

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2008-00443

RECEIVED
JAN 10 2011
PUBLIC SERVICE
COMMISSION

IN RE: THE MATTER OF AN INVESTIGATION IN TO THE
ADEQUACY OF THE WATER SUPPLY OF
THE CITY OF SALYERSVILLE WATER DISTRICT

**RESPONSE BY MAGOFFIN COUNTY WATER
DISTRICT RELATING TO PUBLIC SERVICE COMMISSION
ORDER ENTERED NOVEMBER 30, 2010**


* * * * *

Comes now the Magoffin County Water District, by counsel, and in response to the Public Service Commission's Order entered November 30, 2010, files herewith a copy of 1) Chronological List of all actions taken by Magoffin Water District since February 2010; Reasons Paintsville Utilities could not supply test water; 3) Statement of Status of 460/Paintsville Interconnect Water Line Testing; 4) Results of Testing the 460/Paintsville Water line; 5) Minutes of the Magoffin County Water District on December 10, 2010 and Minutes of Special Meeting of Magoffin County Water District on January 6, 2011; 6) Magoffin County Water District Drought Mitigation Plan; 7) Map of Magoffin County Water District pipelines; 8) copy of letter from Public Service Commission dated July 3, 2008 accepting filing of Water Shortage Response Plan, Magoffin County Water District; 9) Agreement between Morgan County Water District and Magoffin County Water District dated November 8, 2010; 10) copy of letter from A. David Blankenship dated December 2, 2009 and attached Agreement of Paintsville Utilities Commission; 11) Consent and Release Agreement between Salyersville Water &

Sewer and Magoffin County Water District dated December 14, 2010; and 12) copy of Emergency Water Supply Agreement between Prestonsburg City's Utilities Commission and Magoffin County Water District dated March 22, 2010 and Consent and Release Agreement between Salyersville Water & Sewer and Magoffin County Water District dated March 26, 2010.

COLLINS & ALLEN
P. O. BOX 475
SALYERSVILLE, KY 41465
PHONE 606-349-1382
FAX 606-349-1322

BY:



GREGORY D. ALLEN

CERTIFICATE

This is to certify that a true and correct copy of the foregoing was this the 7th day of January, 2011, mailed postage prepaid to the following:

Hon. Gerald E. Wuetcher
Public Service Commission
211 Sower Blvd.
P. O. Box 615
Frankfort, KY 40601

Ms. Sandy Gruzsky
Division of Water
Energy and Environment Cabinet
200 Fair Oaks Lane, Fourth Floor
Frankfort, KY 40601

Hon. Mary Stephens
Office of General Counsel
200 Fair Oaks Lane, First Floor
Frankfort, KY 40601

DEP Division of Water
Frankfort Office Park
14 Reilly Road
Frankfort, KY 40601

Hon. John C. Collins
Collins & Allen
P. O. Box 475
Salyersville, KY 41465

Salyersville Water & Sewer
401 College Street
Salyersville, KY 41465


Billy J. Rowe, Sr.
HC 60, Box 255
Salyersville, KY 41465

Hon. A. David Blankenship
Blankenship Law Office
328 E. Court Street
Prestonsburg, KY 41653
Counsel for Paintsville Utilities Commission

Hon. David Edward Spenard
Assistant Attorney General
Office of the Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

the original to:

Public Service Commission
211 Sower Blvd.
P. O. Box 615
Frankfort, KY 40602-0615

A handwritten signature in cursive script, appearing to read "Gregory D. Allen", written in black ink. The signature is positioned above a horizontal line.

GREGORY D. ALLEN

CHRONOLOGICAL LIST OF ALL ACTIONS TAKEN
BY MAGOFFIN WATER DISTRICT SINCE FEBRUARY 2010

Master Meter Paintsville Line on 460 installed on 12/22/2010.

Water from Paintsville – started filling, sanitizing and testing on:

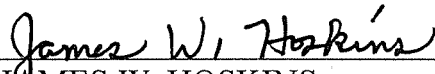
- 12/29/2010 - Received 14,000 gallon (Paintsville called and stopped us - their tank low on water supply)
- 12/30/2010 - No water available from Paintsville Utilities
- 12/31/2010 - No Water available from Paintsville Utilities
- 01/01/2011 - Saturday - Holiday
- 01/02/2011 - Sunday - off work
- 01/03/2011 - No water available from Paintsville Utilities

**Reasons Paintsville Utilities Could
Not Supply Test Water:**

- 1) Weather Conditions
- 2) Leaks in System
- 3) Tank low in Paintsville

**Statement of Status of 460/Paintsville
Interconnect Water Line Testing**

Based on the telephone conference conducted with the PSC on January 4, 2011, and pursuant to instructions from the Executive Director, Jeff Derouen, Magoffin County Water District was instructed to attempt to secure certificates that the 460/Paintsville Interconnect Water Line was fully functionable and tested. Superintendent, James W. Hoskins, contacted the Districts Engineers, Eddie Brown who indicated he could not “sign off” or certify that the line had been 100% filed and tested because the line had only been approximately 80-90% filed. However, based on my approximate 25 years of experience in the area of water distribution, I am confident that this line would be fully operable in an emergency situation in the event Paintsville Utilities can meet the District’s water demand.



