

**WATER PURCHASE CONTRACT**

This contract for the sale and purchase of water is entered into as of the \_\_\_\_\_ day of October, 1999, between the \_\_\_\_\_  
City of North Middletown, 223 Church Street, P.O. Box 69  
North Middletown, Kentucky 40357, a municipal corporation of the Commonwealth of Kentucky of  
the Fifth Class of Bourbon County

Hereinafter referred to as the "Seller" and the \_\_\_\_\_ Judy Water Association, Inc, 5031 Maysville Road  
Mt. Sterling, Kentucky 40353

Hereinafter referred to as the "Purchaser".

**WITNESSETH:**

Whereas, the Purchaser is organized and established under the provisions of \_\_\_\_\_ Chapter 273 \_\_\_\_\_ of the Code of  
Kentucky Revised Statutes \_\_\_\_\_, 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 supply of treated water, and

Whereas, the Seller owns and operates a water supply distribution system with a capacity capable of serving the present  
customers of the Seller's system and the estimated number of water users to be served by the said Purchaser as shown in the plans  
of the system now on file in the office of the Purchaser, and

Whereas, by a Resolution of the Seller enacted on the 17<sup>th</sup> day of August, 1999, by the Seller, which (1) approved the  
sale of water to the purchaser in accordance with the provisions of this contract and (2) authorized the execution of this contract by  
the \_\_\_\_\_ Mayor \_\_\_\_\_, and attested by the City Clerk.

Whereas, by Resolution of the Purchaser, enacted on the 19 day of October, 1999, by the  
Purchaser which (1) approved the purchase of water from the seller in accordance with the provisions of this contract and (2)  
authorized the execution of this contract by the Chairman of the Board of Judy Water Association, Inc. and attestation by the  
Secretary;

Now, therefore, in consideration of the foregoing and the mutual agreements hereinafter set forth,

A. The Seller Agrees:

1. (Quality and Quantity) To furnish the Purchaser at the point of delivery hereinafter specified, during the term of this  
contract or any renewal or extension thereof, potable treated water meeting applicable purity standards of the \_\_\_\_\_ Division of  
Water, Kentucky Cabinet for Natural Resources and Environmental Protection \_\_\_\_\_ in such quantity as may be required by  
the Purchaser not to exceed 2,100,000 gallons per month, at the rate of seventy thousand (70,000) gallons per day, as set  
forth in the attached Addendum A to Water Purchase Contract, incorporated herein by reference.

2. (Point of Delivery and Pressure) That water will be furnished at a reasonably constant pressure calculated at  
approximately thirty (30) psi from existing eight (8") inch and six (6") inch main supplies at points located as set forth in the  
attached Addendum A to Water Purchase Contract incorporated herein by reference.

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

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to U.S. Department of Agriculture, Clearance Officer, STOP 7602, 1400 Independence Avenue, S.W., Washington, D.C. 20250-7602. Please DO NOT RETURN this form to this address. Forward to the local USDA  
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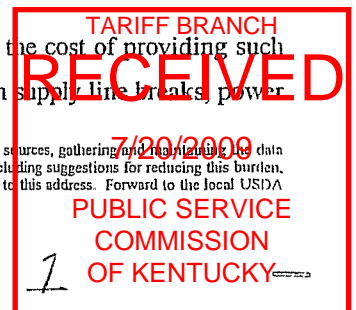


Exhibit 1

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. (Meter Reading) Seller is responsible for reading metering devices. The metering equipment shall be read on a monthly basis. An appropriate official of the Purchaser at all reasonable times shall have access to its meters for the purpose of verifying their reading.

4. (Billing Procedure) To furnish the Purchaser at the above address not later than the 10<sup>th</sup> day of each month with an itemized statement of the amount of water furnished to the Purchaser during the preceding month.

B. The Purchaser Agrees:

1. (Rates and Payment Date) To pay the Seller, not later than the 20<sup>th</sup> day of each month, for water delivered at the rate of One Dollar and Ninety Five Cents (\$1.95) per 1,000 gallons.

2. (Connection Costs) To be responsible for all costs incurred in making all of the connections between the water distribution system of the purchaser and the seller.

3. (Metering Equipment) To be responsible for the obtaining of all real property and easements for purposes of installation, operation and maintenance of its equipment as contained herein. To 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 the Purchaser and to calibrate such metering equipment whenever requested by the Seller 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 past twelve (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.

