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Position 5

AUG 15 1994

PUBLIC SERVICE COMMISSION

FHA 442-30 (Rev. 4-19-72)

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the 14th day of September, 19 92, between the City of Adairville, a municipal corporation of the Fifth Class of Adairville, Logan County, Kentucky hereinafter referred to as the "Seller" and the South Logan Water Association, Inc., a Kentucky corporation of Adairville, Logan County, Kentucky hereinafter referred to as the "Purchaser",

WITNESSETH:

Whereas, the Purchaser is organized and established under the provisions of Ky. Revised Statutes Chapter 273, for the purpose of constructing and operating a water supply distribution system serving water users within the area described in plans now on file in the office of the Purchaser and to accomplish this purpose, the Purchaser will require a supply of treated water, 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 said Purchaser as shown in the plans of the system now on file in the office of the Purchaser, and

Whereas, by ordinance No. 92-A-6 enacted on the 5th day of October, 19 92, by the Seller, the sale of water to the Purchaser in accordance with the provisions of the said ordinance was approved, and the execution of this contract carrying out the said ordinance by the mayor, Hon. George W. Arnold and attested by the Clerk was duly authorized, and

Whereas, by resolution of the South Logan Water Association, Inc. of the Purchaser, enacted on the day of October, 19 92, 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 Pres. of said Corp., David Riley, and attested by the Clerk 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 point of delivery hereinafter specified, in accordance with the term of this contract or any renewal or extension thereof, potable treated water meeting applicable purification standards of the Kentucky Health Department in such quantity as may be required by the Purchaser not to exceed 20,000,000 gallons per month.

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BY: [Signature] FOR THE PUBLIC SERVICE COMMISSION

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

1. (Term of Contract) That this contract shall extend for a term of 40 years from the date of the initial delivery of any water as shown by the first bill submitted by the Seller to the Purchaser and, thereafter may be renewed or extended for such term, or terms, as may be agreed upon by the Seller and Purchaser.

2. (Delivery of Water) That 60 days prior to the estimated date of completion of construction of the Purchaser's water supply distribution system, the Purchaser will notify the Seller in writing the date for the initial delivery of water.

3. (Water for Testing) When requested by the Purchaser the Seller will make available to the contractor at the point of delivery, or other point reasonably close thereto, water sufficient for testing, flushing, and trench filling the system of the Purchaser during construction, irrespective of whether the metering equipment has been installed at that time, at a flat charge of \$1.20 per one thousand of gallons of water used which will be paid by the contractor or, on his failure to pay, by the Purchaser.

4. (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 the Purchaser. Temporary or partial failures to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or the supply of water available to the Seller is otherwise diminished over an extended period of time, the supply of water to Purchaser's consumers shall be reduced or diminished in the same ratio or proportion as the supply to Seller's consumers is reduced or diminished.

5. (Modification of Contract) That 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 every 2 year period. Any increase or decrease in rates shall be based on a demonstrable increase or decrease in the costs of performance hereunder, but such costs shall not include increased capitalization of the Seller's system. Other provisions of this contract may be modified or altered by mutual agreement.

6. (Regulatory Agencies) That this contract is subject to such rules, regulations, or laws as may be applicable to similar agreements in this State and the Seller and Purchaser will collaborate in obtaining such permits, certificates, or the like, as may be required to comply therewith.

7. (Miscellaneous) That the construction of the water supply distribution system by the Purchaser is being financed by a loan made or insured by, and/or a grant from, the United States of America, acting through the Farmers Home Administration of the United States Department of Agriculture, and the provisions hereof pertaining to the undertakings of the Purchaser are conditioned upon the approval, in writing, of the State Director of the Farmers Home Administration.

8. (Successor to the Purchaser) That in the event of any occurrence rendering the Purchaser incapable of performing under this contract, any successor of the Purchaser, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of the Purchaser hereunder.

9. (Pledge) For and in consideration of the agreement of Farmers Home Administration loan for certain water system improvements in Logan County, the applicant by executing this document does hereby pledge such document to the United States of America acting through the Farmers Home Administration as part of the security for a loan.

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SECTION 9 (1)

BY: Jordan C. Neal
FOR THE PUBLIC SERVICE COMMISSION

in witness whereof, the parties hereto, acting under authority of their respective governing bodies, have caused this contract to be duly executed in duplicate counterparts, each of which shall constitute an original.

Seller:

City of Adairville, Kentucky

By George H. Arnold

Title Mayor

Attest:

Rebecca D. Tins
Clerk ~~Secretary~~

Purchaser:

South Logan Water Association, Inc.

By David Riley

Title President

Attest:

[Signature]
Secretary

This contract is approved on behalf of the Farmers Home Administration this _____ day of _____, 19 _____.

By _____

Title _____

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SEP 09 1994

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)

BY: Jordan B. Paul
FOR THE PUBLIC SERVICE COMMISSION