JAMES W. HOSKINS
SUPERINTENDENT, MAGOFFIN
COUNTY WATER DISTRICT

Results of Testing the 460/Paintsville Water Line:

- Line filled by gravity as far as possible from Johnson County to a higher elevation. Pumps were turned on to push the water up line.
- Line filled by gravity as far as possible from Magoffin County side. About 80 to 90 percent of line filled. When notified by Paintsville Utilities they could not supply anymore water to test with at that time.

MINUTES

December 10, 2010

9:00 A.M.

Commissioners present were: Randall Hardin, Millow D. McCarty, Kenneth Auxier and Chester Howard. Absent: Randall Salyer. Others present were: Brenda Powers, Greg Allen, James Hoskins, Shirley Borders and 2 people who had submitted bids on the trucks.

Meeting was called to order by Randall Hardin. Millow Dean made a motion to approve the minutes of the last meeting. Kenneth seconded the motion. All voted Yea.

Shirley reported that our 2011 Budget has been approved by Rural Development.

All truck bids were opened by the Commissioners. Highest bid on truck No. 1 was David Ritchie - \$2,000, truck No. 2 Larry Shepherd - \$1,852 and truck No. 3 Paula McCarty - \$2,025. Randall Hardin made a motion to accept the highest bids. Kenneth seconded the motion. All voted Yea.

Randall Hardin made a motion to go into an executive session. Kenneth seconded the motion. All voted Yea.

Randall Hardin made a motion to return to the regular meeting. Chester seconded the motion. All voted Yea. Randall reported that they discussed legal issues in the executive session. No action was taken.

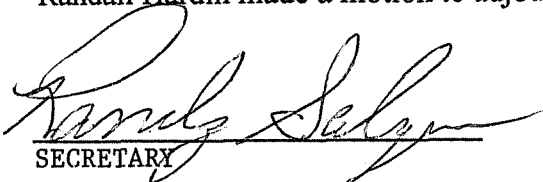
Water Shortage Response Plan was discussed. Jim gave each Commissioner a copy of water shortage response plan to review. A special meeting will be called to discuss the plan.

Jim said he had to get the Drought Mitigation Plan finished before they have the special meeting. He has someone from Kentucky Rural Water scheduled to be here Monday to help prepare the plan.

Brenda reported that we have some money left in the accounts. We can get more meters and supplies to close out the accounts. Randall Hardin made a motion to approve the purchase of some meters and supplies to close out the two accounts. Chester seconded the motion. All voted Yea.

Jim said work has been started on the booster station and 50% of the cost has been paid.

Randall Hardin made a motion to adjourn. Chester seconded the motion. All voted Yea.


SECRETARY

MAGOFFIN COUNTY WATER DISTRICT

P. O. BOX 490

SALYERSVILLE, KY 41465

PHONE 606-349-6812 OR 349-6814

Fax 606-349-6814

James W. Hoskins
Superintendent

A G E N D A

SPECIAL MEETING

JANUARY 6, 2011

9:00 A.M.

1. CALL MEETING TO ORDER
2. DISCUSS WATER SHORTAGE RESPONSE PLAN
3. ADOPT DROUGHT MIDIGATION PLAN
4. DISCUSS PAINTSVILLE LINE ON RT. 460
 - Master Meter – Put in 12-22-2010
 - Pipe sanitized and tested on 12-29-2010 – 14,000 Gal.
 - 12-30-2010 – No Water
 - 12-31-2010 – No Water
 - 1/1 & 1/2, 2011 Weekend No Water
 - 1/3/2011 – No Water
5. APPROVE EMPLOYEES HEALTH INSURANCE
6. ADJOURN

MINUTES
SPECIAL MEETING

January 6, 2011

9:00 A.M.

All Commissioners were present. Others present were: James Hoskins, Allen McCarty, Brenda Powers and Shirley Borders.

The meeting was called to order by Randall Hardin. The Water Shortage Response Plan was discussed. All commissioners had read the plan and had no questions.

The Drought Mitigation Plan was discussed. Randall Hardin said that Charles Hardin name should be listed as contact for the Fiscal Court and Mike Wilson name be added as the Emergency Management person. Randall Salyer made a motion to adopt the Drought Mitigation Plan. Chester seconded the motion. All voted Yea.

