

WINCHESTER MUNICIPAL UTILITIES COMMISSION
and
KENTUCKY AMERICAN WATER COMPANY

WATER PURCHASE AGREEMENT

THIS WATER PURCHASE AGREEMENT (herein after referred to as "Agreement"), made and entered into this 15th day of JUNE, 2001, by and between the **WINCHESTER MUNICIPAL UTILITIES COMMISSION** (hereinafter referred to as "WMU"), and **KENTUCKY AMERICAN WATER COMPANY** (hereinafter referred to as "KAWC");

WITNESSETH:

WHEREAS, WMU has in operation a water treatment, transmission and distribution system supplying water to customers both within and without the corporate limits of the City of Winchester, and

WHEREAS, by contract dated October 13, 1981 the Boonesboro Water Association heretofore agreed to purchase water from WMU for the purpose of supplying its customers in southeastern and western Clark County, and

WHEREAS, by purchase of the assets of the Boonesboro Water Association in 1997, the obligations of Boonesboro Water Association in the contract between WMU and Boonesboro Water Association were assumed by KAWC, and

WHEREAS, KAWC has continued to purchase water from WMU since the acquisition of the assets of Boonesboro Water Association for the purpose of supplying all of its Clark County Customers, and



WHEREAS, KAWC has advised WMU of its desire to continue purchasing water from WMU as a cost-effective means of serving only a portion of its Clark County customers, and

WHEREAS, WMU desires to sell KAWC potable water per the terms of this new Agreement;

NOW, THEREFORE, in consideration of the premises and the covenants and agreements hereinbelow contained, the parties agree and bind themselves as follows:

1. Termination of Prior Agreement. The Water Purchase Agreement heretofore entered into by and between the parties and dated October 13, 1981, will terminate according to its terms on October 13, 2001.

2. WMU to be Exclusive Supplier. KAWC herewith agrees to purchase all of its water requirements for the area defined by this Agreement from WMU during the term of this Agreement, subject to the maximum provided for in Paragraph 6 below, and WMU shall be KAWC's exclusive supplier for the area defined by this Agreement.

3. KAWC Territory. KAWC has and shall retain the right to provide water service to all of those areas of southeastern Clark County as marked on the map attached hereto as Exhibit "A" and identified as "KAWC Service Territory", and the description attached hereto as Exhibit "B". Should there be any discrepancy between the map and the engineer's description, the engineer's description (Exhibit "B") shall control. With respect to this defined Service Territory, KAWC agrees that it will not extend or expand its service beyond this defined Service Territory using water purchased from WMU under this Agreement.



4. Effective Date and Term of Agreement. This Agreement shall become effective October 13, 2001 and shall remain in force and effect for a period of twenty (20) years thereafter; provided, however, that KAWC shall have the right to renew and extend this Agreement for an additional period of twenty (20) years if it so desires, upon written notice to WMU at least two (2) years prior the expiration of the first twenty-year term.

5. Quantity of Water to be Supplied. WMU hereby agrees to sell and deliver to KAWC up to 60,000 gallons per day as a peak day capacity allocation.

6. Request for Additional Capacity. WMU and KAWC hereby acknowledge and agree that the quantity of water allocated in Paragraph 6 of this Agreement was determined by KAWC and agreed upon by WMU. Both parties agree that in the future should KAWC require an additional quantity of water to serve growth, a request will be made in writing to WMU and that WMU will consider the request through the normal business routine as WMU would consider for approval a request for capacity from any customer. Increases in the quantity of water to be supplied to KAWC, upon approval by WMU in the normal course of business, will be noted in the meeting minutes of the WMU Commission and will be appended to this Agreement.

7. Compensation. KAWC shall compensate WMU for water furnished under this Agreement at the then current cost of service volumetric rate as approved by the Winchester Municipal Utilities Commission and as ordained by the City of Winchester Board of Commissioners, the current schedule of rates being attached to this Agreement as Exhibit "C". The rate shall reflect the cost of providing service and shall



be subject to increase or decrease by the city of Winchester in its reasonable discretion from time to time and subject to the jurisdiction of the Kentucky Public Service Commission if applicable under Kentucky law.

KAWC agrees that should the peak day capacity allocated in Paragraph 6 of this Agreement be exceeded on any singular day, KAWC will pay WMU a surcharge of 25% of the rate then in effect for the entire quantity above the peak day capacity allocation payable with the regular monthly bill.

8. Metering. Water delivered to KAWC by WMU shall be measured by two master meters to be placed at a location agreed upon between the parties. The meters shall be owned and maintained by WMU. The meters shall be examined and tested at least once every ^{four (4)} ~~five (5)~~ years. KAWC shall have the right to test the meters upon seven (7) days written notice to WMU. A replacement meter(s) shall be provided by WMU during all testing. In the event a test shows that the meter(s) is not accurate, it shall be repaired or replaced by WMU so as to render it accurate within a range of 98.5% to 101.5%, and an adjustment shall be made to the charges based upon test results and upon the average monthly charges during the preceding three (3) month period.

For billing purposes related to surcharges, the master meter will be read each day by WMU. WMU will notify KAWC within one business day each time that the peak day capacity allocation has been exceeded. Billing will be based on a monthly frequency and shall include any surcharges for exceeding peak day capacity incurred during the billing period.

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9. Terms and Conditions of Service. Subject to the provisions of this Agreement, KAWC hereby agrees and binds itself to abide by all ordinances, rules and regulations of the city of Winchester and WMU as may be applicable to other WMU customers; to pay all charges and delinquent penalties, if any; to be subject to termination for nonpayment of charges; and otherwise to receive the water service in the same manner and under the same terms and conditions as other customers of WMU.

10. Limits of Obligations and Liabilities of WMU. WMU hereby agrees to supply and deliver the quantity of water to KAWC as herein set forth, and WMU expressly limits and restricts the providing of such service with the understanding that WMU shall only be required to use reasonable attention, care and diligence in the operation and maintenance of its system to prevent and avoid any unnecessary interruptions and fluctuations in the supply of water. WMU does not represent or guarantee that interruptions or fluctuations will not happen or occur, and due to conditions which may be brought about or emergencies which may be caused by breaks, leaks, defects, repairs, extensions, enlargements, or demands upon the system, or by fire, floods, strikes, acts of God, or other unforeseen causes. There may be times and occasions when the quantity or supply of water may be diminished or interrupted, and there shall be no obligation or requirement upon WMU to deliver or provide the water to be supplied at any specific pressure or flow other than the laws and regulations of the Division of Water. KAWC hereby agrees to hold WMU harmless from



any and all liability incurred as a result of WMU's furnishing, or its reasonable failure to furnish, any particular quantity or pressure of water under the Agreement.

11. Water Shortages. It is agreed, that in cases of shortage of supply, all customers and users of both WMU and KAWC shall share the shortage proportionately and WMU will not discriminate against KAWC under such circumstances. In such cases of shortage, KAWC agrees to the terms and conditions of the WMU Emergency Water Conservation Program in addition to any other curtailment or restriction that KAWC may desire to implement.

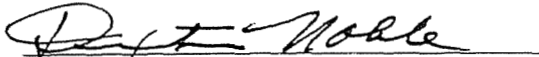
12. Restriction Against Resale of Water by KAWC. KAWC shall not resell any water provided it under this Agreement outside the limits of the territory as described on Exhibits A and B attached.

13. Parties Bound. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. This Agreement shall not be assigned by either party without the written consent of the other party, which consent shall not be unreasonably withheld; provided, however, in all events, each and every provision of this Agreement shall be binding upon a successor-in-interest who shall be exclusively responsible for the performance of the terms of this Agreement to be performed by either party hereunder.



IN TESTIMONY WHEREOF, this Agreement has been executed by the appropriately authorized representatives of the parties, to take effect on the day and year first above written.

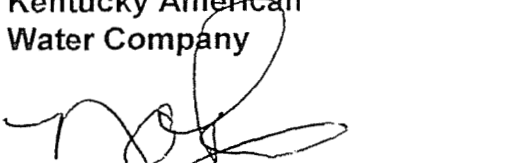
**Winchester Municipal
Utilities Commission**



Dexter Noble
Chairman

Attest: Marianno Watts

**Kentucky American
Water Company**



Nick Rowe
Vice President

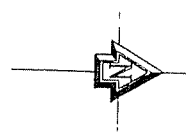
Attest: Howard Melby, Secretary



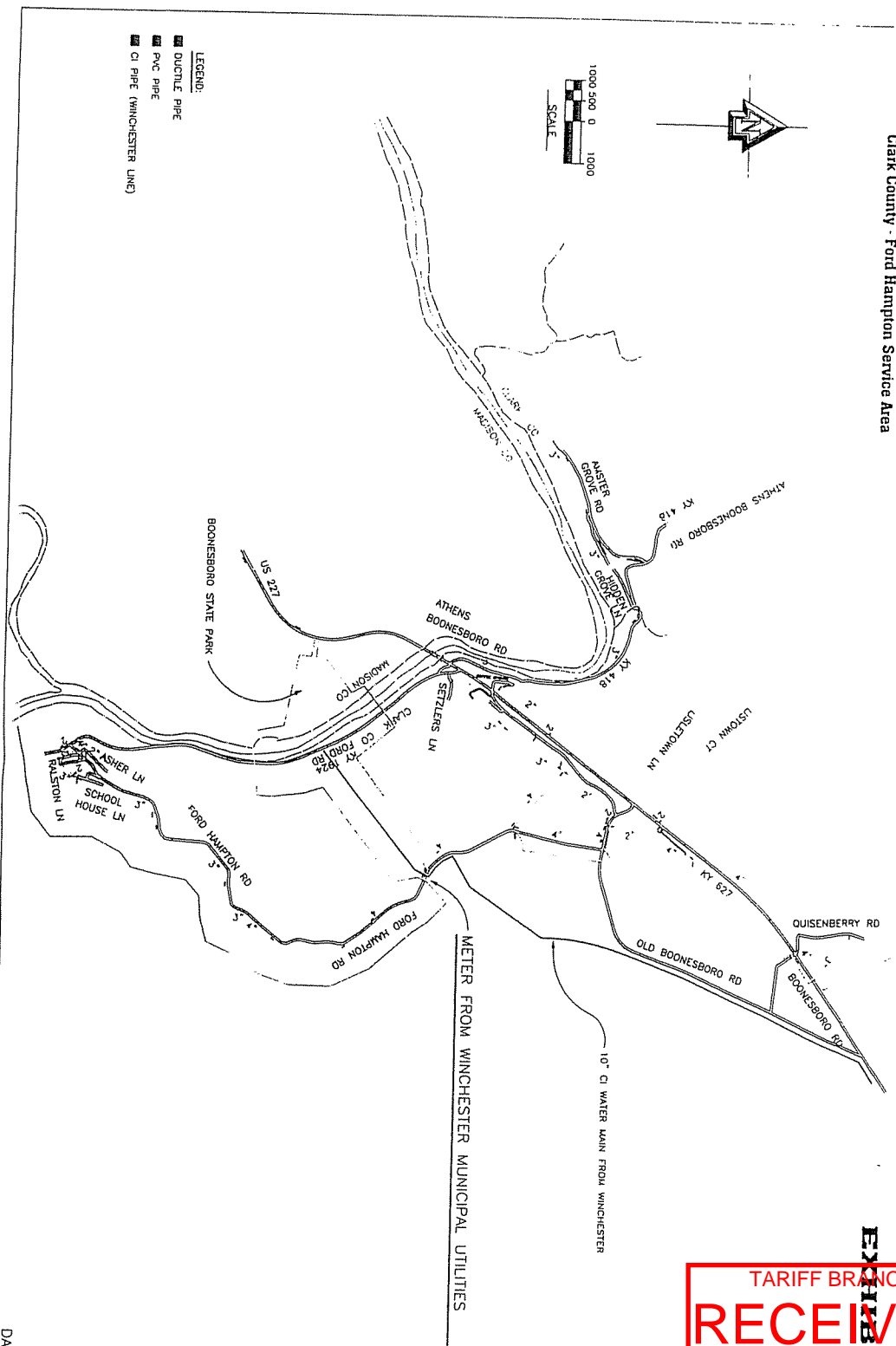


Kentucky-American Water Company

Clark County - Ford Hampton Service Area



- LEGEND:
- DUCTILE PIPE
 - PVC PIPE
 - CI PIPE (WINCHESTER LINE)



DATE : 4-24-01

TARIFF BRANCH
RECEIVED
 5/29/2008
 PUBLIC SERVICE
 COMMISSION
 OF KENTUCKY

EXHIBIT B

The Kentucky American Water Company Service Territory, defined by drawing in Exhibit A, is defined in words as:

Beginning at a point on Amster Grove Road, 0.63 miles west of the intersection of KY 418, including properties fronting on Amster Grove Road and Hidden Grove Lane; and

Along KY 418 in a southwesterly direction from a point 0.24 miles northwest of the intersection of Amster Grove Road and KY 418 including properties fronting KY 418 to the intersection of KY 627; and

Along KY 627 in a northeasterly direction from the intersection of KY 1924 to the intersection of Quisenberry Lane, a distance of 2.01 miles, including properties fronting this reach of KY 627, and including properties fronting Coffee Springs Lane, Lisletown Lane, Lisletown Court, and Lisletown Trail, and including properties fronting Quisenberry Lane northwest of KY 627; And including properties fronting the northwest side of KY 627 a distance of 0.16 miles northeast from the intersection of Quisenberry Lane and KY 627. Excluded from this territory are 464 (Ballard) and 607 (Quisenberry) Quisenberry Lane and properties fronting Quisenberry Lane southeast of KY 627, including the Brenda Faye Harris and James Hunter Davis properties; and

Along Old Boonesboro Road, from the intersection of KY 627, this intersection being 0.19 miles north of the Kentucky River Bridge, to the intersection of the Ford Hampton Road, including all properties fronting this reach of Old Boonesboro Road; Included in this reach will be properties up to and including 7569 and 7522 Old Boonesboro Road and properties fronting the reach of Old Boonesboro Road from the intersection of KY 627 to the intersection of the Ford Hampton Road, said intersection being 0.99 miles from the Kentucky River Bridge; Excluded from this territory are 7466 and 7453 Old Boonesboro Road and all properties east and northeast of 7466 and 7453 Old Boonesboro Road.

Along the Ford Hampton Road, from the intersection of the Old Boonesboro Road to KY 1924, all properties fronting the Ford Hampton Road excluding the 520 Ford Hampton Rd (Horsemen), 1163 Ford Hampton Rd (Nickels), 7805 Old Boonesboro Rd (Shearer), 1297 Ford Hampton Rd (Fields), and 405 Nick Lane (Moore) properties; and

All properties fronting Asher Lane, School House Lane, and Ralston Lane; and

All properties fronting KY 1924 from the intersection of the Ford Hampton Road to the intersection of KY 627 excluding those properties fronting KY 1924 between and including 1501 Ford Road (KY1924, Davis Boat Dock and



Restaurant) to 700 Ford Road (KY 1924, Bananas Restaurant), a distance of 0.72 miles.

All existing customers of either Kentucky American Water Company or Winchester Municipal Utilities or customers created as the result of any subdivision of the properties as defined in this agreement will remain customers of that utility unless transfer is by mutual agreement of both Kentucky American Water Company and Winchester Municipal Utilities.



