

WATER PURCHASE CONTRACT

This Contract for the sale and purchase of water is entered into this the _____ day of _____, 2012 between the Jackson County Water Association, P.O. Box 232, Tyner, KY 40486 referred to as the "SELLER" and the Estill County Water District No. 1, 76 Cedar Grove Road, Irvine, KY 40336, referred to as "PURCHASER".

WITNESSETH:

Whereas, the Purchaser is organized and established 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 continuation of the current 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 Purchaser;

Now, therefore, in consideration of the foregoing and these mutual agreements,

A. Seller agrees:

1. Quality and Quantity. To furnish the Purchaser at the point of delivery during the term of this contract or any renewal or extension potable treated water meeting applicable purity standards in such quantity as may be required by the Purchaser not to exceed **75,000** gallons per month.

2. Point of Delivery and Pressure. To furnish water delivered to Purchaser at a reasonably constant pressure of not less than 30 psi at the master meter. The master meter(s) is located Ky Highway 89 North Drip Rock KY.

If a greater pressure than that 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(s) 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 12 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 last day of the 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 3rd day of each month, with an itemized statement of the amount of water furnished the Purchaser during the preceding month.

B. The Purchaser Agrees:

1. Rates and Payment Date. To pay the Seller, not later than the _____ day of each month, for water delivered in accordance with the following schedule of rates:

Flat rate: \$3.50 per 1000 gallons

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 50 years from the date of its execution and thereafter may be renewed or extended for such term or terms as may be agreed upon by the Seller and Purchaser.

2. Water for Testing. When requested by the Purchaser the Seller will make available to the contractor at the point of delivery, or other point reasonably close thereto, water sufficient for testing, flushing, and filling the system of the Purchaser during construction, regardless of whether the metering equipment has been installed at that time, at a flat rate of \$3.50 per 1,000 gallons which will be paid by the contractor or on his failure to pay by the Purchaser.

3. 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 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, except as may otherwise be allocated in Seller's Water Shortage Plan approved by the Public Service Commission.

4. 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 every 2 year period. Any increase or decrease in rates

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shall be based on a demonstrable increase or decrease in the costs of performance, 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. Extensions, improvements and reinforcements of Seller's system shall not be included in the calculation of Seller's rate to Purchaser unless the facilities are jointly used to provide water to Purchaser. If increased capitalization of Seller's system is required to meet regulatory standards for potable water delivery to all customers, the cost for such facilities shall be proportionately allocated according to generally accepted cost of service methodologies and shall be included in Purchaser's rate.

5. Regulatory Agencies. That this contract is subject to Public Service Commission approval and such rules, regulations, or laws as may be applicable to similar agreements in this State and the Seller and Purchaser will collaborate in obtaining such permits, certificates, or other regulatory approvals.

6. 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 acting under authority of their respective governing bodies, as reflected in their official meeting minutes and adopted resolutions, have caused this contract to be duly executed in _____ counterparts, each of which shall constitute an original.

Seller: Jackson Co. Water Assn.

Attest: DeAnna Ghimes

By: John P. Hill Manager

Date: 7-25-2012

Purchaser: Still Co. Water District #1

Attest: Jerry Arnold

By: Doug Wright

Date: 9/27/12