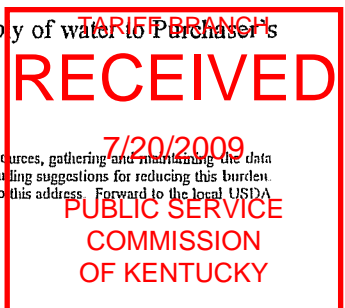
C. It is further mutually agreed between the Seller and the Purchaser as follows:

1. (Term of Contract) That this contract shall extend for a term of 45 years from the date of the initial delivery of any water as shown by the first bill submitted by the Seller to the Purchaser and, thereafter may be renewed or extended for such term, or terms, as may be agreed upon by the Seller and Purchaser.

2. (Delivery of Water) That 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) 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 trench filling the system of the Purchaser during construction.

4. (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.

5. (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 from time to time. Any increase or decrease in rates shall be based on a demonstrable increase or decrease in the costs of performance by the seller as indicated by a cost of service study utilizing any methodology generally acceptable in the potable water industry. No increase or decrease shall be effective unless agreed to by the parties hereto or approved by the Public Service Commission of the Commonwealth of Kentucky.

6. (Regulatory Agencies) That this contract is subject to such rules, regulations, or laws as may be applicable to similar agreements in the Commonwealth of Kentucky and the Seller and Purchaser will collaborate in obtaining such permits, certificates, or the like, as may be required to comply therewith.

7. (Miscellaneous) 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 Rural Development 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 Rural Development.

8. (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 and obligations of the Purchaser hereunder.

9. (Non-Discrimination) Without Regard to any other provision of this Water Purchase Contract, for the purpose of avoiding any aspect of illegal discrimination, it is mutually agreed by the Seller and the Purchaser that the Purchaser, in any event, shall not be charged a water rate lower than the water rate charged any other independent water district supplied by the City of North Middletown, Kentucky.

10. (Pledge) This contract is pledged to the Rural Utility Service as part of the security for a loan or loans that may be made to the Purchaser.

11. (Sale) The parties hereto are aware of, recognize, and have taken into account the potential sale of the Water Distribution System of Seller to Kentucky American Water Company, a Kentucky Corporation, which is a utility regulated by the Commonwealth of Kentucky Public Service Commission. Purchaser agrees to abide by all rules, regulations, tariffs, and other conditions relating to Seller's purchase of water from Kentucky American Water Company, and to agree to same if and when the Water Distribution System of Seller is transferred to Kentucky American Water Company.

12. (Successors in Interest) In the event that all or any part of the water works plant and facilities of Seller which are used in meeting its obligations under this Agreement are acquired by any other entity, then and in that event Seller shall be relieved of all its obligations hereunder and, in such event, this agreement shall be binding upon the successor entity making such acquisition.

13. (Disclaimer) It is understood and agreed between Purchaser and Seller that Seller does not, by this Agreement, undertake or contract to provide fire protection for those individuals, partnerships and corporations to whom Purchaser is going to sell water furnished by Seller. Purchaser acknowledges that it is fully aware that if its customers desire fire protection or sufficient quantities of water for fire extinguishment, that it must provide the same by the construction and maintenance of appropriate facilities to render such a service and protection.

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7/29/2009

PUBLIC SERVICE  
COMMISSION  
OF KENTUCKY

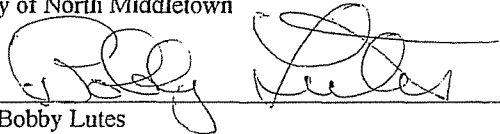
14. (Check Valves) Purchaser will install, at its sole expense, appropriately approved check valves which Purchaser must certify to Seller as approved, and which must be inspected by a certified plumber annually and certified in writing to Seller as then currently approved and properly working, all at the cost of Purchaser.

15. (Pressure) Seller shall endeavor to maintain a minimal water pressure of thirty (30) PSI at the metered connections for the maximum delivery rates specified under this agreement; however, Seller's obligation to supply water pursuant to this agreement is solely an obligation that it shall undertake to use reasonable care and diligence in order to prevent and avoid interruptions and fluctuations in the supply of water agreed to herein. Seller can not and does not guarantee, covenant or warrant that interruptions or fluctuations will not occur, or that because of emergencies due to breaks, leaks, defects, construction or necessary repair in its facilities, or caused by fires, strikes, acts of God, or other causes, there may not be periods during which the supply of water may be curtailed or interrupted. In the event of such interruptions or fluctuations, no liability of any nature shall be imposed upon Seller.

