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S T O L L | K E E N O N | & | P A R K | L L P

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300 WEST VINE STREET | SUITE 2100 | LEXINGTON, KENTUCKY 40507-1801  
(859) 231-3000 PHONE | (859) 253-1093 FAX | WWW.SKP.COM

LINDSEY W. INGRAM, JR.  
859-231-3033  
ingramjr@skp.com

March 3, 2004

Hon. Thomas Dorman  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

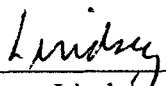
RE: Kentucky-American Water Company – Peaks Mill Water District

Dear Tom:

In conformity with 807 KAR 5:011 Section 13 I enclose a copy of an Agreement between Peaks Mills Water District and Kentucky-American Water Company dated December 19, 2003 for the purchase and sale of potable water.

Very truly yours,

STOLL, KEENON & PARK, LLP

By   
Lindsey Ingram, Jr.

LWI:dak  
Enclosure

cc: Linda C. Bridwell  
Herbert A. Miller, Esq.  
Thomas A. Marshall, Esq.

312\C:\Work\LWI\KAWC\2002-00018\037 Dorman.doc

**THIS AGREEMENT**, made and entered into this the 19<sup>th</sup> day of December, 2003, by and between Peaks Mill Water District, hereinafter referred to as "Customer," and KENTUCKY-AMERICAN WATER COMPANY, a Kentucky corporation with offices at 2300 Richmond Road, Lexington, Kentucky 40502, hereinafter referred to as "Company,"

**WITNESSETH:**

**WHEREAS**, Customer desires to purchase a supply of potable water from Company, and

**WHEREAS**, Company can meet the specific request of Customer,

**NOW, THEREFORE**, the parties hereto do hereby agree as follows:

1. From and after the 24<sup>th</sup> day of December, 2003, Customer shall have the right to purchase from Company, and Company shall be obligated to sell to Customer, an amount of potable water not to exceed 5,000 gallons in any twenty-four hour period. Customer hereby acknowledges that this quantity and flow is adequate for its present and future needs within the term of this contract, as determined and recommended by its consulting engineer.

2. Delivery of the water purchased by Customer and sold by Company shall be at point or points to be determined under the existing rules and regulations of Company as approved by the Public Service Commission of the Commonwealth of Kentucky and as the same may be changed from time to time. The total quantity of water purchased by Customer from all points shall not exceed the limitations of quantity and flow as set forth in the preceding paragraph. Company shall not be responsible for the quality of water purchased by Customer past the point or points of actual delivery as determined herein.

3. Customer acknowledges that Company will make an investment for the metering equipment and vault.

4. Customer shall pay for the quantity of water purchased by it and sold by Company at the approved and published tariffs of Company as the same may change from time to time and as approved by the Public Service Commission of the Commonwealth of Kentucky.

5. Customer must build, maintain and control such storage and transmission facilities as are necessary for it to meet any demands in excess of the quantities of water or rates of delivery herein agreed to be sold by Company. Company reserves the right to install such quantity and flow restrictive devices as will physically limit customer to the quantities and flows specified herein.

6. Customer will install, at its sole expense, appropriately approved backflow devices which Customer must certify to Company as approved and which must be inspected by a certified plumber annually and certified in writing to Company as then currently approved and property working, all at the cost of Customer.

7. In the event any type of water curtailment practice, procedure, regulation or law is utilized by Company or is imposed upon Company, Customer agrees to abide by all recommendations of Company and to institute such regulations, requirements, policies or laws as will restrict its customers in a fashion similar to all customers of the Company.

8. Company's obligation to supply water pursuant to this Agreement is solely an obligation that it shall undertake to use reasonable care and diligence in order to prevent and avoid interruptions and fluctuations in the supply of water agreed to herein. Company cannot and does not guarantee, covenant or warrant that interruptions and fluctuations will not occur, or that because of emergencies due to breaks, leaks, defects, construction or necessary repair in its facilities, or caused by fires, strikes, acts of God, or other causes, there may not be periods during which the supply of water may be curtailed or interrupted. In the event of such interruptions or fluctuations, no liability of any nature shall be imposed upon Company.

9. In the event all or any part of the waterworks plant and facilities of Company which are used in meeting its obligations under this Agreement are acquired by a municipal corporation or any other entity, then and in that event Company shall be relieved of all of its obligations hereunder and, in such event, this Agreement shall be binding upon the municipality or any other entity making such acquisition.

10. It is understood and agreed between Customer and Company that Company does not, by this Agreement, undertake or contract to provide fire protection for those individuals, partnerships and corporations to whom Customer is going to sell water furnished by Company. Customer acknowledges that it is fully aware that if its customers desire fire protection or sufficient quantities of water for fire extinguishment, that it must provide the same by the construction and maintenance of appropriate facilities to render such service and protection.

11. This Agreement shall terminate twenty (20) years after the date of execution hereof. Customer shall have the right to extend this Agreement for a term of 20 years beyond the original termination date by notifying Company in writing of its decision to do so prior to six months before the termination date of this Agreement.

12. Pursuant to 807 KAR 5:011(13), Company will file a copy of this executed contract with the Public Service Commission of the Commonwealth of Kentucky.

13. Customer may pledge this contract to further secure funding made to improve the water distribution system of Customer.

14. This Agreement constitutes the entire agreement of the parties and all prior conversations and writings are merged herein.

15. This Agreement shall be construed according to the laws of the Commonwealth of Kentucky.

The parties have executed this Agreement through their authorized representatives, as indicated by the signatures appearing below.

PEAKS MILL WATER DISTRICT

BY: Walbert Perkins 12-19-03

KENTUCKY-AMERICAN WATER COMPANY

BY: [Signature]



Ernie Fletcher  
Governor

LaJuana S. Wilcher  
Secretary

Commonwealth of Kentucky  
**Environmental and Public Protection Cabinet**  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460

March 15, 2004

Lindsey Ingram Jr.  
Stoll, Keenon & Park, LLP  
201 East Main Street  
Suite 1000  
Lexington, KY 40507-1380

RE: Filing No. **C 65-0311**  
Water Purchase Agreement with Peaks Mill Water District.

Dear Mr. Ingram:

The above referenced filing has been received and reviewed. An accepted copy is enclosed for your files.

Sincerely,

A handwritten signature in cursive script that reads "Dennis Brent Kirtley".

Dennis Brent Kirtley  
Tariff Review Branch Manager

Enclosure  
pan

RECEIVED

MAR 5 2004

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APR 04 2004

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

BY Chandra Rev 5/2/2003  
EXECUTIVE DIRECTOR

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PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

APR 04 2004

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

BY Chambers L. Dore  
EXECUTIVE DIRECTOR



9. In the event all or any part of the waterworks plant and facilities of Company which are used in meeting its obligations under this Agreement are acquired by a municipal corporation or any other entity, then and in that event Company shall be relieved of all of its obligations hereunder and, in such event, this Agreement shall be binding upon the municipality or any other entity making such acquisition.

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PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

APR 04 2004

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

BY Charles L. Dorn  
EXECUTIVE DIRECTOR  
REV 12/17/2003

The parties have executed this Agreement through their authorized representatives, as indicated by the signatures appearing below.

PEAKS MILL WATER DISTRICT

BY: Walbert Perkins 12-19-03

KENTUCKY-AMERICAN WATER COMPANY

BY: [Signature]

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

APR 04 2004

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

BY: [Signature]  
EXECUTIVE DIRECTOR