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PUBLIC SERVICE COMMISSION

WATER PURCHASE CONTRACT

This Water Purchase Contract is made and entered into this the 14th day of February, 1994, by and between Elkhorn Water District, a water district created and existing under the laws of the Commonwealth of Kentucky, hereinafter referred to as "District" and the City of Stamping Ground, Kentucky, a city of the 6th class existing under the laws of the Commonwealth of Kentucky, hereinafter referred to as "Stamping Ground";

W I T N E S S E T H:

For and in consideration of the mutual covenants contained herein, the parties agree as follows:

1. The parties acknowledge and agree that the District is a public utility regulated by the Public Service Commission and that the provision of water by the District to Stamping Ground is subject to the rules, regulations and approval of the Public Service Commission.

2. The District will make available to Stamping Ground up to 200,000 gallons of water per day at such pressure and of sufficient quality as to comply with the applicable minimum standards set forth in the rules and regulations of the regulatory agencies which have jurisdiction over the operation of the District. However, it is understood and agreed by the parties as follows:

a. That failures of pressure or supply due to system problems or acts of God such as, but not limited to, main supply line breaks, power failure, flood, fire and use of water to fight fire, earthquake shall excuse the District from this provision for such reasonable period of time as may be necessary to restore service.

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BY: Clay Dallee
PUBLIC SERVICE COMMISSION MANAGER

b. In the event of shortage of water due to drought or when the supply of water available to the District is otherwise generally diminished, the supply of water to Stamping Ground consumers shall be reduced or diminished in the same ratio or proportion as the supply to the District's consumers is reduced or diminished.

c. In the event Stamping Ground becomes connected to an alternate source of water, and in the event of a shortage of water to the District, then Stamping Ground will purchase water from the alternate source to the greatest extent possible for the duration of such shortage of supply. The District will be allowed to include the amount of the alternative supply in its calculation as to the amount to be delivered to Stamping Ground in the event of restricted supply.

3. The District in agreeing to furnish water to Stamping Ground is acting on a friendly and neighborly basis and in an effort to assist the residents of Stamping Ground to have water service, and agrees to release Stamping Ground from this Contract upon a minimum of 180 days written notice to the District. Such notice shall be given by certified mail, and notice shall be calculated from the date of receipt by the District.

4. The initial rate for purchased water shall be \$1.917 dollars per thousand gallons, which includes the water withdrawal fee assessed by the Kentucky River Authority effective January 1, 1994. The initial rate is for all water purchased regardless of total volume. It is further agreed that rates subsequent to the initial rate will be established by amendment to this contract or in an alternative manner approved by the Public Service Commission

5. It is further acknowledged and agreed that the rate charged by the District may be raised or lowered proportionally with any increase or decrease

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in water rates or fees, taxes or assessments charged the District by the Frankfort Plant Board or any other water supplier or governmental agency and approved by the Public Service Commission as and when required.

6. It is further understood and agreed that in the event it is necessary to make improvements or incur extraordinary expenses which benefit Stamping Ground then the rate charged Stamping Ground will be increased in such a manner so that Stamping Ground will bear its proportionate share of the cost of such improvement or expense based on the total gallons of water purchased by Stamping Ground over the twelve months immediately preceding the upgrade as compared with the total gallons sold by the District over the same twelve months.

7. Stamping Ground acknowledges and agrees that it will be solely responsible for providing required or necessary water storage facilities, and that the District will not be responsible for meeting any water storage requirements for Stamping Ground. Stamping Ground further states that it currently has adequate water storage facilities.

8. The point of delivery by the District to Stamping Ground shall be at a mutually convenient point at or near the Franklin-Scott County line. Stamping Ground will be responsible for monitoring and maintaining water quality and pressure from the point of delivery. Water will be furnished to Stamping Ground through a meter of the size and type specified by the District. The meter shall be furnished and maintained at Stamping Ground's expense and located at the point of delivery. The District and Stamping Ground each shall have the right to inspect and test the meter through which water is delivered to Stamping Ground. Whenever it is determined that adjustments and changes should be made to an inaccurate meter, adjustments shall be calculated in accordance with appropriate Public Service Commission regulations. Should a dispute arise as to

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whether the meter is functioning properly, the parties will allow a representative or agent of the Public Service Commission to make the determination of whether or not it is functioning properly. Costs for repairs shall be apportioned in compliance with the Public Service Commission's regulations or as agreed by the parties if no Public Service Commission regulations are applicable.

9. Stamping Ground shall be responsible for all costs incurred by either the District or Stamping Ground as a result of the construction of the water line which is to be constructed from the District's facilities to the point of delivery. These costs shall include, but not be limited to, the costs of obtaining any and all easements required for such construction, and professional, legal and engineering fees. Stamping Ground acknowledges that the District has the right to inspect the plans, specifications and construction of the line and attendant facilities prior to and concurrent with construction to insure that the line and facilities are in compliance with all applicable standards. Stamping Ground further acknowledges and agrees that the line and attendant facilities are subject to approval of the District and that the provision of water by the Water District to Stamping Ground is contingent on the foregoing inspection and approval by the District of the line and attendant facilities. The costs of any inspections of the plans, specifications and construction of the line and attendant facilities shall be paid by Stamping Ground.

10. Stamping Ground and the District agree that title to the line and attendant facilities referenced herein constructed within the District for the purpose of delivering water to Stamping Ground will pass to and vest in the District upon completion, inspection and acceptance by the District.

11. It is further mutually agreed and understood by and between the parties hereto that this Contract is to run for a period of twenty years from the

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BY: Shirley D. Miller
PUBLIC SERVICE COMMISSION MANAGER

date of execution and entry as specified in the first paragraph of this agreement and thereafter may be renewed or extended for such term, or terms, as may be agreed upon by the District and Stamping Ground.

12. Any successor of the District or Stamping Ground, whether the result of legal process, assignment or otherwise, shall succeed to the rights of the District or Stamping Ground hereunder.

13. It is further understood and agreed that in the event the rights and obligations of the District under this contract are transferred to another entity then the rules and regulations pertaining to such other entity shall apply to this contract.

14. This Contract replaces all previous or existing agreements between these parties and constitutes the sole and complete agreement as to the sale, provision and purchase of water.

15. Nothing contained in this Agreement is intended to contravene any applicable law or regulation.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers on this the day and year first above written.

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SECTION 9 (1)

BY: *Sharon Helle*
PUBLIC SERVICE COMMISSION MANAGER

K:WATDISCO

ELKHORN WATER DISTRICT

BY: *W. D. Greet*
CHAIRMAN

CITY OF STAMPING GROUND

BY: *Pamela B. Mooney*
MAYOR