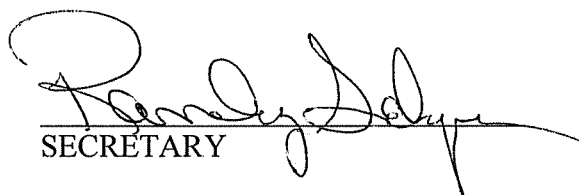
Jim went over all action that had been taken to fill the line on Rt. 460 from Paintsville. He said the master meter was put in on December 22, 2010. The pipe was sanitized and tested on December 29, 2010 and 14,000 gal of water put in it. Paintsville had no water on December 30 or December 31. January 1 and 2, 2011 was the weekend and no water. On January 3, 2011 there was no water due to them having some leaks and high usage. On January 3, 2011 Jim and Attorney Greg Allen had a conference call with Jeff Derousen and Associates at PSC, and they informed us of what they wanted us to do. Jim said all information requested by PSC will be sent to PSC by January 14, 2011.

Larry Herald had previously told Jim that we could have 100,000 gallon of water a day if needed. If Paintsville does not have water we can go someplace else. We can get water from Johnson, Floyd or Morgan County.

Brenda said that Salyersville is supposed to drill wells later. The money has been requested from KIA.

Health Insurance for employees was discussed. Randall Hardin made a motion to continue with the health insurance that we have. Kenneth seconded the motion. All voted Yea.

Randall Hardin made a motion to adjourn. Chester seconded the motion. All voted Yea.


SECRETARY

Magoffin County Water District

Drought Mitigation Plan

The Magoffin County Water District serves approximately 3,500 customers with drinking water supplied from the Licking River by the City of Salyersville. The average volume of water to supply our customers during 2009 was 516,170 gpd, which was 66% of the average daily production.

In recent years drought has severely interrupted water service to our customers. The Licking River has a 7Q10 of 0 cfs. Although, Salyersville has two wells as a backup source the withdrawal volume is insufficient to meet demand. The only means for the District to reduce the impact during drought is to mitigate water loss, purchase from other suppliers and curtail usage.

The Magoffin County Water Districts first line of defense is through water loss control. The District is proactive when it comes to leak detection. The “unaccounted for” water loss for 2009 was 7.88%, which is nearly half of the 15% allowed by the Public Service Commission. Since the District has installed automated meter reading; customer usage can now be evaluated to identify customers with continuous usage (suspected leaks). During times of drought those customers with leaks could have their service terminated until the leaks are repaired. Also, the District has water purchase agreements with three other utilities to supply water during an emergency. Unfortunately, the other utilities can only supply 31% of the District’s customers due to system hydraulics. The chart below classifies our emergency sources of supply:

Source	# of Customers	Area Served	Alert Level
Morgan County Water District	400	Route 460	Emergency
*Prestonsburg Utilities	700	Route 114	Emergency
*Paintsville Utilities	700	Route 114	Emergency

* Redundant Source

The Magoffin County Water District has supplemented the Water Shortage Plan (WSP) with a Drought Mitigation Plan. Due to the drought vulnerability of the Licking River; the “Advisory” level referenced in the WSP will be dropped, thereby leaving a three tiered emergency action plan. A network of emergency contacts has been established and a local response team to meet during times of drought in order to minimize impact on the Licking River and our customers. The local team consists of utility representatives and city and county government officials.

Drought Mitigation Plan Action Level and Response

ALERT

An 'alert' should be triggered as soon as flow over the low head dam falls to 4.0 mgd. The following action should be taken:

- a. Notify drought mitigation contacts and customers that Salyersville has declared a water supply alert.
- b. Local drought response team should meet twice weekly until 'Alert' is lifted.
- c. Notify customers to conserve water.
- d. Increase leak detection surveillance.
- e. Notify customers that leaks must be repaired immediately.

EMERGENCY

An 'emergency' would be declared as soon as the river flow falls to 3.0 mgd. The following action should be taken.

- a. Notify the aforementioned contacts and customers that Salyersville has declared a water supply emergency.
- b. Local drought response team meets three times a week.
- c. Activate interconnect with Morgan County.
- f. Activate interconnect with Prestonsburg or Paintsville Utilities.
- g. Ban non-essential (Class III) water users. Restrict car washing and lawn watering. Empower City, and County, law enforcement personnel to enforce restrictions.
- h. Terminate service to customers with unrepaired leaks.

