

WATER PURCHASE CONTRACT

THIS CONTRACT for the sale and purchase of water is entered into this the 5 day of July, 1999, between the CITY OF PIKEVILLE, KENTUCKY, a municipal corporation of the third class, 117 College Street, P.O. Box 1228, Pikeville, Kentucky 41508-1228, hereinafter referred to as "Seller" and SANDY VALLEY WATER DISTRICT, Betsy Layne, Floyd County, Kentucky 41605, hereinafter referred to as "Purchaser,"

DEC 1999

WITNESSETH:

WHEREAS, the Purchaser is organized and established under the provisions of the Revised Statutes of the Commonwealth of Kentucky 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 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 as shown in the plans of the system now on file in the office of the Purchaser, and

WHEREAS, by resolution enacted on the 28th day of June, 1999, the Seller, approved the sale of water to the Purchaser in accordance with the provisions of this Water Purchase Contract, and the execution of this Water Purchase Contract was authorized by the Mayor of the City of Pikeville and to be attested by the City Clerk, and

WHEREAS, by resolution of the Board of Commissioners of the Purchaser adopted on the 5 day of July, 1999, the Purchaser approved the purchase of water from the Seller in accordance with the terms set forth in this Water Purchase Contract and the execution was authorized by the Chairman of the Board of Commissioners and to be attested by the Secretary,

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained hereinafter, the parties hereto do hereby agree as follows:

DEC 20 1999

A. The Seller Agrees:

1. (Quality and Quantity) To furnish the Purchaser at the point of delivery hereinafter specified, during the term of this Water Purchase Contract or any renewal or extension thereof, potable treated water meeting applicable purity standards of the Division of Water, Natural Resources and Environmental Protection Cabinet of the Commonwealth of Kentucky, in such quantity as may be required by the Purchaser not to exceed 27,000,000 gallons per month.
2. (Point of Delivery and Pressure) That water will be furnished at a reasonably constant pressure calculated at 89 pounds per square inch from an existing twelve (12) inch main supplied at a point located on the Old Airport Road near the entrance to the former airport. 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 the 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 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 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 the Seller and Purchaser shall agree upon a different amount. The metering equipment shall be read on or about the first (1st) of the month. An appropriate official of the Purchaser at all reasonable times shall 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 first (1st) day of the following month 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 last day of each month, for water delivered at the rate of \$1.69 per 1,000 gallons of water.

C. It is further mutually agreed between the Seller and Purchaser as follows: DEC 20 1999

1. (Term of Contract) This Contract shall extend for a term of forty-five (45) years from the date hereof and may be renewed or extended for such term, or terms, as may then be agreed upon by the Seller and the Purchaser.
2. (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.
3. (Modification of Contract) The provisions of this Contract pertain 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 upon a demonstrable increase or decrease in the costs of performance of the Seller and shall be justified by any ratemaking methodology commonly used in the water industry and only as approved by the Public Service Commission of the Commonwealth of Kentucky.
4. (Regulatory Agencies) That this Contract is subject to the rules, regulations and laws of the Public Service Commission of the Commonwealth of Kentucky and the Seller and the Purchaser will collaborate in obtaining such permits or certificates as may be required to comply herewith.
5. (Miscellaneous) That the construction of the water supply distribution system by the Purchaser has been and will continue to be financed by a loan made or insured by, and/or a grant from, the United States of America, acting through the United States Department of Agriculture, and the provisions hereof pertaining to the undertakings by the Purchaser are conditioned upon the approval, in writing, of the appropriate authorized official of the United States Department of Agriculture.
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 hereto, acting under the authority of their respective governing bodies, have caused this Water Purchase Contract to be executed in three (3) counterparts, each of which shall constitute an original.

SELLER:

CITY OF PIKEVILLE, KENTUCKY

BY: Frank M. Morris
Mayor

ATTEST:

Karen H. Harris
City Clerk

DEC 21 1999

PURCHASER:

SANDY VALLEY WATER DISTRICT

BY: E. W. Shuler
Chairman of the Board

ATTEST:

Joseph L. Jacobs
Secretary

This Contract is approved on behalf of the United States Department of Agricultural this the ___ day of _____, 1999.

BY: _____
Title: _____