

EMERGENCY WATER SUPPLY AGREEMENT

THIS AGREEMENT, made and entered into this 22nd day of MARCH,
2009, by and between the PRESTONSBURG CITY'S UTILITIES COMMISSION
2010
("Prestonsburg") and MAGOFFIN COUNTY WATER DISTRICT ("Magoffin Co.").

WITNESSETH:

WHEREAS, Magoffin Co. is currently under serving its water customers during periods of peak demand and needs a supplemental supply of potable water.

That the parties hereto, for and in consideration of the covenants of this Agreement hereinafter set out, to be paid, kept and performed, hereby agree as follows:

1. Water Delivery Points. Prestonsburg agrees to furnish emergency water supply service to Magoffin Co. during the term of this contract at a newly constructed point of delivery located on Highway 114, Magoffin County, Kentucky ("Delivery Point") and Magoffin Co. agrees to purchase potable treated water meeting applicable purity standards of the Kentucky Department of Health.
2. Maximum and Minimum Quantities of Water. Prestonsburg shall deliver and Magoffin Co. shall purchase quantities of water not to exceed 200,000 gallons per day of twenty-four hours, and not to exceed 6,000,000 gallons per month in the aggregate through the Delivery Points. Prestonsburg shall have the right to install equipment to restrict the flow of water on an hourly basis or establish temporary shut-offs to restrict the flow so that the quantities can be limited to the contract maximums set forth herein. It shall be the sole responsibility of Magoffin Co. to control its customer load so that the water flow at the Delivery Point need not be restricted. Magoffin Co. shall not be required to take a minimum quantity at any time.



3. Metering Equipment and Testing. Magoffin Co. agrees to furnish, install, operate and maintain at its own expense at the New Delivery Point, 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 Magoffin Co.. Magoffin Co. shall calibrate the metering equipment at the Delivery Point whenever requested by Prestonsburg, but not more frequently than four times 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 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 delivered shall be adjusted to the amount delivered in the corresponding period immediately prior to the failure. An appropriate official of Magoffin Co., at all reasonable times, shall have access to the meters for the purpose of verifying its readings. Likewise, an appropriate official of Prestonsburg, at all reasonable times, shall have access to meters for the purpose of verifying its readings. Upon installation, the ownership of the meter and related equipment at the Delivery Point shall be transferred to Prestonsburg. After the transfer, Magoffin Co. shall pay all expenses to maintain said meter and related equipment.

4. Statement of Water Supplied. Prestonsburg agrees to furnish Magoffin Co., once each month, a statement of the quantity of water furnished Magoffin Co. during the applicable billing period.



5. Payment Policy. Payment shall be made in accordance with Prestonsburg's customer payment policy ("Payment Policy"), as it may be modified pursuant to public notice from time to time, which is attached as Exhibit "A".

6. Rate Schedule. Magoffin Co. agrees to pay Prestonsburg, according to Prestonsburg's Payment Policy, for water delivered in accordance with this Agreement at the following rates for each metered delivery point:

- (a) The rate for all gallons of water delivered monthly hereunder shall be \$2.50 per \$1,000 gallons; and
- (b) Service which requires booster pump service for delivery of the water also shall include a surcharge of \$.10 per booster pump per 1,000 gallons.

7. Rate Schedule Modifications. All rates set forth in this Agreement shall be adjusted annually on the anniversary date of this Agreement to compensate Prestonsburg for any documented increase in variable costs for the production and delivery of potable water.

8. Termination. This contract shall commence on the date hereof and continue for a period of ten (10) years. This Agreement may be extended or renewed by the parties, if they mutually agree, upon such terms and conditions as agreed upon by the Parties. If neither party gives notice of termination at the expiration of this agreement, it shall renew automatically on a month-to-month basis. Thereafter, either party may terminate this agreement upon thirty (30) day notice.



9. Fire Protection and System Reliability. Prestonsburg shall not be responsible in any way for the failure of Magoffin Co. to furnish sufficient water for fire protection purposes, or sufficient water storage tanks for system reliability purposes, and Magoffin Co. shall indemnify Prestonsburg from any such claims related thereto.

10. Indemnification. Each party shall indemnify the other party, its employees, and agents from all claims, demands, and liabilities of any kind relating to or arising out of this Agreement, except to the extent such claims, demands, or liabilities result from or arise out of the negligence of party being indemnified.