RATIONING

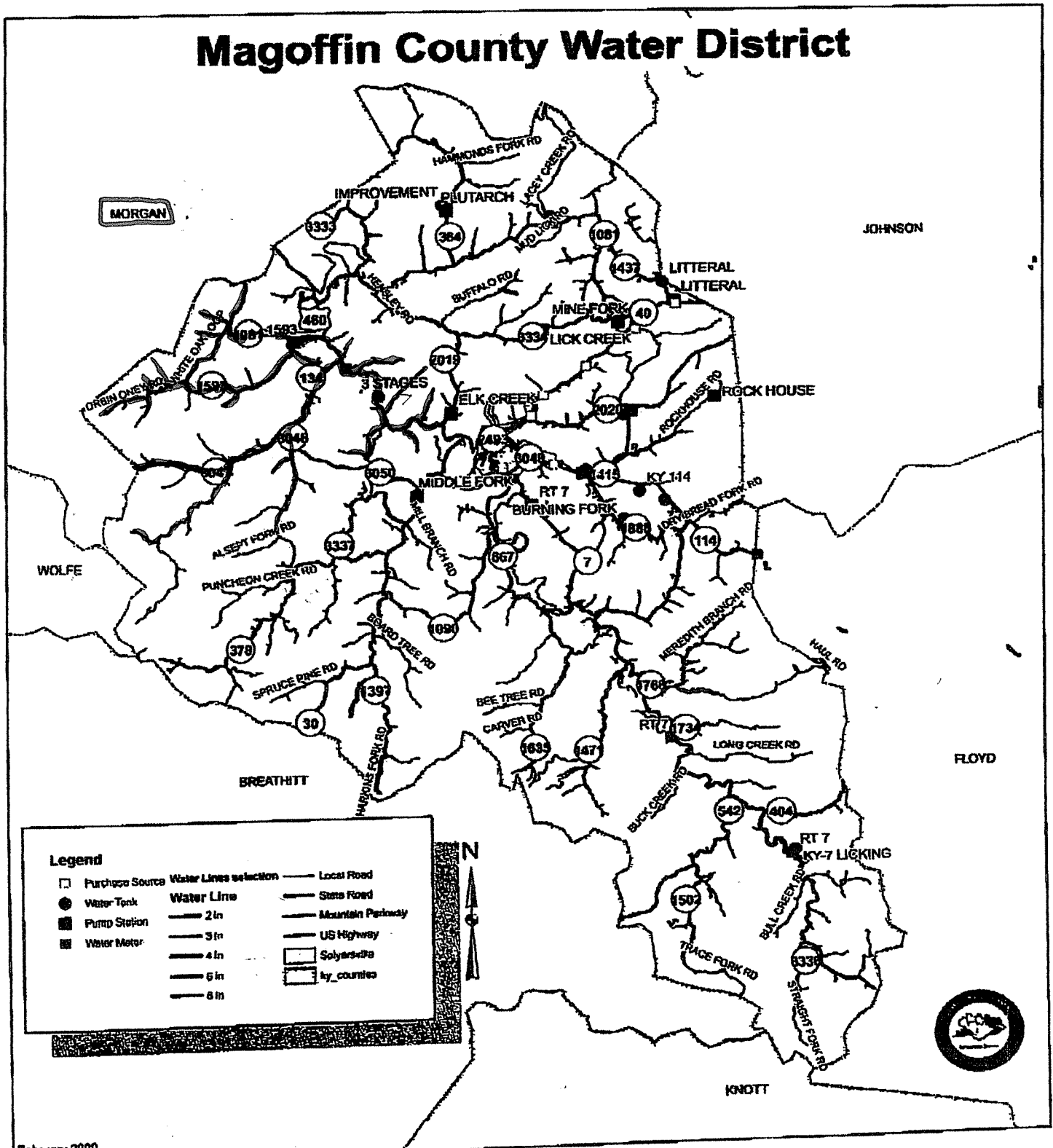
'Rationing' would commence as soon as the river flow falls to 2.0 mgd. The following actions should be taken.

- a. Notify the aforementioned contacts and customers that Salyersville has implemented water rationing.
- b. Local drought response team meets daily.
- c. Close car washes. Ban all watering of lawns and gardens.
- d. Execute a "Boil Water Advisory" for customers with poor water quality and/or low pressure.

Drought Response Notification:

Drought Response Contact list		
Agency	Contact	Phone
Division of Water -- Drinking Water Branch	Julie Roney	502-564-3410
Division of Water -- Drought Response Team	Bill Caldwell	502-564-3410
Public Service Commission	Reggie Chaney	502-564-3940
Magoffin County Fiscal Court	Judge Charles Hardin	606-349-2313
Magoffin County Emergency Management	Mike Wilson	606-349-2313
Morgan County Water District	Cynthia Montgomery	606-743-1204
Prestonsburg City Utilities	David Ellis	606-886-6871
Paintsville City Utilities	Larry Herald	606-789-2630
Kentucky Rural Water Association	Gary Larimore	270-843-2291

