

WATER OPERATIONS AGREEMENT

This agreement for the operation of a water system is entered into as of July 1, 2026, between the Haywood County Utility District, Tennessee, P.O. Box 424, Brownsville, Tennessee 38012, hereinafter referred to as the "Owner", and the Brownsville Energy Authority aka Brownsville Utility Department, P.O. Box 424, Brownsville, Tennessee 38012, hereinafter referred to as the "Operator".

DEFINITIONS

1. "System" The physical plant and water distribution systems of the Haywood County Utility District, Tennessee.
2. "Fund" The bank account or accounts consisting of the retained earnings and other revenues of the system that shall be used solely for the maintenance and operation of the system.

WITNESSETH:

Whereas, the Owner is a Utility District created under The Utility District Law of 1937 of the State of Tennessee, and presently owns a water distribution system serving water users within the area described in plans now on file in the office of the Owner, and;

Whereas, the Owner desires to streamline the billing, management and maintenance functions of said system by joining in a cooperative venture with a larger system and:

Whereas, the Operator is a public agency organized pursuant to the provisions of the 2008 Private Acts of the Tennessee Legislature by Private Chapter Number 107, and owns and operates a water and sewer supply distribution system with a much larger billing, management and maintenance infrastructure that would more efficiently be capable of serving the present customers of the Owner's system, and:

Whereas, Tennessee Code Annotated 12-9-108 authorizes public agencies within the State of Tennessee to enter into agreements to provide for services:

Now therefore, in consideration of the foregoing and the mutual agreements hereinafter set forth.

A. The Operator agrees:

1. ***(Purpose)*** To maintain the daily operation of the water system of the Owner and to provide said services in quantity and the quality sufficient to meet the needs of Owner's customers.
2. ***(Owner Approval of Improvements and Contracts)*** That no major alteration, extension or improvement of Owners system shall be undertaken unless authorized by a resolution of the owners governing body. Operator, subject to approval by Owner's governing body is hereby empowered to enter into such contracts for such necessary goods and services that may be required to operate the system.

3. **(Force Majeure)** That water will be furnished at a reasonably constant pressure. Emergency failures of pressure or supply due to main supply line breaks, power failure, flood, fire and use of water to fight fire, earthquake, or other catastrophe shall excuse the Operator from this provision for such reasonable period of time as may be necessary to restore service.
4. **(Maintenance of Separate Fund)** That it shall maintain a fund separate from any fund it maintains for the operation of the Brownsville Energy Authority systems. The proceeds shall be expended only for maintenance, improvements and alterations of the Owner's water system and shall consist of all receipts from services rendered by the system and any other such funds as it may acquire by grant, loan or gift. At no time shall any expenditure from the fund exceed the reasonable and necessary expenses of operating the system.
5. **(Use of Equipment)** That all equipment either currently owned by the Owner or that shall be purchased in the future for the operation and maintenance of the Owner's system shall remain property of the Owner and shall be used solely for the operation and maintenance of the Owner's system. In the event that any such equipment shall be deemed surplus, the proceeds of the sale of such equipment shall be deposited in the operating fund established for the owner's system. No such sale shall take place except upon the resolution of the Owner's governing body. Operator further agrees to keep all equipment in good condition and repair at Owner's expense, normal wear and tear or loss by casualty excepted.
6. **(Fiscal Year and Budget)** That the Owner's system shall operate on a fiscal year from July 1 to June 30.
7. **(Billing of Procedure)** Operator shall bill for all services offered by the system. Said bills will be mailed no later than the fifth (5th) working day after meters are read. If Operator does not then receive payment of said bill by the fifteenth (15th) day of said billing it shall then disconnect service to the party in arrears until such time the bill is paid and a reconnection fee is tendered to the Operator.
8. **(Books and Records)** That it will maintain a separate system of books and records in accordance with standard accounting practices to show all revenues and expenditures of the system and shall keep and maintain all other records necessary for the operation of the system. Owner shall have reasonable access to said books and records at all times.
9. **(Monthly Statement)** To provide Owner with a monthly statement of the revenues, expenditures and fund balance of the system on or before the twenty-fifth (25th) day of each month for the preceding month.
10. **(Compliance with the Applicable Laws and Regulations)** That it will take all necessary steps to comply with all applicable federal, state or local laws or regulations.
11. **(Notification of Accident or Injury)** That it shall promptly notify Owner of any accident or injury to person or property arising from the operation of the system that may give rise to a claim against the Owner.

B. The Owner Agrees:

1. **(Indemnify and Hold Harmless)** The Owner shall indemnify, defend and hold harmless the Operator from any claims, demands, expenses, attorney fees and liability arising out of Operator's operation of said system. Owner further agrees that the Operator shall not

be liable in any way for any matter, cause, thing, action or omission with respect to the operation of aforementioned system and that the Operator is hereby released and discharged from any and all liability of any kind with respect thereto.

2. **(Set Necessary Fees)** It shall set such rates and fees sufficient to provide for the operation of the system, and Owner shall provide Operator with a copy of current rate and fee schedule. Owner further agrees to advise Operator of any rate changes at least thirty (30) days in advance.
3. **(Documents)** Owner will provide to Operator any and all necessary documents that Operator needs to perform its duties.

C. It is further mutually agreed between the Operator and the Owner as follows:

1. **(Term of Contract)** That this contract may be terminated by either party upon ninety (90) days written notice.
2. **(Failure to Deliver)** That the Operator will, at all times, operate and maintain the system in an efficient manner. Temporary or partial failures to deliver services shall be remedied with all possible dispatch.
3. **(Modification of Contract)** That the provisions of this contract may be modified or altered by mutual written agreement between the Owner's and the Operator's governing bodies.
4. **(Regulatory Agencies)** That this contract is subject to such rules, regulations, or laws as may be applicable in this State. The Operator and Owner will cooperate in obtaining such permits, certificates, and any other necessary documents and instruments.
5. **(Successor to the Owner)** That in the event of any occurrence rendering the Owner incapable of performance under this contract, any successor of the Owner, whether the result of operation of law, legal process, assignment or otherwise, shall succeed to the rights of the Owner hereunder.
6. **(Inventory)** That prior to the beginning operation of the system, Owner shall present Operator with all equipment of the system and that Operator may use said items in the operation of said system.
7. **(Compensation)**
 - a. Owner agrees that Operator may deduct monthly from revenues and fees collected on its behalf, reasonable fees for routine daily and monthly services (billing, meter reading, lab analysis, reporting, periodic check-ups) as agreed upon by the parties annually. The fee agreed upon this fiscal year is \$9,330.13 per month.
 - b. Owner further agrees that Operator may expend up to \$5,000.00 per occurrence for repairs and/or maintenance of said equipment and system and deduct the sum from Owner's funds.
 - c. Any repairs or maintenance exceeding \$5,000.00 per occurrence shall first be approved by Owner except in the event of an emergency as determined by Operator.
 - d. All repairs and maintenance of said system shall be the responsibility of Owner.
8. **(Severability)** In the event that any provision of this contract shall be found unconstitutional, illegal or invalid, such provision shall be deemed struck from this agreement and the remaining provisions shall stand on their own.

9. ***(Scope of Agreement)*** This agreement shall constitute the entire agreement between the parties hereto and there are no agreements or representations of the parties not contained herein. No modifications shall be effective unless executed in writing executed by their parties herein.

Haywood County Utility District

By: _____

Date: _____

Brownsville Energy Authority

By: *Rene Strato*

Date: *2/1/2026*

Revised: