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WATER SUPPLY AGREEMENT

This Water Supply Agreement (hereinafter "Agreement") dated as of the 21 day of ~~April~~ ^{July} 2009, is made and entered by and between the **Boone County Water District**, 2475 Burlington Pike, Burlington, Kentucky 41005 (hereinafter "BCWD") and the **Bullock Pen Water District**, One Farrell Drive, Crittenden, Kentucky 41030 (hereinafter "BPWD") and the **Boone County Fiscal Court**, Boone County Administration Building, 2950 East Washington Street, Burlington, Kentucky 41005 ("BCFC"). BCWD, BPWD and BCFC will be collectively referred to herein as the "Parties."

WITNESSETH:

WHEREAS, BPWD desires to secure a reliable source of water for portions of its present and future water needs, particularly for BPWD customers located within the geographic boundaries of Boone County, Kentucky, and

WHEREAS, BCWD has adequate sources and supplies of water to sell to BPWD to meet those needs.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are expressly acknowledged, BCWD, BPWD and BCFC hereby agree as follows:

ARTICLE I
EFFECTIVE DATE AND TERM


A. This Agreement will take effect on the date that this Agreement and the rates and service set forth herein are approved by the Public Service Commission of the Commonwealth of Kentucky (hereinafter "PSC") or the date that the PSC declares that its approval of this Agreement and the rates and service set forth herein is not required, whichever occurs first (hereinafter the "Effective Date").

B. Once this Agreement takes effect on the Effective Date, this Agreement will continue in full force and effect until December 1, 2028.

ARTICLE II
QUANTITY AND QUALITY OF WATER

A. During the term of this Agreement and any renewal or extension thereof, BPWD will purchase from BCWD and BCWD will supply to BPWD a minimum volume of flow rate of water of one hundred thousand (100,000) gallons per day, averaged on a monthly basis, at the Point of Delivery hereinafter specified.

Notwithstanding the foregoing, BCWD shall not be required to provide BPWD water in excess of five hundred thousand (500,000) gallons per day.

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B. It is acknowledged by the parties hereto that the water purchased by BPWD from BCWD pursuant to this Agreement shall be distributed primarily to those customers of BPWD located within the geographic boundaries of Boone County. It is further acknowledged by the parties hereto that BPWD may, from time to time, distribute water purchased pursuant to this Agreement to customers of BWPD located in Kenton County and/or Grant County, Kentucky as BPWD's demands and water needs may from time to time dictate.

C. All water provided by BCWD to BPWD will be potable, treated water meeting all applicable quality and purity standards of all appropriate state and federal regulatory agencies. The water will be of the same quality as that furnished to BCWD's retail and other wholesale customers. BCWD shall indemnify and hold harmless BPWD from any and all claims, causes of action or other demands made of BPWD by any third party as a direct and proximate result of BCWD's failure to provide potable treated water meeting all applicable quality and purity standards. BCWD's obligation to indemnify and hold harmless BPWD from any and all such claims shall include, but not be limited to, all reasonable costs incurred by BPWD in the defense of any such claim, cause of action or demand, including reasonable attorney's fees; and any mailing notification costs required of BPWD in notifying its customers of such water quality issues and the like.

D In the event BCWD is unable to supply potable treated water meeting all applicable quality and purity standards of all appropriate state and federal regulatory agencies, BPWD's requirement to purchase the minimum one hundred thousand (100,000) gallons per day shall be suspended during that period of time which BCWD is unable to provide such water quality.

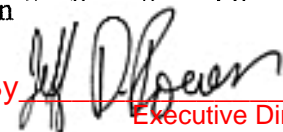
E. BPWD agrees that it will not rechlorinate water supplied by BCWD without BCWD's written approval, such consent not to be unreasonably withheld. In the event that BCWD is unable to meet the water quality standards contained in II, BPWD may take any and all action necessary to retreat or provide additional water treatment as may be reasonably necessary and within industry standards to insure that the water delivered to BPWD by BCWD meets any and all federal and state regulatory agency water quality requirements.

ARTICLE III

POINT OF DELIVERY, METERING EQUIPMENT AND PRESSURE

A. BCWD will provide water to BPWD at the discharge side of the master meter located at or near the intersection of U.S. Route 42 and Beaver Road in Boone County, Kentucky (hereinafter a "Point of Delivery").