Magoffin County Water District



Legend

- | | | |
|-----------------|-----------------------|------------------|
| Purchase Source | Water Lines selection | Local Road |
| Water Tank | Water Line | State Road |
| Pump Station | 2 in | Mountain Pathway |
| Water Meter | 3 in | US Highway |
| | 4 in | Sylvania |
| | 6 in | Ky. counties |
| | 8 in | |

N

February 2009

0 1 in = 3 miles 10 Miles



Steve L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet



David L. Armstrong
Chairman

James Gardner
Vice-Chairman

John W. Clay
Commissioner

Commonwealth of Kentucky
Public Service Commission

211 Sower Blvd.
P.O. Box 615
Frankfort Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

July 03, 2008

Randall Hardin
Magoffin County Water District
P.O. Box 490
Salyersville, KY 41465

RE: Filing No. **TFS2008-00193**
Revises the Water Shortage Response Plan in its entirety.

Dear Randall Hardin:

The above referenced filing has been received and reviewed. An accepted copy is enclosed for your files. You may also use the following link to access documents related to this filing.

<http://psc.ky.gov/trf/TRFListFilings.aspx?ID=TFS2008-00193>

Sincerely,


Dennis Brent Kirtley
Tariff Review Branch Manager

WATER SHORTAGE RESPONSE PLAN

MAGOFFIN COUNTY WATER DISTRICT

Section 1. Purpose. The purpose of this Plan is to provide for the declaration of official phases of water supply shortages and the implementation of voluntary and mandatory water conservation measures throughout the MAGOFFIN COUNTY WATER DISTRICT in the event a shortage is declared.

Section 2. Definitions. These terms are applicable only for this Plan unless specifically noted.

- (a) "Customer" shall mean any person or entity using water for any purpose from the MAGOFFIN COUNTY WATER DISTRICT water distribution system and for which either a regular charge is made or, in the case of bulk sales, a cash charge is made at the site of delivery.
- (b) "Raw Water Supplies" shall mean all water potentially available to persons in the MAGOFFIN COUNTY WATER DISTRICT.
- (c) "Treated Water" shall mean water that has been introduced by the MAGOFFIN COUNTY WATER DISTRICT into its water distribution system, including water offered for sale. Uses of treated water are classified as follows:

Essential Water Uses (Class 1):

The following uses of water, listed by site or user type, are essential.

Domestic:

- water necessary to sustain human life and the lives of domestic pets, and to maintain minimum standards of hygiene and sanitation.

Health Care Facilities:

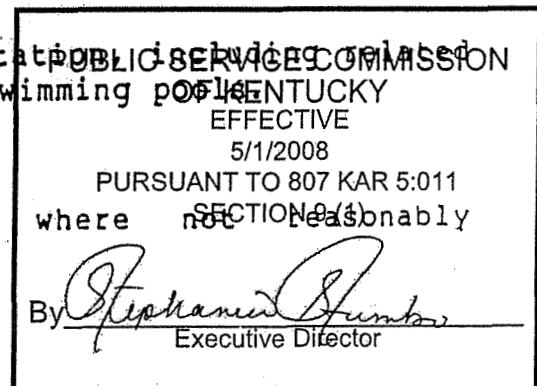
- patient care and rehabilitation, filling and operation of swimming pools

Water Hauling:

- sales of domestic use where not reasonably available elsewhere.

Public Use:

- firefighting,



- health and public protection purposes, if specifically approved by health officials.

Socially or Economically Important Uses (Class 2):

The following uses of water, listed by site or user type, are socially or economically important.

Domestic:

- personal, in-house water use including kitchen, bathroom and laundry.

Water Hauling:

- non-domestic, when other sources are not reasonably available elsewhere.

Commercial and Civic Use:

- commercial car and truck washes,
- laundromats
- restaurants, clubs and eating places.
- schools, churches, motels/hotels and similar commercial establishments.

Outdoor Non-Commercial Watering:

- minimal watering of vegetable gardens,
- minimal watering of trees where necessary to preserve them.

Outdoor Commercial or Public Watering (using conservation methods and when other sources of water are not available or feasible to use):

- agricultural irrigation for the production of food and fiber or the maintenance of livestock,
- watering by arboretums and public service commissions national, state, regional or community significance where necessary to preserve specimens, PURSUANT TO 807 KAR 5:011 SECTION 9 (1)
- watering by commercial nurseries at a minimum level necessary to maintain stock, PURSUANT TO 807 KAR 5:011 SECTION 9 (1)
- watering at a minimum rate necessary to maintain revegetation or required pursuant to law or regulation, By *Stephanie Dumber* Executive Director

PURSUANT TO 807 KAR 5:011 SECTION 9 (1)
 EFFECTIVE 5/1/2008
 By *Stephanie Dumber* Executive Director

- watering of woody plants where necessary to preserve them,
- minimal watering of golf course greens.

