

SKEETERS, BENNETT HUMATE & WILSON
ATTORNS. AT LAW
550 W. LINCOLN TRAIL BLVD., P. O. BOX 610
RADCLIFF, KENTUCKY 40160

(502) 351-4404 FAX: (502) 352-4626

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the 4 day of May, 1993, between the **HARDIN COUNTY WATER DISTRICT #1**, Lincoln Trail Boulevard, Radcliff, Kentucky 40160, hereinafter referred to as "Seller" and the **MEADE COUNTY WATER DISTRICT**, Brandenburg, Kentucky 40108 hereinafter referred to as "Purchaser."

WITNESSETH:

Whereas, the Purchaser is a water district authorized and existing under KRS Chapter 74 which currently provides water supply to its residents and desires to purchase a supply of potable water from the Seller, and

Whereas, the Seller owns and operates a water supply distribution system with a capacity currently capable of serving the present customers of the Seller's system and the estimated number of water users to be served by the Purchaser as shown in the plans of the system of the Purchaser now on file in the offices of the Purchaser, and

Whereas, the Seller, by Resolution authorizes the sale of water to Purchaser in accordance with the provisions of this Contract, and the execution of this contract carrying out the said Resolution by the Chairman, **PUBLIC SERVICE COMMISSION OF KENTUCKY** and attested by the Secretary; and
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PURSUANT TO 807 KAR 5:011.
SECTION 9 (1)

BY: [Signature]
PUBLIC SERVICE COMMISSION MANAGER

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Whereas, by Resolution of the Purchaser enacted on the 4th day of May, 1993, the purchase of water from the Seller in accordance with the terms set forth in the said Resolution was approved, and the execution of this contract by the Chairman and attested by the Secretary was duly authorized;

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

A. The Seller Agrees:

1. **Quality and Quantity.** To furnish the Purchaser at the points of delivery hereinafter specified, during the term of this contract or any renewal or extension thereof, potable treated water meeting applicable purity standards of the Kentucky Department for Natural Resources and Environmental Protection, Division of Water, pursuant to 401 KAR Chapter 8, in such quantity as may be required by Purchaser. Use by Purchaser shall be deemed to mean direct use by consumers of Purchaser and shall not include any consumers which may attempt to wholesale water from Purchaser for resale to any other consumers. Purchaser shall purchase a minimum of 100,000 gallons per day starting October 1, 1993.

The maximum amount of gallons per day to be provided by Seller shall not exceed:

- 1) 200,000 gallons per day - date of Contract through
November 19, 1994

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BY: Chas. L. Hall
PUBLIC SERVICE COMMISSION MANAGER

- 2) 300,000 gallons per day - November 20, 1994 through November 19, 1995
- 3) 400,000 gallons per day - November 20, 1995 through term of the Contract.

2. **Points of Delivery and Pressure.** That water will be furnished at a reasonably consistent pressure and in accordance with 807 KAR 5:066.6 at the herein specified points of delivery. If a greater pressure than the herein specified pressure at the points of delivery is required by Purchaser, the cost of providing such greater pressure shall be borne by Purchaser. No booster station, tank or other addition, except for main extensions and repairs, shall be added to the Buyer's system without the review of the Seller's engineer and prior approval of the Seller's Board of Commissioners. If the Seller's engineer determines that the addition to the Buyer's system will result in a reduction of the Seller's pressure to its customers to below 30 PSIG, then the addition shall not be constructed. 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 Seller from this provision for such reasonable time as may be necessary to restore service.

a. " Highway 1882" Connection. That water will be

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furnished at a reasonably consistent pressure calculated at a minimum of 30 psi from an existing six (6) inch main supply at a point located on Highway 1882 approximately 1056 feet North of the intersection of Highway 1882 and Highway 144.

b. "Highway 144" Connection. That water will be furnished at a reasonably consistent pressure calculated at a minimum of 30 psi from an existing six (6) inch main supply at a point located at Highway 144 approximately 4750 feet west of the intersection of Highway 1882 and Highway 144.

3. Metering Equipment. To furnish, operate and maintain at its own expense at point of delivery, the necessary metering equipment, and required devices of standard type for properly measuring the quantity of water delivered to the Purchaser. To calibrate and test such metering equipment every twelve months and the cost to be borne equally by the Seller and the Purchaser. A meter registering not more than two percent (2%) above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by the test to be inaccurate shall be corrected for the three (3) months previous to such test in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless Seller and Purchaser agree upon a different amount. The metering equipment shall be

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read on the 20th day of each month. An appropriate official of the Purchaser at all reasonable times shall have access to the meter for the purpose of verifying its readings.

4. **Billing Procedure.** To furnish the Purchaser at the above address not later than the 10th day of each month, with an itemized statement of the amount of water furnished to the Purchaser during the preceding month by point of delivery.

B. **The Purchaser Agrees.**

1. **Rates and Payment Date.** To pay the Seller, not later than the 15th day of each month following the month of delivery, for water delivered under the terms of this Contract at a rate of \$1.15 per 1,000 gallons; subject to the modification terms as set forth in Section C-4 of this Contract. The minimum rate shall be \$1.15 per 1,000 gallons of water regardless of what the modification formula might otherwise indicate.