16. (Purchased Water Adjustment) Seller shall be allowed to "pass through" to Purchaser, all increases in price from its supplier, Kentucky American Water Company, and the parties agree that the provisions of 807 KAR 5:068, as now or may be in effect, (and if repealed, the most recent regulation governing the subject matter, unless replaced by another regulatory scheme, which shall then apply), "Purchased Water Adjustment for Water Districts and Water Associations" shall apply to this clause of this Agreement, and that Seller and any successor as set forth herein shall be determined to be, for purposes of that regulation, the Water District or Water Association as set forth therein.


In witness whereof, the parties hereto, acting under authority of their respective bodies, have caused this contract to be duly executed in two (2) counterparts, each of which shall constitute an original.

Seller:  
City of North Middletown

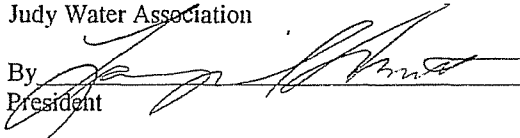
By   
Bobby Lutes

Title: Mayor

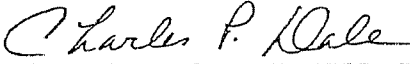
Attest:

  
Betsy Frazier, City Clerk

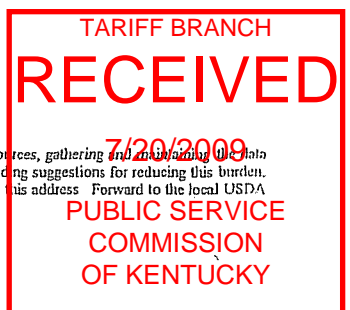
Purchaser:  
Judy Water Association

By   
President

Attest:

  
Secretary

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ADDENDUM A

TO WATER PURCHASE CONTRACT BETWEEN  
CITY OF NORTH MIDDLETOWN (HEREIN THE "SELLER") AND  
JUDY WATER ASSOCIATION, INC. (HEREIN THE "PURCHASER")

DATED THE \_\_\_ DAY OF OCTOBER, 1999

A. Delivery of Water. The quantity of water to not be exceeded, Two Million One Hundred Thousand (2,100,000) gallons per month, shall be delivered by Seller at the rate of Seventy Thousand (70,000) gallons per day, which per day figure shall be the agreed upon quantity of delivery subject to the provisions of subsection B hereunder, rather than the monthly figure.

B. Exceeding, Maximum Quantity of Water. If the maximum quantity of water per day or per month to be furnished hereunder is exceeded in any twenty four (24) hour period, or calendar month, respectively, the Seller shall have the option of:

- (1) Terminating the supply of water to the Purchaser at all delivery points for the remainder of the day or month in which the excess occurs; or
- (2) Purchaser shall be charged an "excess usage fee" equal to four (4x) times the current minimum (dollar amount on maximum quantity usage) per thousand gallon charge under the general water rate schedule of Seller in effect at the time.

C. Delivery Points. The points of delivery shall be at the following locations:

- (1) Master meter No. 1 shall be located approximately 2,500 feet north of the intersection of KY 627 and KY 57 on Highland Farms Property, and connect to an eight (8") inch line.
- (2) Master meter No. 2 shall be located approximately 2,000 feet southwest of the intersection of US 460 and Stoney Point Road on the Douglas Witt property, and connect to a six (6") inch line.
- (3) Master member No. 3 shall be located inside of the pump station, located on the North Middletown Elementary School property on KY 3364, and connect to a six (6") inch line.

The difference in the two (2) readings of master meter No. 1 and master meter No. 2 shall be added to the reading of master meter No. 3 for the total monthly bill. These readings must take place consecutively.

- (4) A conventional below grade concrete master meter vault will contain a compound meter, strainer, swing check valve, gate valves, and a bypass line for emergencies.

D. Water Pressure at Delivery Points. The water pressure at the delivery points shall be a minimum pressure of thirty (30) pounds per square inch (30 PSI) provided, however, that the obligation of the Seller to maintain this minimum pressure shall be specifically conditioned and contingent on the Purchaser having in existence, and maintaining at all times, a "finished" water storage capacity equal to at least twenty four (24) hours current consumption, in the aggregate, of the Purchaser.





E. Geographic Boundary of Service Area. The geographic boundary or area in which any water sold and supplied to the Purchaser by the Seller may be resold and/or furnished by the Purchaser to its customers, or anyone else, is specifically limited to only water users located on property which is adjacent to the Purchaser's waterline or across public roads in Montgomery and Bourbon Counties, Kentucky; this provision shall except those customers served by the City of North Middletown, or on property adjacent to or across public roads from the City of North Middletown lines in Bourbon County, Kentucky, which property shall have the option of service by the City of North Middletown or Judy Water.

Purchaser shall not sell or supply water supplied by Seller to users located anywhere outside of the above-described geographic area.