Recreational:

- operation of municipal swimming pools and residential pools that serve more than 25 dwelling units.

Air Conditioning:

- refilling for startup at the beginning of the cooling season,
- makeup of water during the cooling season,
- refilling specifically approved by health officials where the system has been drained for health protection or repair services.

Non-Essential Uses (Class 3):

Any waste of water, as defined herein, is non-essential. The following uses of water, listed by site or user type, are non-essential.

Public Use:

- use of fire hydrants (excluding Class 1 and Class 2 uses), including use of sprinkler caps, testing fire apparatus and fire department drills,
- flushing of sewers and hydrants except as needed to ensure public health and safety as approved by health officials.

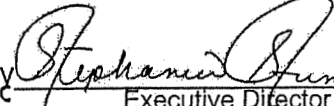
Commercial and Civic Use:

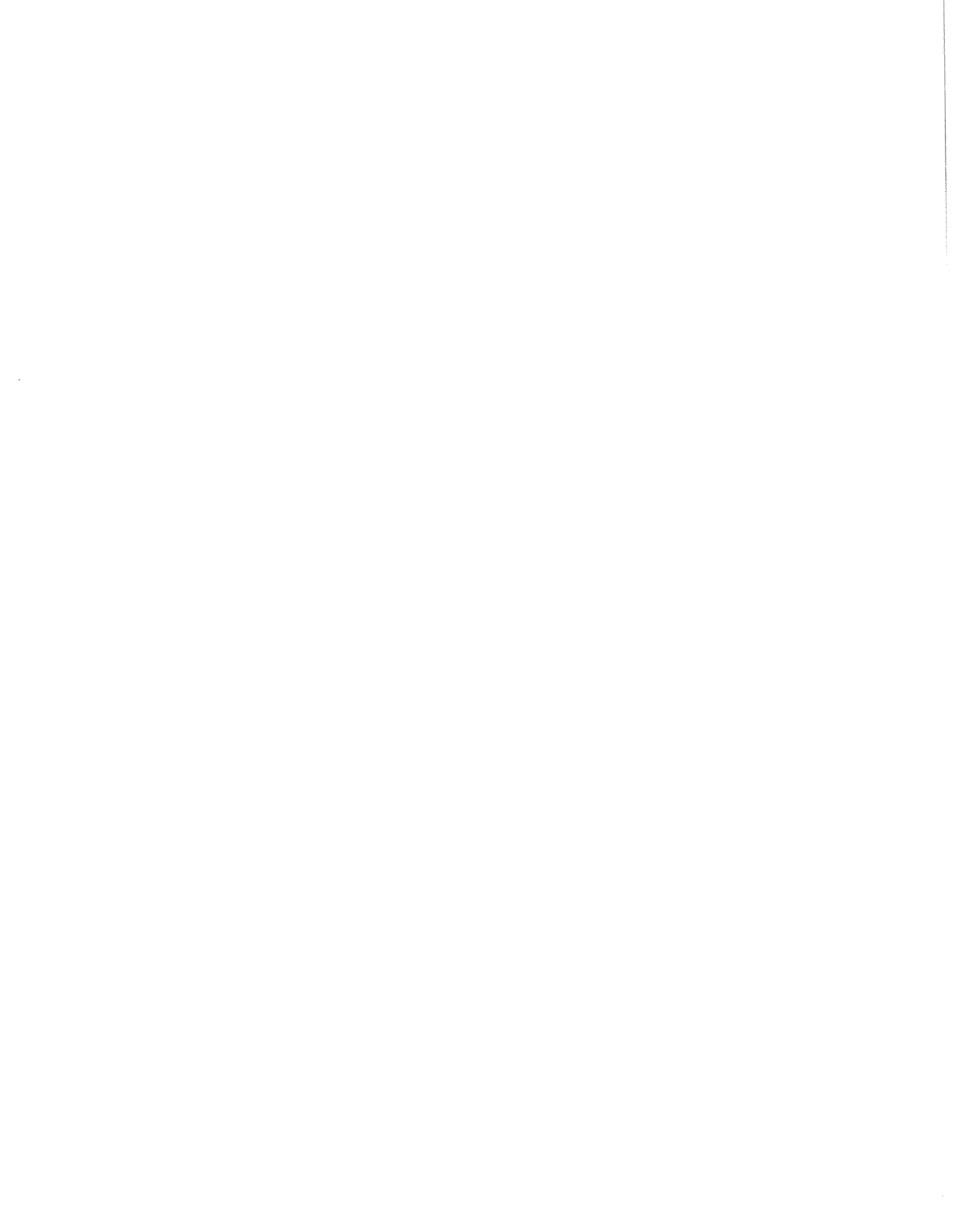
- serving water in restaurants, clubs, or eating places, except by customer request,
- failure to repair a controllable leak,
- increasing water levels in scenic and recreational ponds and lakes, except for the minimum amount required to support fish and wildlife.

