

SUPPLEMENTAL WATER PURCHASE CONTRACT

THIS SUPPLEMENTAL WATER PURCHASE AGREEMENT entered into this the 20th day of January, 2005, by and between HENRY COUNTY WATER DISTRICT #2, New Castle, Kentucky, party of the first part (hereinafter referred to as "Seller"), and the WEST CARROLL WATER DISTRICT, Carrollton, Kentucky 41008, party of the second part (hereinafter referred to as "Purchaser"),

WHEREAS the parties entered into a Water Purchase Contract (hereinafter "Contract") to provide water service dated February 24, 1974, that provides for the supply of water by the Seller to the Purchaser for a period of sixty (60) years from date; and,

WHEREAS the Purchaser has obtained a loan through United States of America, Department of Agriculture, Rural Economic Community Development for improvement and expansion of its water lines; and,

WHEREAS a condition of the loan is the availability of water to the Purchaser for the period of the loan which includes through December 31, 2045,

NOW THEREFORE, IT IS HEREBY AGREED BY AND BETWEEN THE PARTIES:

1. The Seller will supply water to the Purchaser for a period through and including December 31, 2045; and,
2. That the remaining terms and conditions of the parties' Contract remain in full force and effect.

Witness the signatures of the parties hereto on the date first above written.

HENRY COUNTY WATER DISTRICT #2

By: Merle Brewer
Chairperson

SELLER

WEST CARROLL WATER DISTRICT

By: Vickie Edwards
Vickie Edwards, Chairperson

PURCHASER

BERRY, FLOYD & BAXTER, P.S.C.
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John M. Berry, Jr.
D. Berry Baxter
Courtney T. Baxter

John M. Berry (1900-1991)

Of Counsel: D. K. Floyd

February 22, 2005

Ronald McMillan, Commission Chairman
West Carroll Water District (WCWD)
P. O. Box 269
Carrollton, KY 41008

Re: Water Purchase Contract/
Henry County Water District No. 2 (HCWD2)

Dear Mr. McMillan:

At the January meeting of the HCWD2 Board of Commissioners, Bill Osborne requested a time extension of the current WCWD purchase contract in order to comply with Rural Development funding requirements for the upcoming WCWD system improvement project. The HCWD2 Commissioners did not want to delay funding of the West Carroll project, and therefore agreed to extend the current contract without revising any of the terms and conditions. However Mr. Osborne was informed that a new WCWD purchase contract would be required which would increase the current 200,000 gallon monthly contract limit in order to accommodate actual usage plus a safety margin for future demands as projected by WCWD and its engineer.

In 2003, West Carroll's monthly purchases averaged about 639,000 gallons, and in 2004, about 653,000 gallons. Peak monthly usage in both years was about 780,000 gallons, almost four times the allowable contract maximum. These higher volumes and flowrates require more pressure from the HCWD system. The existing purchase contract states that if greater pressure is needed, "the cost of providing such greater pressure shall be borne by the Purchaser."

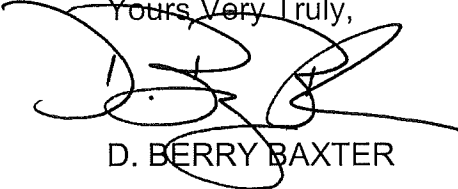
This principle is in keeping with HCWD2's policy toward its other wholesale purchasers. HCWD2 has required the City of Eminence to bear the cost of a larger line which was necessary to maintain pressures at the higher supply limits of a new purchase

D. Berry Baxter
Attorney at Law
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contract. Similarly the City of New Castle has borne the expense of a new tank constructed in the HCWD2 system in order to accommodate New Castle's increased demands.

We request that West Carroll have its engineer contact Tom Green at Tetra Tech, Inc. (859-223-8000) to provide an estimate of future WCWD requirements. Tetra Tech will perform a hydraulic analysis to determine the most cost-effective improvement to offset the new contract volumes, and WCWD will be required to bear the expense of this improvement as a prerequisite to its new purchase contract.

