

AGREEMENT BETWEEN THE CITY OF MADISONVILLE
AND THE NORTH HOPKINS WATER DISTRICT FOR THE SALE
AND PURCHASE OF TREATED WATER

THIS AGREEMENT made and entered into this 15 day of April, 1980, by and between the CITY OF MADISONVILLE, HOPKINS COUNTY, KENTUCKY, hereinafter referred to as the "Seller", and the NORTH HOPKINS WATER DISTRICT, HOPKINS COUNTY, KENTUCKY, its successors or assigns, hereinafter referred to as the "Purchaser".

WITNESSETH THAT:

WHEREAS, the Seller owns and operates a water treatment plant and is constructing facilities to provide additional raw water which combined with present water sources should provide capacity for treated water in excess of the current requirements of the Seller, and;

WHEREAS, the Purchaser proposes to construct a water supply distribution system and desires to purchase treated water in order to provide water services to customers within its district, and said system is anticipated to be financed by Farmers Home Administration, and;

WHEREAS, by resolution enacted on the 21 day of MAY, 1979, by the City Council of the City of Madisonville, Hopkins County, Kentucky, the sale of treated water in accordance with the terms or provisions of this Agreement was approved, and the execution of this Agreement carrying out the said resolution by the City Council for the City of Madisonville, Hopkins County, Kentucky, was duly authorized, and;

WHEREAS, by resolution of the Commissioners of the North Hopkins Water District, Hopkins County, Kentucky, on or about the 15 day of May, 1979, the purchase of treated water in accordance with the terms and conditions set forth in this Agreement 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 agreement herein set forth, it is agreed by the parties as follows:

1. The Purchaser shall construct a water transmission and distribution system as set forth in the Engineering Report of Jim Lyon & Associates, Consulting Engineers, and tap onto the Seller's water supply system at the location described in Appendix "A" attached hereto and incorporated herein by reference, said tap shall be done according to the plans and specifications and to the approval of the City Engineer of the City of Madisonville. All construction costs shall be borne by the Purchaser.
2. The Seller shall install a 2 inch water meter at or near the location of the tap-on cited above. The Seller agrees to furnish, install, operate and maintain at its own expense at point of delivery, the necessary metering equipment, including a meter house or pit, and required devices of standard type for properly measuring the quantity of water delivered to the Purchaser and to calibrate such metering equipment whenever requested by the Purchaser but not more frequently than once every twelve (12) months. 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 disclosing by test to be inaccurate shall be corrected for the three 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 shall agree upon a different amount. The metering equipment shall be read on or about the first 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.

3. The Purchaser shall pay the Seller a connection fee to connect the Seller's system with the system of the Purchaser. The connection fee shall be determined on the basis of actual cost to the Seller (including labor, materials and equipment) for the connection, as reasonably determined by the parties at the time of the connection.

4. The Seller agrees to make available for delivery and use of the Purchaser potable treated water, meeting the applicable purity standards of the Kentucky State Board of Health, at approximately 75-82 PSI, in such quantity as may be required by the purchaser, not to exceed twelve million five hundred thousand (12,500,000) gallons per month, which is equal to approximately five times the present estimated monthly requirements of the purchaser. That the Seller shall at all times, operate and maintain its system in an efficient manner and shall take such action as may be necessary to furnish the Purchaser with the quantity of water required by the Purchaser.

Provided, however, in the event of reduction of water supply available to the Seller, the amount of water that the Seller is required to furnish to the Purchaser, under the terms of this agreement or its amendments, may be reduced or diminished in the same ratio or proportion as the water supply is reduced or diminished to other customers serviced by the Seller.

5. The Purchaser agrees to pay for water on a monthly basis in an amount equal to metered usage, times the current fiscal year charges, which charges are provided for in a separate Variable Rate Schedule attached hereto and made a part hereof; provided, however, that the Purchaser shall pay a monthly minimum payment equal to one million (1,000,000) gallons, times the current, fiscal year rate charge, in the event that monthly metered usage is equal to or less than the minimum monthly gallonage specified, above.

[Handwritten signature]

needs to be changed to NO MINIMUM OR 300,000 minimum

** include this w/ that they calibrate the meter at their expense now at the factory*

6. The fiscal year rate charges, included in a separate schedule attached hereto, provide for variable charges based on demonstrable costs to the Seller for providing treated water to the Purchaser, during the Seller's most recent calendar or operating year. These charges will be developed during a six (6) month period following the end of the Seller's operating year, which should provide sufficient time to obtain the annual Report of examination of the Seller's financial records by an independent firm of Certified Public Accountants. The fiscal year rate charges to the Purchaser will remain fixed during the period from July 1 each year to June 30 of the next succeeding year. However, the rate charges for each fiscal year will vary in accordance with demonstrable costs, as defined in the Variable Rate Schedule attached hereto.