Ornamental Purposes:

- fountains, reflecting waterfalls.

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PURSUANT TO 807 KAR 5.011
SECTION 9 (1)

By 
PC Executive Director



Outdoor Non-Commercial Watering:

- - use of water for dirt control or compaction,
- watering of annual or non-woody plants, lawns, parks, golf course fairways, playing fields and other recreational areas,
- washing sidewalks, walkways, driveways, parking lots, tennis courts or other hard-surface areas,
- washing down buildings or structures for purposes other than immediate fire protection,
- flushing gutters or permitting water to run or accumulate in any gutter or street.

Outdoor Commercial or Public Watering:

- expanding nursery facilities, placing new irrigated agricultural land in production, or planting of landscaping except when required by a site design review process,
- use of water for dirt control or compaction,
- watering of lawns, parks, golf course fairways, playing fields and other recreational areas,
- washing sidewalks, walkways, driveways, parking lots, tennis courts or other hard-surface areas,
- washing down buildings or structures for purposes other than immediate fire protection,
- flushing gutters or permitting water to run or accumulate in any gutter or street.

Recreational uses other than those specified in Class 2.

Non-commercial washing of motor and other vehicles.

Air-Conditioning (see also Class 2 purposes):

- refilling cooling towers after drain

(d) "Base Entitlement" shall mean the monthly usage for a customer during the same month of the preceding calendar year or the average per customer usage for each class of service during the same month of the

(e) "Curtailed Entitlement" shall mean the usage of a customer after any curtailment applied.

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Stephanie Hunter
Executive Director

(f) "Curtailement" shall mean the reduction in entitlement by some percentage to meet anticipated water shortages.

(g) Water Shortage Response Phases:

"Advisory" shall mean that conditions exist which indicate the potential for serious raw or treated water supply shortages.

"Alert" shall mean the raw or treated water supplies are consistently below seasonal averages, and if they continue to decline, may not be adequate to meet normal needs.

"Emergency" shall mean that raw or treated water supplies are below the level necessary to meet normal needs and that serious shortages exist in the area.

(h) "Rationing" shall mean that procedures must be established to provide for the equitable distribution of critically-limited raw or treated water supplies, in order to balance demand and limited available supplies, and to assure that sufficient water is available to preserve public health and safety.

Section 3. Applicability. The provisions of this Plan shall apply to all retail and wholesale customers of the MAGOFFIN COUNTY WATER DISTRICT. When implemented, this Plan becomes Magoffin Co. Water Dist. Water Shortage Response Regulation.

Section 4. Entitlements. Entitlements shall be established for each customer by adjusting the base entitlement to reflect any known change in usage pattern.

Section 5. Determination of Water Shortage. Water supply and usage shall be monitored on a continuous basis. Unrestricted demand shall be projected from past records and adjusted for changes such as new developments and weather conditions on a regular basis. (Note: A sample calculation page is attached as Appendix A to assist in determining overall water levels. It is important that accurate water measurements be used.) Water shortages generally occur for two reasons, a reduction in available supplies or a system failure. Each of these has a distinct influence on the nature and duration of the program implemented. Official declaration of a water shortage stage and implementation of the measures necessary to curtail water use shall be approved by the MAGOFFIN COUNTY AND THE MAGOFFIN COUNTY WATER DISTRICT.
PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE 5/1/2008
MAGOFFIN COUNTY FISCAL COURT
PURSUANT TO 807 KAR 5.011
SECTION 9 (1)

Section 6. Term of Water Shortage Declaration. A water shortage declaration shall remain in effect until such time that service conditions have returned to normal. The determination as to terminating a water shortage declaration shall be made by the CHAIRMAN OF MAGOFFIN COUNTY WATER DISTRICT.

Section 7. Water Shortage Stage, Criteria, Conservation and Curtailment Measures.

A. Advisory Stage:

- (1) Criteria: A water advisory shall be declared when the amount of treated water or raw water available for treatment is projected to be up to 15% below demand, or there are periods of low water pressure in one or more areas of the distribution system due to system failure or inadequacies or the State Division of Water issues a Water Shortage Watch which includes the areas from which the MAGOFFIN COUNTY WATER DISTRICT draws water. (Note: Additional conditions may be added based on local conditions.)
- (2) Conservation and Curtailment Measures:
 - (a) Declare a Water Shortage Advisory.
 - (b) Provide proper notice to all customers and to all local news media.
 - (c) Eliminate all water leaks.
 - (d) Request voluntary conservation of all non-essential (Class 3) water use.
 - (e) Request wholesale customers also issue request for voluntary conservation by their customers of all non-essential (Class 3) water use.