HCWD2 will provide water as needed by West Carroll during the upcoming six month grace period, while the limits of the new contract are agreed upon, the offsetting requirement is met, and the contract is executed. If you have questions, please contact me, Mr. Green or Mr. Simpson (COO, Henry County Water District #2).

Yours Very Truly,

D. BERRY BAXTER

cc: Bill Osborne, General Manager, WCWD
Merle Brewer, Commission Chairman, HCWD2
Gene Floyd, USDA Rural Development
Jimmy Simpson, Chief Operating Officer, HCWD2
Tom Green, Tetra Tech, Inc.

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WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the 21st day of February, 19 74, between the

hereinafter referred to as the "Seller" and the WEST CARROLL COUNTY WATER DISTRICT, of Carrollton, Carroll County, Kentucky 40008

hereinafter referred to as the "Purchaser",

WITNESSETH:

Chapter 74

Whereas, the Purchaser is organized and established under the provisions of Chapter 74 of the Code of Ky. 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 resolution No. _____ enacted on the 12th day of February, 19 74, 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 of the Board of Water and attested by the Secretary, was duly authorized; and

Whereas, by unanimous decision of the West Carroll County Water District of the Purchaser, enacted on the _____ day of _____, 19 74,

the purchase of water from the Seller in accordance with the terms set forth in the said purchase agreement was approved, and the execution of this contract by the chairman, 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 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 Kentucky State Board of Health

in such quantity as may be required by the Purchaser not to exceed 200,000 gallons per month.

Post-it® Fax Note	7671	Date	# of pages ▶
To	From		
Co./Dept.	Co. <u>H.C. #2</u>		
Phone #	Phone #		
Fax #	Fax #		

2. (Point of Delivery and Pressure) That water will be furnished at a reasonably constant pressure calculated

_____ from an existing FEAR (L) inch main supply at a point located _____

1 1/2 mile south of Covehill Church on Kentucky Highway #55

If a greater pressure than that normally available at the point 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 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.

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 for 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 12 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 1st day of month. 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 15th 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 30th day of each month, for water delivered in accordance with the following schedule of rates:

- a. \$ _____ for the first _____ gallons, which amount shall also be the minimum rate per month.
- b. \$ _____ cents per 1000 gallons for water in excess of _____ gallons but less than _____ gallons.
- c. \$ _____ cents per 1000 gallons for water in excess of _____ gallons.

.55 per thousand gallon, but to be altered and changed to the same rate as charged other municipalities and wholesale consumers when and if said wholesale rate is altered.

2. To furnish and install all necessary metering equipment, meter and meter pit with bypass in lieu of paying a connection fee to the seller.

2. (Connection Fee) To pay as an agreed cost, a connection fee to connect the Seller's system with the system of the Purchaser, the sum of _____ dollars which shall cover any and all costs of the Seller for installation of the metering equipment and (_____)

is further mutually agreed between Seller and the Purchaser as follows:

1. (Term of Contract) That this contract shall extend for a term of 60 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 \$ 200.00 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 as stated above

the Purchaser for water delivered are subject to modification at the end of every 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.

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). This contract is hereby pledged to the United States of America, acting through the Farmers Home Administration, as part of the security for a loan from the United States of America.

P.C.
[Signature]

W.R.
Id H M

In 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:

HENRY COUNTY WATER DISTRICT NO. 2

By Herbert McCoun

Herbert McCoun

Title Chairman

Attest:

Donald Heilman

Secretary

Donald Heilman

Purchaser:

WEST GARROLL CONCERN WATER DISTRICT

By Woodson Robertson

Woodson Robertson

Title _____

Attest:

Paul W. Robertson

Secretary

This contract is approved on behalf of the Farmers Home Administration this 2 day of December

19 74

By Lili T. Hoskins

Title Chief Community Programs