B. It is acknowledged by the Parties hereto that BPWD currently owns and operates a temporary meter and meter pit located at the existing Point of Delivery. It is agreed by the parties hereto that subsequent to the execution of this Agreement, BPWD shall construct a permanent Master Meter and Meter Pit located at or near the existing Point of Delivery. It is acknowledged by the parties hereto that the new master meter and meter pit currently has a 4 inch meter with a proposed 8 inch meter. BPWD is authorized and permitted to increase the meter size from the current 4 inch meter up to an 8 inch meter in accordance with the instruction



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of the master meters and meter pit shall be in full and complete compliance with all existing construction standards and specifications adopted by BCWD. Upon completion of the master meter and meter pit, BPWD will transfer to BCWD ownership of the master meter and meter pit. Thereafter, BCWD will own, operate and maintain the master meter and meter pit at the Point of Delivery. BCWD will make annual tests and inspections of the meter and the meter pit and perform such other tests and inspections as BCWD may deem necessary.

C. BCWD will use its best reasonable efforts to provide a delivery pressure consistent with industry standards and Kentucky Public Service Commission Regulations at the Point of Delivery, subject to the force majeure events described in Article VI of this Agreement.

ARTICLE IV **WATER RATES**

A. BPWD shall pay to BCWD the following rates:


- (a) It is acknowledged by the parties hereto that BCWD is currently purchasing water from the Boone Florence Water Commission ("BFWC") at a rate of Two Dollars and sixty five cents (\$2.65) per one thousand (1,000) gallons ("Base Rate"). BPWD shall pay to BCWD a rate of Two Dollars and sixty five cents (\$2.65) per one thousand (1,000) gallons of water purchased during the term of this Agreement. In the event that the Base Rate charged by BFWC to BCWD is increased, BCWD may pass that rate increase in the Base Rate to BPWD. BCWD shall notify BPWD of any such increase immediately upon notification to BCWD of the increase in the Base Rate.

- (b) In addition to the Base Rate, BPWD shall also pay to BCWD a supplemental rate ("Supplemental Rate"). The Supplemental Rate shall be determined from the BCWD's Kentucky Public Service Commission Report of Gross Operating revenues, with attachments, and shall be calculated as follows:

BCWD shall be entitled to recover a Supplemental Rate equal to the difference between current year total water expenses (appearing below line 675, column (c)) less cost of purchased water, line 610, column(c)) divided by the quantity of water sold per thousand gallons by BCWD, multiplied by a favor of .5, and rounded to the nearest one-half cent.

By way of example, based on the 2008 PSC report, current year total water expenses are \$10,240,833.00, less supply cost of purchased water is \$7,489,535.00; purchased water expressed in thousands is 2,826,239 gallons. Calculations are set forth in exhibit one.

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- (c) The Supplemental Rate shall be recalculated annually based upon BCWD's prior year's PSC report. BCWD shall notify BPWD of the new rate by June 1 of each year. The revised rate shall be effective July 1.

B. If at any time during the term of this Agreement BCWD intends to file a tariff amendment with the Public Service Commission and/or any other regulatory body which would affect the cost charged to BPWD, BCWD shall notify BPWD of such intention.

C. BPWD shall pay BCWD for the actual quantity of water it purchases from BCWD unless BPWD's actual consumption for any month does not exceed one hundred thousand (100,000) gallons per day, averaged on a monthly basis, in which case BPWD shall pay to BCWD for the minimum volume or flow rate it is required to purchase under this Agreement which is one hundred thousand (100,000) gallons per day, averaged on a monthly basis. Provided, however, in the event BPWD is unable to purchase such quantities of water due to BCWD's failure to provide adequate pressure, water quality and the like (see ¶ III and VII), BPWD shall not be required to purchase nor shall it be charged for the minimum one hundred thousand (100,000) gallons per day requirement.

ARTICLE V **BILLING AND PAYMENT**

Once each month, BCWD shall submit to BPWD an invoice for the amount due to BCWD under the terms of this Agreement for the prior month. All invoices shall be due and payable by BPWD to BCWD within fifteen (15) days of receipt. A ten percent (10%) penalty shall be added to each invoice that is not paid within fifteen (15) days of its receipt by BPWD.


ARTICLE VI **FORCE MAJEURE**

Except for the payments required of BPWD under Articles II and III above, either Party may suspend its performance under this Agreement if such Party's performance is prevented or delayed by a cause or causes beyond the reasonable control of such Party which could not have been avoided by the exercise of reasonable diligence by such Party.

ARTICLE VII **RESPONSIBILITY AND INDEMNIFICATION**

BCWD and BPWD shall be solely responsible for the construction, operation and maintenance of their respective water systems. BCWD and BPWD, to the extent permitted by law, expressly agree to defend, indemnify and hold harmless the other against all claims, demands, costs or expenses asserted by third parties and proximately caused by their negligence or willful misconduct in connection with the construction, operation or maintenance of their respective water systems. BCWD's obligation to indemnify and hold harmless BPWD shall also include any and all claims, demands, costs or expenses asserted by any third party, including governmental regulatory agencies relating directly or indirectly to the delivery, distribution and sale of water to BPWD.