2. **Connection Fee.** To pay as an agreed cost, a connection fee to connect Sellers system with the system of Purchaser an amount equal to the actual cost of such connection borne by the Seller should additional points of delivery be specified at a later date which are not at that time connected to the Seller's system.

C. **It is further mutually agreed between the Seller and the Purchaser as follows:**

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1. **Term of Contract.** That this contract shall be for an original term of twenty-five (25) years from its execution.

2. **Failure to Deliver.** That the Seller will, at all times, operate and maintain its system in an efficient manner and will take such action as may be necessary to furnish the Purchaser with quantities of water required by Purchaser in accordance with the terms of this Agreement. Temporary or partial failures to deliver water shall be remedied with all possible dispatch. In the event of a shortage of the supply of water available to Seller, Seller's Water Shortage Plan as on file with the state regulatory agency shall apply to the amounts of water to be supplied; however, in the event of reduction, the supply of water to the Purchaser's customers shall only be reduced or diminished in the same ratio or proportion as the supply to the Seller's customers is reduced or diminished.

3. **Modification of Contract.** For purposes of this Contract the rate year shall be from November 20 - November 19 of the following calendar year, except that the initial rate year shall be from May 1, 1993 through November 19, 1994. The cost year shall be the cost determined by the Seller's last fiscal year audit preceding November 20th of the rate year in question. The provisions of this Contract, pertaining to the schedule of rates to be paid by the Purchaser for water delivered are subject to modification at the end of

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BY: *Sharon Hallett*
PUBLIC SERVICE COMMISSION MANAGER

each rate year. Any increase or decrease in rates shall be based on a demonstrable increase or decrease in the cost of performance hereunder, but such cost shall not include increased capitalization of the Seller's system unrelated to performance hereunder. The attached formula shall be used to demonstrate the Seller's cost of performance hereunder.

Items 1 through 13 of the attached formula shall be based upon the actual cost of performance as determined by the cost year. Item 13, debt service, shall not increase or decrease without a written agreement between these parties. The figure as calculated in the formula for total gallons produced per year shall be at least 992,035,000 gallons (or 992,035 units) regardless of what the actual gallons produced may be. Said formula is to be incorporated herein as if fully set out.

4. **Regulatory Agencies.** That this contract is subject to the regulatory authority and such rules, regulations, or laws as may be applicable to similar agreements in this Commonwealth and the Seller and the Purchaser will collaborate in obtaining such permits, certificates, or the like as may be required to comply therewith.

5. **Miscellaneous.** Purchaser may pledge this Contract to a financing institution to further secure any loan made to improve the water distribution system of the Purchaser.

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6. This Contract is the entire agreement between the parties and may not be modified except by written agreement of the parties by appropriate Resolution.

IN WITNESS WHEREOF, the parties have hereto, acting authority of their respective governing bodies, have caused this contract to be duly executed in four (4) counterparts, each of which shall constitute an original.

ATTEST

Bill Cecil
SECRETARY

ATTEST

Patsy B. Thompson
SECRETARY

SELLER:

HARDIN COUNTY WATER DISTRICT #1

BY: Howard Shively
CHAIRMAN

PURCHASER:

MEADE COUNTY WATER DISTRICT

BY: George W. Thorne
CHAIRMAN

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BY: Clayton H. Hall
PUBLIC SERVICE COMMISSION MANAGER

MODIFICATION FORMULA

Item Line Numbers from Hardin County Water District #1 Annual Report to PSC as used for year ending 12/31/92:

1. Power purchased (total of line 615)
2. Pumping and treatment labor (line 601, columns D,E, and F only)
3. Purchased water (total of Line 610)
4. Well field and water plant treatment plant repairs and supplies (line 620, columns D, E, F, and G)
5. Purification supplies and expense (total of line 618)
6. Truck expense (fixed mileage of 37,280 at IRS Mileage Allowance)
7. Manager salary (one-third of actual salary)
8. Insurance (23% of line 657)
9. Retirement fund expense (line 604 columns D and F, less social security charges)
10. Payroll taxes (line 601, columns D, E, and F x employer's social security rate) plus line 658)
11. Other employee benefits (line 659, columns D and F)
12. General and administrative (5% of the following items in Column K:

- 601 (Admin. salary)
- 601 x (employer's social security rate)
- 603 (Commission Expenses)
- 604 (Pension)
- 620 (Materials and Supplies)
- 630 (Engineering)
- 632 (Accounting)
- 633 (Legal)
- 635 (Other Contractual Services)
- 650 (Transportation)
- 658 (Workers Compensation)
- 659 (Insurance, Other)
- 660 (Advertising)
- 666 (Rate Case Amortization)
- 675 (Miscellaneous Expense)

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13. Debt service (per contract at \$409,286) unless increased

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divided by	All Items (1-13) Total units* of water	(COST)
	SOLD PER YEAR	(minimum 992,035)
equals	Cost per unit*	(RATE) (minimum 1.15)

*(Unit equals 1,000 gallons of water)

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BY: Sharon Staller
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