11. Chlorination. Magoffin Co. shall be responsible for any chlorination of the water furnished by Prestonsburg if such chlorination is required by the Magoffin County Department of Health or any other Federal or State governmental policy.

12. Interruptible Service. If Prestonsburg does not have a sufficient supply of water to supply its customers, then Prestonsburg at its sole discretion may reduce or terminate service hereunder at any time.

13. Force Majeure. All obligations of either party with respect to service hereunder shall be excused without liability during the pendency of any condition of force majeure. Force majeure shall include any act, event or condition beyond the reasonable control of the party claiming force majeure, and shall include, but not be limited to, any act of God, act of terrorism, fire, storm, earthquake, freezing condition, wind, flood, drought, snow, water used to fight fires, line breaks,



environmental release, breakage of or delay in receiving parts, equipment or supplies, or shortage thereof, strike or lockout, or any act, event or requirement of any governmental law, regulation or entity. Force majeure shall not include routine line leakage or financial inability to pay, and shall not excuse payment for services rendered by Prestonsburg, including the payment of Magoffin Co.'s minimum bill, if any.

14. Notices. All notices and other communications provided hereunder shall be in writing and shall be delivered personally or transmitted by registered or certified mail, return receipt requested or by a recognized overnight courier service. Such notice shall be deemed to have been given at the time of personal delivery or upon receipt thereof, as reflected on the signed certificate or delivery statement of the courier service. Notice must be delivered or sent to the party at the following address or to such other address as a party may have designated by notice:

TO PRESTONSBURG: Prestonsburg City's Utilities Commission
2560 South Lake Drive
Prestonsburg, Kentucky 41653

TO MAGOFFIN CO.: Magoffin County Water District
Box 490
Salyersville, Kentucky 41465

15. Amendment. This Agreement may be amended in writing only, duly signed by both parties, and will be governed by and construed in accordance with Kentucky law.

16. Binding Effect and Benefit. Upon execution, the Agreement will inure to the benefit of and be binding upon the parties hereto and their respective



heirs, personal representatives, successors and assigns, subject to regulatory approval as set forth below; provided, however, neither this Agreement nor any rights and obligations hereunder may be assigned, or transferred by operation of law, or by order of the Public Service Commission by Magoffin Co. without the written consent of Prestonsburg.

17. Severability. The terms and provisions of this Agreement shall not be severable, and in the event that any term or provisions hereof is held to be invalid or unenforceable, the remaining terms or provisions hereof shall be invalid and unenforceable, and Prestonsburg shall have no further obligation hereunder.

18. Regulatory Jurisdiction. Nothing in this Agreement shall subject Prestonsburg to regulation by the Kentucky Public Service Commission ("KY PSC"). To the extent the KY PSC exercises jurisdiction over any aspect of this Agreement, Prestonsburg shall remain free, at its option, to withdraw without penalty or other obligation from this Agreement upon providing thirty (30) days written notice to Magoffin Co..

19. Wholesale Services Prohibited. Magoffin Co. shall not resell at wholesale water supplied hereunder so as to make Prestonsburg, directly or indirectly, a wholesale supplier to any other water system.

20. Non-Waiver. Prestonsburg's failure to exercise any of its rights hereunder at any time will not operate as a waiver of its right to exercise same at any other time(s).

21. Right of First Refusal. Prestonsburg shall have a right of first refusal to acquire all or a portion of Magoffin Co.'s entire water or sewer systems and



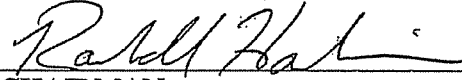
related facilities, if offered by Magoffin Co. to any third party, on the same terms and conditions as the offer to such third party.


22. Counterparts. This Agreement may be executed in several counterparts with the same effect as if the parties executing the several counterparts had all executed one counterpart.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers or agents to execute this Agreement the day and year first above written.

MAGOFFIN COUNTY WATER DISTRICT

ATTEST:

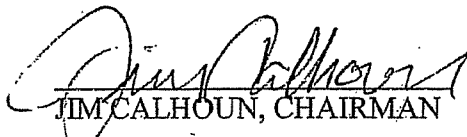
BY: 
CHAIRMAN


SECRETARY

PRESTONSBURG CITY'S UTILITIES
COMMISSION

BY: 
DAVID M. ELLIS, SUPERINTENDENT

ATTEST:


JIM CALHOUN, CHAIRMAN

