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AUG 30 1994

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CONTRACT

P.S.C.
RATES & RESEARCH DIV.

PUBLIC SERVICE
COMMISSION

This Contract, made and entered into by and between the UTILITIES COMMISSION of the CITY OF VANCEBURG, 611 Front Street, Vanceburg, Kentucky 41179, hereinafter referred to as "Seller" and the SALT LICK WATER ASSOCIATION, INC., Vanceburg, Kentucky 41179, hereinafter referred to as "Purchaser".

WITNESSETH:

WHEREAS, the parties hereto having heretofore entered into a Water Purchase Contract dated December 8, 1969, and a Modification of Contract dated June 10, 1986 and the parties desiring hereby to amend and modify said contract and the parties further desiring to memorialize and reduce their agreement to one document, and

WHEREAS, the Purchaser is expanding its system through new construction to serve additional customers, to be financed through loan and grant proceeds from the Farmers Home Administration. That Purchaser, in order to qualify for said loan and grant proceeds must have a contract to assure supply of water in an amount not to exceed 1,900,000 gallons per month through December 31, 2037.

WHEREFORE, for and in consideration of the mutual benefits to be derived by the parties, IT IS HEREBY AGREED AS FOLLOWS:

1. That Seller shall provide potable treated water meeting applicable purity standards of the Department of Health, Commonwealth of Kentucky, in an amount not to exceed 1,900,000 gallons per month through December 31, 2037. In the event that Purchaser requires and Seller provides more than 1,900,000 gallons of water during any month, Purchaser shall pay unto Seller a penalty for such over-use in the sum of 16.8 cents per 1,000 gallons used, which penalty shall be added to the usual charge for water provided pursuant to this Agreement.

2. That water will be furnished at a reasonably constant pressure at 50 pounds from an existing six (6) inch main supply at a point located at an existing water tank opposite the Lewis County High School, near Vanceburg, Kentucky. If a greater pressure than that normally available at the point of delivery

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SECTION 9 (1)

is required by the Purchaser, the cost of providing such greater pressure shall be borne by the Purchaser. Emergency failures of pressure or supply shall excuse the Seller from maintaining the pressure at the above-stated level for such time as it is reasonably necessary to restore service.

3. Seller shall 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 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 (2) per cent (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 test. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount 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 21st 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. Seller shall furnish to the Purchaser on or about the first day of each month, with an itemized statement of the amount of water furnished the Purchaser during the preceding month.

5. The Purchaser shall pay the Seller, not later than the 15th day of each month for water delivered in accordance with the following schedule of rates:

\$1.68 per 1000 gallons of water delivered until said price is changed pursuant to the terms of this Agreement.

6. That Purchaser agrees to pay Seller an additional charge (in addition to the cost per gallon of water) of the sum of \$380.00 per month to be paid by Purchaser to Seller as rental for storage of water. In the event that Purchaser ceases using

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SECRETARY

the Seller's facilities for storage of water, then, and in that event, Purchaser shall not be required to pay the \$380.00 per month for storage as set forth in this paragraph.

7. That the Seller shall be permitted to modify rates for the purchase of water by Purchaser at the end of every one (1) year period at the anniversary date of this Agreement. Modification of rates must be based upon demonstrable need to increase or lower said rates.

8. That Thirty (30) 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.

9. 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 proportion as the supply to Seller's consumers is reduced or diminished.

10. That Purchaser fully releases and discharges Seller from any and all losses, claims, suits, liabilities, or causes of action in any way relating to or connected with any unintentional or reasonably necessary interruption of the water supply or inability of Seller to provide water to Purchaser in the quantities or amounts set out in paragraph 2 above. Purchaser will indemnify and save Seller harmless for any loss, claim, suit, or liability brought against or suffered by Seller relating to said interruption in water supply or inability of Seller to provide water.

11. 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

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BY J. [Signature]
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obtaining such permits, certificates, or the like, as may be required to comply therewith.

12. 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.

13. 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.

14. That this Agreement is binding upon the transferees, successors and assignees of the parties hereto.

In Witness Whereof, the parties hereto have set their hands by their authorized representatives or agents, as of the 5th day of June, 1992.

SALT LICK WATER ASSOCIATION, INC.

UTILITIES COMMISSION OF THE CITY OF VANCEBURG

By: Jack R. Bman
President

By: Paul E. Row
Chairman

Attest:

Kim Ferguson
Secretary

Nancy W. Edington
PUBLIC SERVICE COMMISSION
OF KENTUCKY
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Secretary

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BY: Jordan L. [Signature]
FOR THE PUBLIC SERVICE COMMISSION