

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the 28th day of April, 1983, between the HARDIN COUNTY WATER DISTRICT #1, Lincoln Trail Boulevard, Radcliff, Kentucky 40160, hereinafter referred to as the "Seller" and the HARDIN COUNTY WATER DISTRICT #2, P. O. Box 66, Elizabethtown, Kentucky 42701, hereinafter referred to as the "Purchaser",

WITNESSETH:

Whereas, the Purchaser is organized and established under the provisions of Chapters 74 and 106 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 currently 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, the Resolution No. 1 enacted on the 28th day of April, 1983, by the Seller, the sale of water to the Purchaser in accordance with the provisions of the said Resolution was approved, and the execution of this contract carrying out the said Resolution by the Chairman, and attested by the Secretary, was duly authorized, and

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Whereas, by Resolution of the Board of Commissioners of the Purchaser, enacted on the 28th day of April, 1983, the purchase of water from the Seller in accordance with the terms set forth in the said Resolution was approved, and the execution of this contract by the Hardin County Water District #2, and attested by the Secretary was duly authorized;

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 points 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 Kentucky Department for Natural Resources and Environmental Protection, Division of Water, in such quantity as may be required by the Purchaser not to exceed 50,000,000 gallons per month at the existing, Longview connection hereinafter described in A.2.a. from the date of this Water Purchase Contract until the delivery of water by the Seller to the Purchaser at the Franklin Crossroads connection hereinafter described in A.2.b., at which time the quantity shall not exceed 45,000,000 gallons per month at the Longview connection and shall not exceed 25,000,000 gallons per month at the Franklin Crossroads connection or 70,000,000 gallons per month in total. The delivery requirements herein are subject to Section C-10 of this contract.

2. (Points of Delivery and Pressure) That water will be furnished at a reasonably constant pressure at the following points of delivery. If a greater pressure than that normally available at the points 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

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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.

a. (Longview Connection) That water will be furnished at a reasonably constant pressure calculated at 15 psi from an existing 12-inch main supply at a point located 100 feet North of Kentucky Highway 434 at the right-of-way at U.S. 31-W.

b. (Franklin Crossroads Connection) That water will be furnished at a reasonably constant pressure calculated at 30 psi from an existing 10-inch main supply at a point located at the intersection of Kentucky Highways 86 and 1375.

3. (Metering Equipment) 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 of 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 three (3) 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. The metering equipment shall be read on the 20th day of each month.

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An appropriate official of the Purchaser at all reasonable times shall have 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 10th day of each month, with 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 15th day of each month, for water delivered under the terms of this contract at a rate of \$.70 per 1,000 gallons; subject to the modification terms as set forth in Section C-5 of this Contract.

2. (Connection Fee) To pay as an agreed cost, a connection fee to connect the Sellers system with the system of the Purchaser an amount equal to the actual cost of such connection borne by the Seller.

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 40 years from the first of the following occurrences:

a. The date of the initial delivery of any water at the Franklin Crossroads connection;

b. Two (2) years following the date of this agreement.

Thereafter the contract may be renewed or extended for such term, or terms, as may be agreed upon by the Seller and Purchaser in writing.

2. (Delivery of Water) That 10 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.

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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, irrespective of whether the metering equipment has been installed at that time, at a flat charge of the then prevailing rate under this contract which will be paid by the Contractor or, on his failure to pay, by the Purchaser.

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) For purposes of this contract the rate year shall be from November 20 - November 19th of the following calendar year, except that the initial rate year shall be from May 20, 1983 through November 19, 1983. The cost year shall be the cost determined by Seller's last fiscal year audit preceding November 20th of the rate year in question. The provisions of this contract pertaining to the schedule of rates to be paid by the Purchaser for water delivered are subject to modification at the end of each rate year. Any increase or decrease in rates

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shall be based on a demonstrable increase or decrease in the cost of performance hereunder, but such cost shall not include increased capitalization of the Seller's system unrelated to performance hereunder. The attached formula shall be used to demonstrate the Seller's cost of performance hereunder. Item 1 through 16 of the attached formula shall be based upon the Seller's actual cost of performance as determined by the cost year. Item 17 shall not increase or decrease without a written agreement between these parties. The amount of Item 17 is based upon the maximum quantity of water to be provided by the Seller as described in Section A-1. Should the maximum quantity of water be increased or decreased by subsequent written agreement, the amount of Item 17 shall increase or decrease by the same percentage. Said formula is incorporated herein as if fully set out.

