

WATER PURCHASE AGREEMENT

ORIGINAL

This Agreement is made on the **3rd** day of **June**, 1999, between the city of West Liberty, Kentucky, a municipal corporation, having its offices at 565 Main St., West Liberty, Kentucky, the "Seller" and the Morgan County Water District, a publicly owned water district formed and operating under the terms and provisions of KRS Chapter 74, having its offices at the Morgan County Office Building, 450 Prestonsburg St., West Liberty, Kentucky, the "Purchaser".

RECITALS

The Seller currently is selling treated potable water to the Purchaser and desires to sell additional water to the Purchaser; and

The Purchaser desires to purchase additional water from the Seller to serve additional customers and areas of the county; and

The parties have entered into a Memorandum of Understanding with the Department of Local Government to jointly fund an expansion of Seller's water treatment facilities; and

It is in the interest of both the Seller and the Purchaser to enter into this Agreement;

Therefore, it is agreed by the Seller and Purchaser that in consideration of the mutual promises and conditions:

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I. The Seller Agrees:

JUL 22 1999

1. Quality and Quantity

PURSUANT TO 807 KAR 6:011,
SECTION 9 (1)

a. To furnish the purchaser at the points of delivery, during the term of this Agreement or any renewal or extension, potable treated water meeting applicable purity standards of local, state, and federal regulatory agencies.

By: Stewart Belf
SECRETARY OF THE COMMISSION

b. Upon completion of construction and initial operation of the Seller's proposed new water treatment plant, the Purchaser's maximum purchase of water shall not exceed 12,000,000 gallons per month or 400,000 gallons per day. The Purchaser's minimum purchase of water shall be 2,250,000 gallons per month. Seller agrees to reserve sufficient capacity in its treatment facilities to provide this volume of water for the life of the Agreement, provided all water purchased by Purchaser is for resale within Morgan County. Purchases of water by Purchaser for resale to out-of-county users shall be subject to approval by Seller.

c. If Purchaser exceeds the maximum purchase limits, the Seller may restrict deliveries to the maximum purchases allowed.

2. Points of Delivery and Pressure

a. To furnish water at a reasonably constant pressure at the following locations

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Location	Avg. Quantity	Avg. Pressure
County Metering Points	400,000 gallons per day	80psi

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SECTION 9 (1)

BY: Stephan D. Bell
~~signed by the Purchaser~~

b. If a greater pressure than 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 breaks, power failures, equipment failure, flood, fire, use of water to fight fire, earthquake, or other catastrophe shall excuse the Seller from this provision for such reasonable periods of time as may be necessary to restore service. Seller agrees to make a good faith effort to restore service within a reasonable time after it becomes aware of the problem.

3. Metering Equipment

a. To maintain and calibrate metering equipment whenever requested by the Purchaser, but not more frequently than once every twelve months. A meter registering not more than two percent (2%) above or below the test result shall be deemed to be accurate.

b. The previous readings of any meter disclosed by testing to be inaccurate shall be corrected for the six months previous to such testing in accordance with the percentage of inaccuracy found by such testing. If any meter falls 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 failure, unless Seller and Purchaser agree upon a different amount.

c. The metering equipment shall be read on the **15th** day of the month. A designated official of the Purchaser at all reasonable times shall have access to the meter for the purpose of verifying its readings.

4. Billing Period

a. To furnish the Purchaser at the above address not later than the **1st** day of each month with an itemized statement of the amount of water furnished the Purchaser during the preceding month.

II. The Purchaser agrees:

1. Rates and Payment Date

a. To pay the Seller, not later than the **10th** day of each month, the rate of \$2.25 per 1000 gallons of water purchased, which shall be the base rate of this Agreement.

b. The base rate may be adjusted periodically by Seller to reflect increases in the cost of

treating water and providing service to the Purchaser. Any increase in the cost of treating water or providing service to the Purchaser shall include all operating, maintenance, administrative and other costs and any capital improvements related to the actual cost of treating and distributing water sold to and delivered to the Purchaser.

c. The parties may negotiate an adjustment of rates at any time and if accepted by both parties shall be adopted and a new schedule of rates implemented.

d. If the Purchaser exceeds its monthly purchases as provided in section I.(1), the Seller may charge the Purchaser for all excess purchases a rate of one hundred ten percent (110%) of the base rate.

e. If the Purchaser fails to purchase its minimum monthly water volumes as provided in section I.(1), the Purchaser shall pay to Seller the amount due as if the minimum had been purchased.

f. Failure to make timely payments will result in a penalty of ten percent (10%) per month on each invoice remaining unpaid.

2. Connection Fee

a. The Purchaser agrees to pay to Seller an additional connection fee to connect the Seller's system with the system of the Purchaser. The fee, which shall cover any and all costs of the Seller for installation and maintenance of the metering equipment, shall be the actual costs of labor, material, and equipment of an independent Agreement to install such facility. In lieu of an agreed cost, the Purchaser, at the approval of the Seller, may construct the meter facilities to the Seller's specifications and contribute the facilities to the Seller.

3. Capitalization improvements for Future Delivery of Water

a. The terms of this Agreement do not guarantee delivery of water to future or existing points of delivery without assessment for required capital improvements within the Seller's system. The Purchaser agrees to pay for all capital improvements required to deliver the water to the Purchaser and to maintain adequate pressure and flow within the Seller's water distribution system.

4. Metering Equipment

a. To furnish, install, operate, and maintain at its own expense at points 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 by Seller.

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III. Miscellaneous

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1. Term of Agreement

PURSUANT TO 807 KAR 5:011,
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a. That this Contact shall extend for a term of 40 years from the effective date and may be renewed or extended for such term, or terms, as may be agreed upon by the Seller and Purchaser.

by the Secretary of the Commission

2. Delivery of Water

a. 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.

3. Water for Testing

a. When requested by the Purchaser the Seller will make available to the Purchaser at the point of delivery, or other point reasonably close thereto, water sufficient for testing, initial flushing, and filling the system of the Purchaser during construction. The cost of water for this use shall be 2/3 the cost of the base rate.

4. Modification of Agreement

a. That the provisions of this Agreement may be modified upon mutual agreement of both parties.

5. Regulatory Agencies

a. That this Agreement is subject to such rules, regulations, or laws of any regulatory agency, including the Public Service Commission, as may be applicable to similar agreements in this State and the Seller and Purchaser will collaborate in obtaining such permits, certificates, or authorizations as may be required to comply.

6. Successor to the Purchaser

a. That in the event of any occurrence rendering the Purchaser incapable of performing under this Agreement, any successor of the Purchaser, whether the result of the legal process, assignment, or otherwise, shall succeed to the rights of the Purchaser.

7. Notices

a. The parties agree to notify each of any situation that might limit or interfere with the delivery or use of water or which would adversely affect the quantity, quality or pressure of the water at the delivery points.

8. Operation of facilities

a. The parties agree to operate their respective facilities in an efficient, economical manner and in compliance will applicable local, state and federal regulations.

9. Effective Date

a. The effective date of this Agreement is the date of execution.

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BY: Stephan O. Bell
SECRETARY OF THE COMMISSION

In witness of these terms, conditions and consideration, the parties execute this Agreement as evidenced by their signatures:

Morgan County Water District

By: Earl Reed

Title: Chairman

Date: June 3, 1999

Witness Joel Ham

City of West Liberty

By: Robert W. Mitchell

Title: Mayor

Date: June 3, 1999

Witness Linda Bradley

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