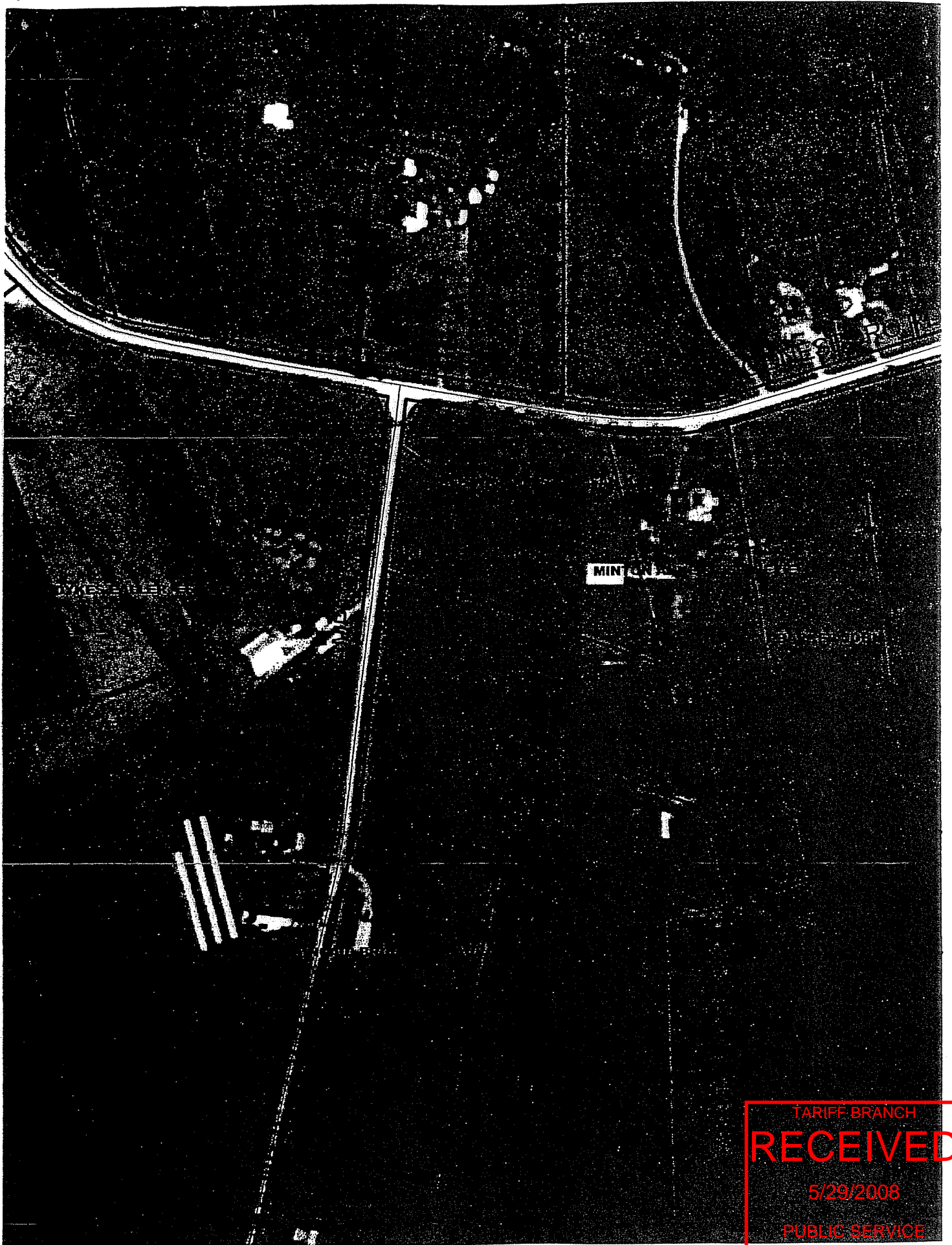
Attachment C: Schedule of Rates

| Cubic Feet Consumed | Rate Expressed in Dollars per 100 Cubic Foot Usage | | | |
|---------------------|--|------------------------|------------------------|------------------------|
| | Current Rates | Effective June 1, 2001 | Effective June 1, 2002 | Effective June 1, 2003 |
| First 100 | \$4.06 | \$4.27 | \$4.32 | \$4.37 |
| Next 400 | \$3.01 | \$3.17 | \$3.21 | \$3.24 |
| Next 1,500 | \$2.82 | \$2.96 | \$3.00 | \$3.03 |
| Next 15,000 | \$2.68 | \$2.82 | \$2.86 | \$2.88 |
| Next 333,000 | \$2.04 | \$2.14 | \$2.16 | \$2.19 |
| Over 350,000 | \$1.44 | \$1.51 | \$1.53 | \$1.54 |

Notes:

Rates shown are as approved by the WMU and City Commissions, December 1999. Rates are subject to increase or decrease in the reasonable discretion of the City of Winchester from time to time and subject to the jurisdiction of the Kentucky Public Service Commission if applicable under Kentucky law.





MINERAL

TARIFF BRANCH
RECEIVED
5/29/2008
PUBLIC SERVICE
COMMISSION
OF KENTUCKY