6. (Regulatory Agencies) That this contract is subject to such rules, regulations, or laws as may be applicable to similar agreements in this State 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 the Farmers Home Administration 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 the Farmers Home Administration.

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 of the Purchaser hereunder.

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9. (Pledge) For and in consideration of the agreement of Farmers Home Administration loan for certain water system improvements in Hardin County, the applicant by executing this document does hereby pledge such document to the United States of America acting through the Farmers Home Administration as part of the security for a loan.

10. The first month that the quantity of water delivered by Seller to Purchaser is 25,000,000 gallons or less (or Section C-11 is invoked), the requirements of Section A-1 shall cease. From and including said month, Seller shall be required to make 25,000,000 gallons available each month for a period of one (1) year. Purchaser shall pay for 25,000,000 gallons per month for one (1) year, whether delivery is accepted or not. Each year thereafter the amount Seller shall have available for Purchaser and which Purchaser shall pay for, whether or not delivery is accepted, shall be reduced by 2,500,000 gallons per month. At the end of ten (10) years, from and including the first month the quantity of water delivered by Seller to Purchaser is 25,000,000 gallons or less, this contract will terminate.

11. The Seller and the Purchaser agree that with the growing communities and increasing demands for additional water, the Purchaser needs to obtain another source of water supply. Therefore, on or before the time the purchaser is accepting delivery of 60,000,000 gallons per month from all of Purchaser's water sources, including Seller, the Purchaser will begin to seek another source of water supply so that the project or projects needed to obtain the additional or other source of water will be completed and in use by the time the Purchaser reaches a demand of 70,000,000 gallons per month from all of Purchaser's water sources, including Seller. Seller's obligations, other than Section C-10 above, under this contract shall cease on the first of the following occurrences:

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(a) the Purchaser obtains and/or constructs another source of water or additional sources of water which has been placed in operation and/or use by Purchaser; (b) one (1) year following the end of a month in which Purchaser first accepts delivery to purchaser of 70,000,000 gallons of water from all of its water sources, including Seller. Upon the first of these occurrences, the provisions of Section C-10 shall apply.

12. This contract is the entire agreement between the parties and may not be modified except by written agreement of the parties.

IN WITNESS WHEREOF, the parties hereto, acting under authority of their respective governing bodies, have caused this contract to be duly executed in four (4) counterparts, each of which shall constitute an original.

SELLER:

HARDIN COUNTY WATER DISTRICT #1

BY: Bernie Sears

TITLE: Chairman

ATTEST:

Henry D. Waldman
SECRETARY

PURCHASER:

HARDIN COUNTY WATER DISTRICT #2

BY: Francis Reun

TITLE: Chairman

ATTEST:

Burt Langley
SECRETARY

This contract is approved on behalf of the FARMERS HOME ADMINISTRATION
this 10th day of May, 19 83.

BY: Kendell L. Seaton
KENDELL L. SEATON
TITLE: State Director

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FORMULA

Hardin County Water District No. 1

Radcliff, Kentucky

For Fiscal Year September 1, 1981 to August 31, 1982

DESCRIPTION:

AMOUNT:

1.	Power Purchased	\$ 165,225.32
2.	Pumping Labor	41,872.76
3.	Well field repairs	6,261.94
4.	Pumping repairs and expense	6,190.27
5.	Purification supplies and expense	68,775.54
6.	Water plant repairs and expense	1,970.91
7.	Purification repairs and expense	3,880.14
8.	Other repairs	2,472.59
9.	Truck expense	5,843.09
10.	Managers salary	9,504.00
11.	Insurance	2,253.68
12.	Retirement fund expense	1,058.64
13.	Social Security tax	5,843.73
14.	Other employee benefits	9,717.77
15.	General and administrative	3,053.25
16.	Other production expense	603.49
17.	Debt service	<u>333,800.00</u>
	TOTAL PRODUCTION COST	\$668,327.12
	TOTAL PRODUCTION COST (above)	\$668,327.12
	TOTAL GALLONS PRODUCED	954,704,200
	COST PER 1,000 GALLONS	.70¢