7. The construction of the water transmission and distribution system by the Purchaser as referred to herein, which is proposed to be partially financed by a grant and a loan from the United State of America, acting through the Farmers Home Administration of the United States Department of Agriculture, and the provision hereof pertaining to the undertakings of the Purchaser are conditional upon the approval of this agreement, in writing, by the appropriate officers or employees of the said Farmers Home Administration, and the partial financing of said project by said Farmers Home Administration.

8. The Purchaser agrees to notify the Seller in writing at least ten (10) days prior to the estimated date of completion of construction of the Purchaser's water transmission and distribution system.

9. Any modification to this Agreement pertaining to the formula for determining variable fiscal year rate charges to be paid by the Purchaser, which formula is provided for in the Variable Rate Schedule attached hereto, is subject to the approval of the Farmers Home Administration. Other provisions of this Agreement may be modified or altered by mutual agreement.

10. The terms of this Agreement shall extend for a term of forty (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 the Purchaser. The delivery date shall be inserted and made a part of this contract on the back of the last page of this contract and shall be signed by the Mayor of the City of Madisonville, and the appropriate officials of the North Hopkins Water District.

11. That this Agreement is subject to such rules, regulations, or laws as may be applicable to similar agreements in the Commonwealth of Kentucky, and the Seller and Purchaser will collaborate in obtaining such permits, certificates, or the like, as may be required to comply therewith.

12. Any successor to either the Seller or Purchaser shall succeed to the obligations, rights and duties of its predecessor as set forth in this Agreement or any amendments thereof.

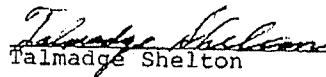
13. Failure of pressure to the main supply, line breaks, power failure, flood, fire, earthquakes or other catastrophes shall excuse the Seller from complying with those terms of this Agreement for supply of water or pressure until the time as the cause of the reduction of pressure or supply of water has been removed or remedied. A reasonable effort will be made by the Seller to remedy or remove the reduction of pressure or loss of supply of water.

14. This contract is hereby pledged by the North Hopkins Water District to the United State of America acting through the Farmers Home Administration as part of the security for a loan from the United States of America.

15. Should the sale of this water cause an excessive use of the Seller's existing treatment plant resulting in any governmental regulatory agency refusing to permit the excessive use, the Seller shall be relieved of his obligations hereunder until said agency removes said restrictions, or should it become physically impossible for the Seller to furnish water to the Purchaser and Seller's

I, Talmadge Shelton, Commission of the North Hopkins Water District hereby certify that on April 15, 1980, Charles E. West was the Secretary of the North Hopkins Water District. Mr. West signed a water purchase agreement with the City of Madisonville as a Commissioner of the North Hopkins Water District but would also have been Secretary to attest said signatures.

This the 17 day of Nov., 1980.


Talmadge Shelton

current wholesale and retail consumers with its present water treatment facilities, then Seller shall be relieved of its obligations hereunder until the Seller's new water treatment plant is constructed and operational.

16. The Purchaser shall adopt a regulation providing that any subdivision of five (5) or more lots by a subdivider or developer shall be required to comply with the subdivision regulations of the City of Madisonville provided said real estate is located within three (3) miles of the City limits of Madisonville.

17. Seller shall have the option to purchase any facilities of Purchaser existing within any duly annexed territory of the Seller at a reasonable and fair price to be negotiated by the parties.

18. Purchaser shall not sell water within the area designated as serviced by Seller, as shown on the map to Appendix "A" attached hereto, without the Seller's consent.

IN WITNESS WHEREOF, the parties hereto, acting under authority of their respective governing bodies, cause this Agreement to be duly executed.

City of Madisonville, Hopkins County, Kentucky

BY: Charlotte E. Baldwin
Mayor

ATTESTED BY:

[Signature]
Clerk-Treasurer, City of Madisonville,
Hopkins County, Kentucky

NORTH HOPKINS WATER DISTRICT,
Hopkins County, Kentucky

BY: Water Commissioners

[Signature]

[Signature]

[Signature]

ATTESTED BY:

APPROVED BY: 1-5-81
Robert W. Letton
Farmers Home Administration

Secretary

Community Programs Specialist

APPENDIX "A"

The water meter shall be located at the point of entry

Appendix "A"

AGREEMENT BETWEEN THE CITY OF MADISONVILLE
AND THE NORTH HOPKINS WATER DISTRICT FOR THE SALE
AND PURCHASE OF TREATED WATER

VARIABLE RATE SCHEDULE

Section 1, General.

