

JOINT OPERATION CONTRACT

THIS JOINT OPERATION CONTRACT made and entered into this 1st day of May, 2014, by and between North Shelby Water Company (hereinafter "North Shelby") and U.S. 60 Water District of Shelby and Franklin Counties, Kentucky (hereinafter "U.S. 60");

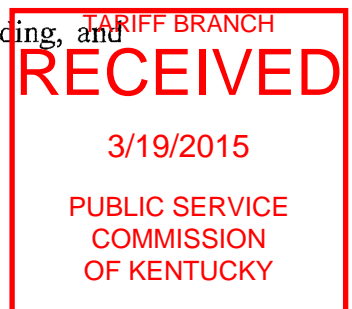
Individual Expenses

North Shelby and U.S. 60 will each pay, directly to the provider and/or vendor, the following expenses incurred by their respective systems:

- 1) Board salaries and expenses;
- 2) Engineering, legal, accounting and other professional expenses;
- 3) Initial construction of their respective distribution systems, including but not limited to water mains, overhead storage tanks, pumping stations, and initial purchase and installation of other distribution components;
- 4) Electricity and any other utilities for pumping stations and other facilities not located at the office building;
- 5) Wholesale water bills;
- 6) Contract meter reading (currently Tru-Check);
- 7) Any PSC assessments or fines;
- 8) Liability and casualty insurance on their respective systems and facilities; and
- 9) Any other expenses other than the Joint Expenses set forth below.

Joint Expenses

North Shelby shall provide and pay for the office facilities, management and all other employees, and all other labor, materials (except for any materials purchased directly from the vendor by U.S. 60), and other items necessary to maintain and operate U.S. 60's water distribution system. This includes but is not limited to cleaning and maintaining the office building, purchasing, owning, operating and maintaining vehicles, equipment and office equipment and providing office supplies, cell phones, and utilities for the office building, and



maintaining telemetry equipment. U.S. 60 shall pay North Shelby, on a monthly basis, for the services and materials provided by North Shelby to U.S. 60 as specified in this agreement.

Rent: U.S. 60 shall pay North Shelby \$2,000 per month as rent for the office and shop building, and all equipment and furnishings contained therein.

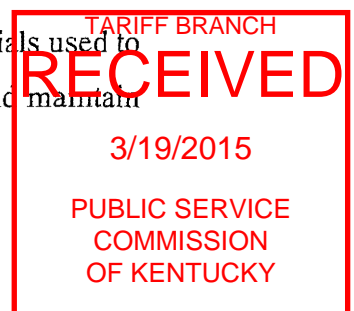
Administrative and Office Expenses: U.S. 60 shall reimburse North Shelby for U.S. 60's proportionate percentage share of the joint administrative and office expenses such as utilities and telephone, office and shop supplies, management salary, and office staff salaries. Salaries include payroll taxes, workers compensation premiums, medical insurance premiums, retirement contributions, and all other employment fringe benefits and other costs of employment.

U.S. 60's proportionate percentage share shall equal the average of the following four factors:

- 1) The percentage of U.S. 60's customers out of the total number of customers of both systems, as of December 31st of the previous calendar year (32% for 2013);
- 2) The manager's estimate of the mileage, incurred by utility service trucks and automobiles on behalf of U.S. 60, during the previous calendar year out of the total mileage for both systems, but not including truck mileage when that truck is being used to pull a trailer and that service is billed as part of the flat rate for a truck and trailer round trip (32.2% for 2013);
- 3) The percentage of U.S. 60's miles of water mains out of the total number of miles of water mains of both systems for the previous calendar year (27.9% for 2013);
- 4) The percentage of U.S. 60's gross water revenue out of the total gross water revenue of both systems for the previous calendar year (30.6% for 2013).

U.S. 60 proportionate share beginning May 1, 2014 is 30.6%.

Inventory: U.S. 60 shall reimburse North Shelby for North Shelby's actual cost, including sales tax if paid by North Shelby, of all inventory purchased by North Shelby and used to operate and maintain U.S. 60's system, including (1) pipe and materials used to install new distribution mains, (2) new meters and associated meter installation materials, (3) pipes and materials used to repair and maintain existing distribution mains, and (4) all materials used to repair and maintain



existing meters. North Shelby will attempt to purchase these materials in U.S. 60's name to avoid paying sales tax.

Equipment Rental: U.S. 60 will pay North Shelby rental for vehicles and equipment used to operate and maintain U.S. 60's system. The rates beginning May 1, 2014 are:

- Backhoe: \$60 per hour
- Truck and Trailer Round Trip (includes mileage): \$135 per trip
- Push machine: \$30 per hour
- Service Truck: 58.5¢ per mile

Labor: U.S. 60 will pay North Shelby at an hourly rate for each outside work crew member working on U.S. 60's system. The regular (not overtime) hourly rate for outside crew members shall be calculated using the combined salaries, worker's compensation premiums, health insurance premiums, payroll taxes, retirement contributions, all other employment benefits, and all other costs of employment of all of the outside work crew members for the previous calendar year, not including such costs incurred for overtime work, with the resulting figure divided by the number of hours of regular (not overtime) work performed by all outside maintenance persons during the previous calendar year. The resulting figure shall be the regular hourly rate charged for each outside work crew member. The regular time hourly rate shall be increased by 50% to calculate the overtime rate. The rates beginning May 1, 2014 are:

- Regular time: \$20 per hour per worker
- Overtime: \$30 per hour per worker

North Shelby will invoice U.S. 60 on a monthly basis the amount due to North Shelby for the previous calendar month, including any late fees, interest, or other sums. All amounts invoiced to U.S. 60 shall be payable to North Shelby within 30 days after receipt of the invoice by U.S. 60. Any portion of any invoice not paid within 30 days shall bear interest at the rate of 12% per annum and continue until paid in full. In the event North Shelby must utilize an attorney to collect any unpaid amounts, U.S. 60 agrees it will pay North Shelby's reasonable attorney's fees paid or agreed to be paid.

The monthly rent, U.S. 60's proportionate percentage share of the joint administrative and office expenses, the equipment rental rates, and the outside work crew labor rates shall be



recalculated effective May 1 of each year using data from the previous calendar year. If the new rates are not calculated by this date the monthly invoice will be based upon the previous rates, with a reconciling credit or charge issued as soon as the new rate(s) are calculated. The new rates will be proposed by the CPA being jointly utilized by both utilities with input from the manager, established by mutual consent of the respective boards, and signed in writing by North Shelby's president and U.S. 60's chairman. Any disputes regarding the rates and charges relating to this contract shall be resolved by the CPA being utilized by both North Shelby and U.S. 60. Any disputes regarding the interpretation of this contract shall be resolved by the attorney utilized by both North Shelby and U.S. 60.

This contract shall continue until cancelled by either North Shelby or U.S. 60 with cause upon 6 months prior written notice, unless that cause has been substantially remedied within 30 days after written notice describing the cause has been received by the president of North Shelby or the chairman of U.S. 60, as appropriate, or without cause upon 12 months prior written notice received by the president of North Shelby or the chairman of U.S. 60, as appropriate.

North Shelby Water Company

By: *Derry Ruble*
President

U.S. 60 Water District

By: *William Egan*
Chairman

Dtp/us60water/northshelbycontract/joint operation contract 2014