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ARTICLE VIII
RESALE OF WATER

The water purchased by BPWD from BCWD pursuant to this Agreement is anticipated to be distributed within the geographical area as shown by the map attached hereto as Exhibit "2".

ARTICLE IX
NOTICES

Any notices allowed or required under this Agreement shall be in writing and shall be hand-delivered or mailed by certified mail, return receipt requested. Notice shall be effective upon receipt. Notices shall be given to the Parties at the following addresses or such other addresses as may be designated by the Parties in writing:

To BPWD:

Bullock Pen Water District
Attn: Superintendent
One Farrell Drive
Crittenden, Kentucky 41030

To BCWD:

Boone County Water District
Attn: General Manager
2475 Burlington Pike
Burlington, KY 41005

To BCFC:

Boone County Fiscal Court
Attn: Boone County Judge Executive
2950 East Washington Street
P.O. Box 900
Burlington, KY 41005

ARTICLE X
RURAL WATER LINE PURCHASE

This Agreement is contingent upon BCWD purchasing from BCFC, at a price mutually agreeable to the parties, the existing 12 inch diameter transmission line which extends from the intersection of US Highway 42 and Richwood Road to the intersection of US Highway 42 and Beaver Road. BCFC joins in this Agreement for the limited purpose of agreeing to sell to BCWD the existing 12 inch transmission line or transferring to BPWD as a customer of BCWD.

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Executive Director

ARTICLE XI
WAIVERS

The failure of any Party at any time to enforce any provision of this Agreement, to exercise its rights under any provision, or to require a certain performance of any provision, shall in no way be construed as a waiver of such provision, nor in any way affect the validity of this Agreement or the right of a Party thereafter to enforce each and every provision.

ARTICLE XII
ASSIGNMENT

This Agreement shall not be assigned by either Party without the written consent of the other Party.

ARTICLE XIII
AUTHORITY TO EXECUTE AGREEMENT

BCWD possesses full authority to enter this Agreement as indicated by the lawful resolution of BCWD attached hereto as Exhibit "A". BPWD possesses full authority to enter this Agreement as indicated by the lawful resolution of BPWD attached hereto as Exhibit "B".

ARTICLE XIV
MISCELLANEOUS PROVISIONS


A. Nothing contained in this Agreement shall prevent BPWD from purchasing water from any other supplier including but not limited to the City of Walton; Northern Kentucky Water District; City of Williamstown; or any other future supplier capable of providing water to BPWD for subsequent sale and distribution to BPWD's customers or any other user or customer of BPWD. In the event BPWD should enter into a Water Purchase Agreement with any other entity, BPWD shall not be relieved of any of the responsibilities and obligations set forth herein.

B. This Agreement shall be contingent upon approval by the Grant County Fiscal Court; Boone County Fiscal Court; and the Kentucky Public Service Commission.

C. This Agreement shall be contingent upon and subject to a memorandum of understanding among the City of Cincinnati, Boone-Florence Water Commission, City of Florence and BCWD.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed in two originals, one for each Party.

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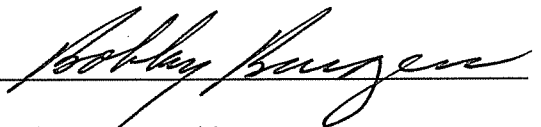
BOONE COUNTY WATER DISTRICT

By: 

Printed Name: R. Charles Cain

Title: Chairman BCWD

BULLOCK PEN WATER DISTRICT

By: 

Printed Name: Bobby Burgess

Title: Chairman

BOONE COUNTY FISCAL COURT

By: _____

Printed Name: Hon. Gary Moore

Title: Boone County Judge Executive

Approved:

GRANT COUNTY FISCAL COURT

By: _____

Printed Name: Hon. Darrell Link

Title: Grant County Judge Executive

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By: 
Executive Director

BOONE COUNTY WATER DISTRICT

By: [Signature]

Printed Name: _____

Title: _____

BULLOCK PEN WATER DISTRICT

By: [Signature: Bobby Burgess]

Printed Name: Bobby Burgess

Title: Chairman

BOONE COUNTY FISCAL COURT

By: _____

Printed Name: Hon. Gary Moore

Title: Boone County Judge Executive

Approved:

GRANT COUNTY FISCAL COURT

By: [Signature]

Printed Name: Hon. Darrell Link

Title: Grant County Judge Executive

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By: [Signature]
Executive Director