This Variable Rate Schedule attachment is a part of and incorporated into the Water Purchase Agreement made and entered into this 15 day of April, 1979, by and between the City of Madisonville, Hopkins County, Kentucky ("Seller") and the North Hopkins Water District, Hopkins County, Kentucky ("Purchaser").

Section 2, Definitions

Unless the context specifically indicates otherwise, the meaning of terms used in this rate schedule attachment shall be as follows:

- (a) "Seller" shall mean the City of Madisonville Municipal Water Utility.
- (b) "Purchaser" shall mean the North Hopkins Water District.
- (c) "Seller's operating year" shall mean a calendar year.
- (d) "Wholesale fiscal billing rate year" shall mean a twelve (12) month period commencing July 1 and ending the following June 30.
- (e) "Initial wholesale fiscal year billing rate for the North Hopkins Water District" shall mean the initial rate or charges for purchased water during a period commencing on the date of this agreement and extending through June 30, 19 .
- (f) "Capital costs of plant" shall mean the recorded un-depreciated costs of the Seller's property, plant and equipment at December 31 each calendar year, net of governmental grants, as identified and recognized in the annual examination of the Seller's financial records, by the firm of Certified Public Accountants conducting the examination of the Seller's financial records for the most recent calendar year.

- (g) "Operation and maintenance expense" shall mean all operating expenses, excluding depreciation expenses, capital costs of improvements, betterments, replacements, etc., and debt service costs (including interest) for the Seller's operating year as identified and recognized in the annual examination of the Seller's financial records, by the firm of Certified Public Accountants conducting the examination of the Seller's financial records for the most recent calendar year.
- (h) "Monthly payment date" shall mean a date established by the Seller whereby the Purchaser agrees to pay not later than the established date the charges for water furnished during the preceding month.
- (i) "Capital cost replacement factor" shall mean two (2) percent of total capital costs assigned to the Purchaser as a charge to partially recover the cost of replacing plant equipment dedicated to the use of the Purchaser.
- (j) "Capital cost recovery factor" shall mean six (6) percent of total capital costs assigned to the Purchaser as a charge to partially recover the capital costs of constructing plant facilities dedicated to the use of the Purchaser.
- (k) "Fiscal year wholesale charge rate" shall mean a rate based on demonstrable costs to the Seller for providing treated water. The rate will be computed on the basis of the Seller's costs for the Seller's most recent operating year. The fiscal year wholesale charge rate may vary from year to year depending upon demonstrable costs.
- (l) "Cost review formula for revising fiscal year wholesale rate charges" shall mean the formula, which appears in Section 4 of this rate schedule attachment. The formula was developed on the basis of a special accounting study dated June 17, 1977, by H. J. Umbaugh & Associates, Certified Public Accountants, Indianapolis, Indiana,

which study is by reference made a part of this Water Purchase Agreement the same as if the study were incorporated herein.

- (m) "Total billed gallon" shall mean the total billed water consumption for all users serviced by the Seller during the Seller's most recent operating year.
- (n) "Wholesale user's percent of total billed gallons" shall mean the percent of total usage billed to the wholesale purchaser during the same period identified in subsection (m), above.
- (o) "Cost function" shall mean a cost that is identified by the nature of the service provided and is included in the cost review formula in Section 4 (b) of this attachment.

Section 3. Initial wholesale fiscal year billing rate for the North Hopkins Water District

- (a) The initial fiscal year billing rate or wholesale charge to the purchaser for treated water shall be fifty-nine cents (.59) per 1,000 gallons.
- (b) Computation of the initial rate is included in an Accounting Report identified in Section 2 (1), above.

Section 4. Cost review formula for revising fiscal year wholesale rate charges

- (a) Each calendar year commencing on and after January 1, 19___, the Seller shall prior to July 1 of that year determine the rate of charges for wholesale water purchases for the next wholesale fiscal billing rate year based upon a calculation of the following demonstrable costs. Each cost shall be taken from the annual financial report of the Seller for the preceding operating year which has been examined by a firm of Certified Public Accountants.
- (b) Cost review formula for revising fiscal year wholesale rate charges.

