

February 7, 1984

#0.87

USDA-FHA
Form FHA 442-30
(Rev. 4-19-72)

Position 3

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the _____ day of _____,

83, between the City of Brandenburg

(Address)

hereinafter referred to as the "Seller" and the Meade County Water District

(Address)

hereinafter referred to as the "Purchaser",

WITNESSETH:

Whereas, the Purchaser is organized and established under the provisions of Chapter 74 of the ~~Code~~ 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, by ordinance No. 239 enacted on the 10th day of JANUARY, 19 89, by the Seller, the sale of water to the Purchaser in accordance with the provisions of the said ordinance was approved, and the execution of this contract carrying out the said ordinance by the Mayor and attested by the Secretary, was duly authorized, and

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PURSUANT TO 807 KAR 5:011,
SECTION 9(1)

Whereas, by resolution of the Commission of the Purchaser, enacted on the 7th day of February, 19 84,

BY: Jordan C. Smith
FOR THE PURCHASER, 19 84

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 Chairman George W. Thomas, 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. (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 Commonwealth of Kentucky

in such quantity as may be required by the Purchaser not to exceed 3,000,000 gallons per month.

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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 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, irrespective of whether the metering equipment has been installed at that time, at a

flat charge of \$ 0.87/1000 gal. 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) 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 at the end of every one year period. Any increase or decrease in rates shall be based on a demonstrable increase or decrease in the costs of performance hereunder, but such costs shall not include increased capitalization of the Seller's system. Other provisions of this contract may be modified or altered by mutual agreement. The calculation of the costs of performance shall be based on the

Computation of Water Rates, attached hereto as Attachment "A".
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.

9. (Pledge of Contract) This contract is pledged to the Farmers Home Administration as part of the security for a loan to be made by the Farmers Home Administration to the purchaser.

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SECTION 9 (1)

BY: Jordan A. Paul
FOR THE PUBLIC SERVICE COMMISSION

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

Seller:

City of Brandenburg

By W. Scotty Applegate

Title Mayor

Attest: Jo Anne Haley
Secretary

Purchaser:

Meade County Water District

By George W. Thompson

Title Chairman

Attest: William H. E. Donnell
Secretary

This contract is approved on behalf of the Farmers Home Administration this _____ day of _____,

19 _____.

By _____

Title _____

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SECTION 9 (1)

BY: Jordan C. Reed
FOR THE PUBLIC SERVICE COMMISSION

ATTACHMENT "A"
 COMPUTATION OF WATER RATES

I. Estimated Water Consumption:

	<u>Gallons per Day</u>	<u>Percent of Production</u>
City of Brandenburg	265,000	78%
Meade County Water District	75,000	22%
	<u>340,000</u>	<u>100%</u>

Water District Consumption per year: 23,375,000 gallons

II. Estimation of Salaries & Benefits:

1983 expenses to City of Brandenburg for salaries and benefits for water and sewer systems	\$72,000
Percent attributable to water system	X <u>66.7%</u>
Salaries and benefits attributable to water system	<u>\$48,000</u>

III. Estimation of Production Costs:

See Attached Sheet

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BY: Jordan C. Neal
 FOR THE PUBLIC SERVICE COMMISSION

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SECTION 9 (1)

BY: *James C. [Signature]*
FOR THE COMMISSION

III. Estimation of Production Costs

Item	Current Expenses, City of Brandenburg	Projected Expenses with Water District	Projected Costs City of Brandenburg	Projected Costs Water District
Salaries/ Benefits	48,000.00	\$ 58,560.00	\$ 48,911.00	\$ 9,649.00
Line Supplies	8,767.00	8,767.00	7,890.00	877.00
Plant Supplies	10,346.00	12,622.00	9,861.00	2,761.00
Office Expense	1,291.00	1,652.00	1,291.00	361.00
Utilities	19,494.00	25,011.00	19,494.00	5,517.00
Truck Expense	817.00	1,300.00	1,105.00	195.00
Insurance and Bonds	2,381.00	2,667.00	2,254.00	413.00
Telephone	247.00	247.00	209.00	38.00
Equipment Maintenance	1,715.00	1,887.00	1,472.00	415.00
Meter Repairs	2,889.00	2,889.00	2,889.00	.00
Professional Fees	2,076.00	2,076.00	1,754.00	322.00
Tank Maintenance	.00	1,500.00	1,170.00	330.00
Depreciation *	5,085.00	5,085.00	3,966.00	1,119.00
Principal & Interest #	5,459.00	5,459.00	4,258.00	1,201.00
Miscellaneous Expense	119.00	119.00	1,635.00	465.00
Corps of Engineers	1,635.00	2,100.00	92.00	27.00
TOTALS:	\$110,321.00	\$131,941.00	\$ 108,251.00	\$ 23,690.00

* Depreciation is based on 40 year life of plant and wells and 60 year life on the 250,000 gallon elevated storage tank. Straight line depreciation method was used with no salvage value.

Principal and interest is figured for 1963 bond issues on the tank and connecting lines.

Cost of added production of 75,000 gallons per day (27,300,000 gallons per year) for the Water District is \$23,690.00. The Water District therefore agrees to pay the City of Brandenburg 87 cents per 1000 gallons of water purchased

$$\left(\frac{\$23,690.00}{27,300 \text{ m}} = .868 \right)$$