a monthly basis. However, the City of Versailles, pursuant to Ordinance 2013-33, reserves the right at any time, and upon sixty (60) days written notice, during the effective period of the franchise to be awarded hereby to impose upon Columbia Gas of Kentucky, Inc. a franchise fee in an amount not to exceed five percent (5%).

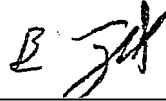
Section 2. That the Mayor shall be, and hereby is, authorized and directed to execute the Gas Franchise Agreement on terms and conditions established in Ordinance 2013-33, a copy of which agreement is attached hereto and incorporated herein by reference. The effective date of the above Gas Franchise Agreement is March 1, 2014.

Section 3. All prior ordinances, municipal orders, or policies or parts thereof in conflict herewith, are to the extent of such conflict, hereby repealed.



INTRODUCED AND PUBLICLY GIVEN FIRST READING ON THE 21st DAY OF JANUARY, 2014 AND A GIVEN SECOND READING AND FULLY ADOPTED BY THE VERSAILLES, KENTUCKY CITY COUNCIL ON THE 4th DAY OF FEBRUARY, 2014.

APPROVED:



BRIAN TRAUOGOTT, MAYOR
CITY OF VERSAILLES, KENTUCKY

ATTEST:



ALLISON B. WHITE, CITY CLERK

TARIFF BRANCH
RECEIVED
6/16/2014
PUBLIC SERVICE
COMMISSION
OF KENTUCKY