

MEMORANDUM OF AGREEMENT

The City of Pikeville, Pike County, Kentucky (Hereinafter referred to as "City") is presently constructing a 6,000,000 gallon per day (6 MGD) Water Treatment Plant. When completed, this plant can provide over 2 MGD excess treated water, over and above City needs or commitments to other entities.

The Mountain Water District (Hereinafter referred to as MWD) has an approved project which utilizes private, local government, state and federal government funds to provide potable water in the Grapevine and Johns Creek areas of Pike County. Included in this project is a proposed 1 MGD (Expandable to 1.5 MGD) water treatment plant. Additionally, MWD has funding approved which would construct water lines in the Upper Chloe area of Pike County which interconnect with existing City water lines. MWD also has approved funding which would allow interconnection with City water lines in the Yorktown area of US 23 in Pike County.

It is therefore determined that construction of both water plants would be a duplication of effort and not beneficial economically to the citizens of this area. Further, it would be beneficial that the MWD not construct a water plant, but purchase water from the City.

IT IS HEREIN AGREED THAT:

1. The City shall sell water to MWD at the rate of \$1.31 per 1,000 gallons up to a maximum of 1.5 MGD. This Agreement shall remain in effect for a period of forty (40) years. Purchase rate may be adjusted at such time as both parties are satisfied that cost of production has risen sufficiently to require a higher rate.

PUBLIC SERVICE COMMISSION  
OF KENTUCKY

2. Master Meters shall register water usage at the following points:

- A. Existing City Limits at Town Mountain.
- B. Existing City Limits at Chloe Gap.
- C. Existing City Limits at Yorktown.

FEB 8 1988

PURSUANT TO KRS 8:011,  
SECTION 9(1)

3. MWD shall pay all monies due the City within 30 calendar days of the date of billing. Thereafter normal late charges shall apply.

BY: *[Signature]*  
PUBLIC SERVICE COMMISSION MANAGER

4. The City agrees that in no instance shall water supplies to MWD be discontinued except at such time as the City itself has no water whatsoever.

5. Should circumstances arise wherein the City should need to purchase water from MWD, items 1 through 4 above apply with the exception that MWD shall furnish a maximum of 0.5 MGD. The City shall pay all monies due MWD within 30 calendar days of the date of billing. Thereafter normal late charges shall apply.

6. In reference to the purchase point in Chloe Gap, it is understood that MWD will construct properly sized lines and a master meter within the existing City limits and these lines and master meter shall become the property of, and shall be maintained and operated by the City. The water storage tank constructed at this location shall remain the property of the MWD whether located within the City limits or in Pike County.
7. With reference to the purchase point at the existing city limits on Town Mountain, it is understood that MWD shall pay a tap-on fee equal to the cost of construction of all distribution facilities within the existing city limits, which are necessary to deliver water to the point of sale, but not to exceed \$215,000. The amount of the tap-on fee shall be reduced by \$100,000 which is the City's project contribution. The facilities to be owned, maintained and operated by the City include the necessary booster pump station, all connecting transmission lines (constructed of ductile iron) up to and including the master meter pit. MWD shall retain ownership of the water storage tank.
8. With reference to the Yorktown purchase point, it is understood that the City plans to extend properly sized lines to that point at some future date. At such time as the interconnect is made, MWD shall pay the City a tap-on fee equal to the cost of the master meter. The City will be responsible for operation, maintenance and replacement when and if necessary of subject master meter.
9. That the parties hereto agree to enter a more comprehensive water purchase agreement, the form of which shall be approved by Farmers Home Administration or any other necessary Federal Regulatory Agency.

RESPONSIBLE FOR OPERATION,  
 PUBLIC SERVICE COMMISSION  
 EFFECTIVE  
 FEB 21 1988  
 PURSUANT TO OUY RAK 5011,  
 SECTION 9 (1)

This Memorandum of Agreement is entered into by the City of Pikeville per approved Commission Motion by W.C. Hambley, Mayor.

This Memorandum of Agreement is entered into by the Mountain Water District Per Resolution Number 86-53 dated October 29, 1986 by Leon Huffman, Chairman.

W.C. Hambley  
 W.C. HAMBLEY  
 MAYOR, CITY OF PIKEVILLE

ATTEST:

[Signature]  
 CITY ATTORNEY

Leon Huffman  
 LEON HUFFMAN  
 CHAIRMAN, MOUNTAIN WATER  
 DISTRICT

ATTEST:

[Signature]  
 MWD ATTORNEY