

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into on November 17 2014 by and between the Shelbyville Municipal Water & Sewer Commission (hereinafter referred to as the "Commission") and North Shelby Water Company (hereinafter referred to as "North Shelby") and is hereinafter referred to as this "Contract."

WITNESSETH:

1. Quantity and Quality of Water. The Commission will sell to North Shelby potable treated water, meeting the applicable purity standards of the appropriate regulatory agency (presently the Kentucky Natural Resources Cabinet) in an amount not exceeding 15 million gallons per calendar month. There will not be any system development charge for this Contract. North Shelby agrees to purchase the following minimum amounts of water during the time intervals indicated:

- (a) 12 million gallons per year beginning January 1, 2015, and continuing until superseded by the next paragraph (b):
- (b) 24 million gallons per year beginning on January 1 immediately following the year during which North Shelby's new pump station, located at the end of Disciple Way near First Christian Church, and North Shelby's 12-inch water main beginning at Magnolia Place subdivision and extending to the intersection of Kentucky Highways 43 and 1005, are substantially completed. Substantially completed means a facility is sufficiently constructed that it is capable of being placed into service for its intended purpose, and continuing until superseded by the next paragraph (c):
- (c) 36 million gallons per year beginning on January 1 immediately following the year during which North Shelby completes construction of its planned transmission main extending from the intersection of Kentucky Highways 43 and 1005 to Bagdad, and continuing until superseded by the next paragraph (d):
- (d) 72 million gallons per year beginning on January 1 immediately following the year during which North Shelby completes construction of its Bagdad overhead water storage tank, and continuing until superseded by the next paragraph (e):
- (e) Beginning on January 1 of the first year that is twenty (20) years following the year during which North Shelby completes construction of its Bagdad overhead water storage tank, North Shelby will purchase from the Commission on a yearly basis (December to December meter reading date) an amount of water equal to 50% of the average amount of water purchased by North Shelby from the Commission during the immediate one year period.

**KENTUCKY
PUBLIC SERVICE COMMISSION**
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EXECUTIVE DIRECTOR
PARISH BRANCH

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Provided, however that the minimum purchase amounts specified in Paragraphs 1(b), 1(c), 1(d) and 1(e) above shall not become effective until the Commission converts its disinfection process from free chlorine to chloramine and the Commission's water main extension described in Paragraph 3 is substantially completed.

North Shelby represents in good faith that its current directors and management have the present intention to construct within a reasonable time the improvements described in paragraphs 1(c) and 1(d), subject to obtaining acceptable financing and any required regulatory approval.

2. Metering Points. The Commission will supply the current metering points on Smithfield and Benson Roads, plus a new location on the Melvin Moffett property located off Wedgewood Drive, Shelbyville, Kentucky.

3. Commission Water Main Extension. The Commission, at its expense, will extend an 8-inch water main from Wedgewood Drive to a point no more than 500 feet into the Melvin Moffett property to supply North Shelby's new metering point. This extension will be substantially completed at approximately the same time as North Shelby's project described in paragraph 1(b) is substantially completed.

4. New Meter Construction. North Shelby, at its expense, will construct, in accordance with the Commission's current specifications, the standard metering equipment including, but not limited to, a meter house or pit, bypass equipment, valves, strainers and meter testing ports, at the new meter location on the Melvin Moffett property.

5. Maintenance of Metering Equipment. The Commission will operate and maintain at its own expense the standard metering equipment to properly serve North Shelby. The Commission shall test and calibrate such metering equipment whenever requested by North Shelby, but not more frequently than once every 12 months. A meter whose test results are within 2% above or below the testing standards shall be deemed to be accurate. The previous reading of any meter disclosed by tests to be inaccurate shall be corrected for the six months previous to such tests in accordance with the percentage of inaccuracy found by such tests, with an appropriate refund or additional charge made. 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 time period of equal length immediately prior to the failure, unless the Commission and North Shelby shall agree to a different amount. North Shelby shall at all reasonable times have access to the meters for the purpose of independently reading the meters.

6. Failure to Deliver. The Commission will, at all times, operate and maintain its system in an efficient manner and will take such action as may be necessary to furnish North Shelby with quantities of water equal to 400 gallons per minute at each of the Smithfield and Benson meter locations, and 600 gallons per minute at the Disciple Way location. Temporary or partial failure 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 North Shelby is otherwise diminished over an extended period of time, the supply of water to North Shelby's

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customers shall be reduced or diminished in the same ratio or proportion as the supply to the Commission's customers is reduced or diminished, and North Shelby shall be relieved from the minimum purchase requirements set forth in Paragraph 1 of this Contract for the time during which the extended shortage of water continues. 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 Commission from this provision for such reasonable period of time as may be necessary to restore service.

