

### WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the 16<sup>th</sup> day of December 2003, between the Pineville Utility Commission, 151 Pine Street, P. O. Box 277, Pineville, Kentucky, 40977, hereinafter referred to as the "Seller" and the Cawood Water District, P. O. Box 429, Cawood, Kentucky, 40815, hereinafter referred to as the "Purchaser",

#### WITNESSETH:

Whereas, the Purchaser, is organized and established under the provisions of K.R.S. Chapter 74, 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

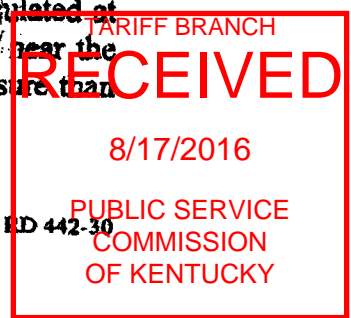
Whereas, by action of the Pineville Utility Commission on November 18, 2003, the Seller approved this Contract for sale of water to the Purchaser, and attested by the Secretary was duly authorized, and

Whereas, by action of the Cawood Water District Board, on December 9 2003, the purchase of water from the Seller in accordance with the terms set forth in this Contract was approved, the Contract executed, 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 point 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 Natural Resources and Environmental Protection Cabinet, Division of Water, in such quantity as may be required by the Purchaser, not to exceed one million (1,000,000) gallons per month.
2. (Point of Delivery and Pressure) That water will be furnished at a reasonably constant pressure, in accordance with Division of Water regulation, calculated at the master meter location from an existing six-inch water main located near the Bell County-Harlan County line on State Highway 72. If a greater pressure than

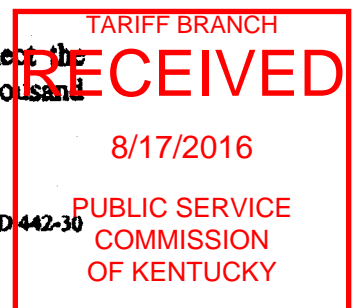


is normally available at the point of delivery is required by the Purchaser, the cost of providing such greater pressure shall be borne by the Purchaser. Emergency failures of pressure or supply due to main supply line breaks, power failure, flood, fire and use of water to fight fire, earthquake or other catastrophe shall excuse the Seller from this provision for such reasonable period of time as may be necessary to restore service.

- 3. (Metering Equipment) 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 disclosed by test to be inaccurate shall be corrected for the preceding six (6) 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 the first business 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 first (1<sup>st</sup>) day of the month following the meter reading with an itemized statement of the amount of water furnished from the Purchaser during the preceding billing period.

B. The Purchaser Agrees:

- 1. (Rates and Payment Date) To pay the Seller, not later than the tenth (10<sup>th</sup>) day of each month, for water delivered and billed in accordance with the following schedule of rates:
  - a. \$700.00 for the four hundred thousand (400,000) gallons, which amount shall also be the minimum rate per month and payable as a minimum bill regardless of amount of gallons purchased.
  - b. \$1.75 per one thousand (1,000) gallons for water in excess of four hundred thousand (400,000) gallons but less than one million (1,000,000) gallons.
  - c. \$2.75 per one thousand (1,000) gallons for water equal to or in excess of one million (1,000,000) gallons.
  - d. Any amount billed and outstanding after the tenth (10<sup>th</sup>) day of the month shall be subject to a ten percent (10%) penalty calculated on the outstanding balance.
- 2. (Connection Fee) To pay as an agreed cost, a connection fee to connect the Seller's system with the system of the Purchaser, the sum of twenty thousand



three hundred dollars (\$20,300.00) which shall cover any and all costs of the Seller for installation of metering equipment, backflow prevention devices, valves and necessary upgrades to the Tanyard water pumping station.

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 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 Purchaser.
2. (Delivery of Water) That forty-five (45) 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 of the date for the initial delivery of water.
3. (Water for Testing) When requested by the Purchaser, the Seller will make available to the Purchaser's 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 two dollars seventy-five cents (\$2.75) per one thousand (1,000) gallons 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 the 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 each annual 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 Commonwealth 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 furnished by a loan made or insured by, and/or a grant from, the United States of America, acting through Rural Development of the United States Department of Agriculture, and the provisions hereof pertaining to

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the undertakings of the Purchaser are conditioned upon the approval, in writing, of the State Director of Rural Development. Upon receipt of such approval and payment of the Connection Fee by the Purchaser to the Seller, Seller will embark upon necessary system improvements and construction of the metering equipment necessary to provide water service to the Purchaser.

- 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.

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

Seller:

Pineville Utility Commission

By Patricia M. Bingham

Title: Chairperson

Attest:

Freda J. Barnett  
Secretary

Purchaser:

Cawood Water District

By Walter Hurch

Title BOARD CHAIRMAN

Attest:

George Henry  
Secretary

This contract is approved on behalf of Rural Development this \_\_\_\_\_ day of \_\_\_\_\_, 2003.

By \_\_\_\_\_

Title \_\_\_\_\_

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