Cost Function	Amount	Percent	Wholesale User's % of Total Billed Gallons	Cost
Source of supply	\$	100.0% X		\$
Treatment plant		100.0% X		
Storage		65.0% X		
Transmission & Distribution		11.0% X		
General		10.0% X		
Customer		1.0% X		
Hydrants		0.0% X		
Total	\$			\$

-2- Replacement cost:

Allocated capital cost x 2% + wholesale
user's cost recent annual billed gals.

User Charge
Per 1,000
Gallons

\$

-3- Capital cost recovery:

Allocated capital cost x 6% + wholesale
user's cost recent annual billed gals.

-4- Cash operation and maintenance expenses:

Cost Function	Amount	Percent	Total Billed Gallons
Treatment	\$	90%	\$
Transmission & Dist. (1)		45%	
General		40%	
Commercial		0	
Hydrant maint.		0	
Total	\$		\$

-5- Customer cost: \$144.00 divided by whole-
user's cost recent annual billed
gallons.

Total

\$

-6- The user charge rate determined above
shall be increased or decreased to the
nearest one cent. An amount of five
(\$0.05) mills or more shall be increased
to the next highest cent, whereas, an
amount of four (\$0.04) mills or less
shall be decreased to the next lower
cent.

Section 5. Provision to modify formula for determining variable fiscal year wholesale water rate charges

- (a) At the end of every five (5) year period either party to this Agreement may request that a special study be conducted by a firm of consulting engineers, certified public accountants, or other outside utility rate consultants to review the continuing applicability and equity of fiscal year charges determined on the basis of the formula outlined in Section 4, above. Provided, that both parties shall agree upon a consultant for this purpose.
- (b) The cost of such special study authorized in Section 5 (a), above, will be borne by the party requesting such study or as may be agreed to by both parties.

Section 6. Billing period, monthly date and notification of fiscal year wholesale billing rate

- (a) The billing period and monthly payment date shall be as established by the Seller in accordance with any applicable laws, rules, regulations or procedures governing normal service and billing charges.
- (b) The Seller shall notify the Buyer at least sixty (60) days in advance of the revised wholesale billing rate for each succeeding fiscal year. The notification shall include a copy of the computation and cost recovery formula used for revising the fiscal year wholesale rate charges.

Section 7. Right to inspect or otherwise review Seller's financial records and records

- (a) Upon request the Purchaser shall have the right to inspect or review the books and records of the Seller.
- (b) If desired, the Purchaser may request an independent audit of the books of the Seller as they pertain to the cost of treating and supplying water, and the parties shall agree upon a Certified Public Accountant for this purpose. The cost of such audit shall be borne by the Purchaser.



AMENDMENT TO THE AGREEMENT BETWEEN
THE CITY OF MADISONVILLE AND
THE NORTH HOPKINS WATER DISTRICT
FOR THE SALE AND PURCHASE OF TREATED WATER

THIS AMENDMENT TO AGREEMENT made and entered into this
24 day of November, 1982, by and between the City of
Madisonville, Hopkins County, Kentucky, hereinafter referred to
as Seller, and the North Hopkins Water District, Hopkins County,
Kentucky, its successors or assigns, hereinafter referred to as
Purchaser,

WITNESSETH: That,

WHEREAS, the Seller and Purchaser entered into an
agreement for the sale and purchase of treated water on the 15th
day of April, 1980, and

WHEREAS, the parties both desire to amend this agreement
to amend enumerated paragraphs 2 and 5 only as follows:

Enumerated paragraph 2 shall be amended to reflect that
whenever testing is required on the water meter, the Purchaser will
pay the cost of said testing.

Enumerated paragraph 5 is amended to reflect that the
Purchaser shall pay a monthly minimum payment equal to three hundred
thousand (300,000) gallons rather than one million (1,000,000)
gallons.

The original agreement between the Seller and Purchaser
is amended in no other respect.

IN WITNESS WHEREOF, the parties hereto, acting under
authority of their respective governing bodies, cause this Amendment
to Agreement to be duly executed.

City of Madisonville, Hopkins
County, Kentucky

BY: Charlotte E. Baldwin
Mayor

ATTESTED BY:

Linda W. Munger
Clerk-Treasurer, City of Madisonville
Hopkins County, Kentucky

NORTH HOPKINS WATER DISTRICT,
Hopkins County, Kentucky

BY: Water Commissioners

ATTESTED BY:

Secretary

APPROVED BY:

Farmers Home Administration