7. Meter Reading Date. The metering equipment shall be read on the 19th day of each month with a bill based upon that reading submitted to North Shelby on the first day of the following month, or on such other regular day of the month chosen by the Commission with notice to North Shelby. North Shelby shall have at least 10 calendar days to pay a bill after the bill is mailed by the Commission to North Shelby. If the bill is not timely paid, North Shelby shall be subject to the same late fees which apply to the Commission's other customers. The Commission shall make the bill available to North Shelby by a mutually acceptable electronic method as soon as it is available.

8. Rates. The initial rate for water sold upon the effective date of this Contract shall be the same rate that North Shelby was obligated to pay pursuant to the contract between North Shelby and the Commission that this Contract replaces. North Shelby shall pay the Commission for water at the rates approved by the Commission, subject to the approval of the Kentucky Public Service Commission, in accordance with the following provisions: (a) when a change in the Commission's residential water rates is made, the rate to North Shelby shall also be adjusted, up or down, by the same percentage amount as the average change to the rates applicable to residents living within the Shelbyville city limits. (b) There shall be no adjustment in North Shelby's rates under this Contract other than those adjustments provided for in paragraph 8(a) herein, and (c) there will be a \$1.00 surcharge for each 1,000 gallons of water purchased by North Shelby over 15 million gallons during any calendar month.

9. Check Valve. North Shelby shall, at its expense, properly install, operate and maintain in good working condition a check valve at each master meter to prevent any reverse flow of water from North Shelby's system to the Commission's system.

10. Term of Contract. This Contract shall have a term of 42 years from the date of execution, which term shall automatically extend for one additional year on each anniversary of the execution of this Contract. Either party may give written notice to the other party prior to the anniversary of the execution that the term will no longer be automatically extended, after which notice these automatic extensions will no longer occur.

11. Disinfection System. Subject to obtaining acceptable financing from the Commission, will convert its disinfection process from free chlorine to chloramine.

12. Entire Agreement. This Contract replaces all previous or existing agreements between the Commission and North Shelby and constitutes the sole and entire agreement as to the sale and purchase of water between these parties, provided

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herein shall be deemed to affect the Commission's current practice of reading North Shelby water meters for the purpose of providing sewer service to North Shelby's customers.

13. Waiver. A waiver of any of the terms and conditions of this Contract shall not be construed as a general waiver by any party, and such party shall be free to reinstate any such term or condition, with or without notice to the other parties.

14. Headings. The headings in this Contract are for the convenience of the parties and are not to be construed as part of this contract.

15. Successors and Assigns. This Contract shall be binding upon the successors and assigns of the Commission and North Shelby.

16. Termination by North Shelby. In the event the Commission fails to abide by the terms and conditions of this Contract, then this Contract may be terminated by North Shelby prior to expiration upon 30 days prior written notice to the Commission provided, however, that this Contract shall not be terminated as long as the Commission has notified North Shelby in writing within this 30-day period of the actions which the Commission is taking to cure the Commission's default within a reasonable period of time, and the Commission is proceeding in good faith to expeditiously complete those actions and cure its default.

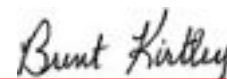
17. Termination by the Commission. In the event North Shelby fails to abide by the terms and conditions of this Contract, then this Contract may be terminated by the Commission prior to expiration upon 30 days prior written notice to North Shelby provided, however, that this Contract shall not be terminated as long as North Shelby has notified the Commission in writing within this 30-day period of the actions which North Shelby is taking to cure North Shelby's default within a reasonable period of time, and North Shelby is proceeding in good faith to expeditiously complete those actions and cure its default.

18. Effective Date. Notwithstanding the foregoing provisions, this Contract shall not take effect until it has been approved by the Kentucky Public Service Commission.

**KENTUCKY
PUBLIC SERVICE COMMISSION**

**JEFF R. DEROUEN
EXECUTIVE DIRECTOR**

TARIFF BRANCH



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IN WITNESS WHEREOF, the parties hereto have caused this Contract to be executed in duplicate by their proper officers thereunto duly authorized the day and year first above written.

SHELBYVILLE MUNICIPAL WATER AND SEWER COMMISSION

By: Thomas Hardesty

Title: Mayor of Shelbyville

NORTH SHELBY WATER COMPANY

By: Derry Kuble

Title: President

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH <i>Brent Kirtley</i>
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