B. Alert Stage:

- (1) Criteria: A water alert shall be declared when the amount of treated water available is projected to be up to 10% below demand, or raw water supplies are consistently below seasonal averages and if they continue to decline, may not be adequate to meet normal needs. (Note: Additional conditions may be added based on local conditions.)
- (2) Conservation and Curtailment Measures:
 - (a) Declare Water Shortage Alert.
 - (b) Provide proper notice to all customers and to all local news media.
 - (c) Eliminate all water leaks.
 - (d) Prohibit all non-essential (Class 3) water uses.

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5/1/2008
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)
By Stephanie Danks
Executive Director

(e) Curtail entitlements to all customers by the same percentage as the projected shortage.

(f) Begin billing all customer water usage in excess of curtailed entitlement at the normal rate plus an excess usage charge of \$2.00 per 1,000 gallons.

C. Emergency Stage:

1. Criteria: A Water Emergency shall be declared when the amount of treated water available is projected to be up to 20% below demand, or there are periods of no water in one or more areas of the distribution system due to low water supply or raw water supplies below the level necessary to meet normal needs. (Note: Additional conditions may be added based on local conditions.)

2. Conservation and Curtailment Measures:

(a) Declare Water Shortage Emergency.

(b) Provide proper notice to all customers and to all local news media.

(c) Eliminate all water leaks.

(d) Prohibit all Class 3 uses of water.

(e) Prohibit all Class 2 uses of water except Domestic uses for kitchens, bathrooms and laundries.

(f) Curtail all commercial and industrial entitlements (except Health Care Facilities) by 100%.

(g) Curtail Residential entitlements by the same percentage as the projected shortage.

(h) Curtail entitlements to all wholesale customers by the same percentage as the projected shortage.

(i) Begin billing all customer water usage in excess of curtailed entitlement at the normal rate plus an excess usage charge of \$5.00 per 1,000 gallons.

D. Rationing Stage:

1. Criteria: Treated water available 40% below demand or raw water supplies are below

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OF KENTUCKY
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PURSUANT TO 807 KAR 5:011-
SECTION 9(1)
By Stephanie Rumberg
Executive Director

the level necessary to meet essential needs, and in the opinion of MAGOFFIN COUNTY WATER DISTRICT mandatory rationing is required to insure adequate water is available to maintain public health and safety.

2. Conservation and Curtailment Measures:

- (a) Declare Water Shortage Rationing.
- (b) Provide proper notice to all customers and to all local news media.
- (c) Eliminate all water leaks.
- (d) Prohibit all Class 3 and Class 2 uses of water.
- (e) Curtail all commercial and industrial entitlement (except Health Care Facilities) by 100%.
- (f) Curtail all residential and wholesale entitlements by the same percentage as the projected shortage.
- (g) Implement service interruptions to portions of system in accordance with approved published schedule. The schedule shall be provided to all local media.
- (h) Begin billing customer water usage in excess of curtailment entitlement at the normal rate plus an excess usage charge of \$10.00 per 1,000 gallons.

Section 8. Enforcement of Water Restriction. Any person who violates the provisions of this Plan, who fails to carry out the duties and responsibilities imposed by this Plan, or who impedes or interferes with any action undertaken or ordered pursuant to this Plan shall be subject to the following:

- (a) If the utility official charged with implementation and enforcement of this Plan learns of any violation of any water use restriction imposed, a notice of violation shall be affixed to the property where the violation occurred and mailed to the customer by record. Said notice shall describe the violation and order that it be corrected, cured, or abated immediately in 48 hours.
- (b) The notice will inform the customer to appeal by requesting a hearing by designee. If a hearing is requested or she shall be given full opportunity to be heard

PUBLIC SERVICE COMMISSION
OF KENTUCKY
REC'D
APR 20 2008
1807 KAR 15.01
SECTION 9 (1)

Stephanie Hunter
Executive Director

before termination. The governing body shall make findings of fact and decide whether service should continue or terminate.

- (c) Any customer whose water service is terminated for violating provisions of this water curtailment plan shall be subject to the approved reconnection fee prior to reconnection of service.
- (d) The excess usage charge billing provisions of this Plan shall not be put in effect if a county or city ordinance containing penalty provisions is in effect to assist enforcement of this Plan.

Section 9. Request for Exception.

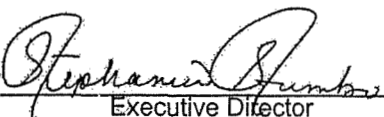
(a) Exception to water use restrictions: If compliance with any curtailment measure authorized herein would cause a customer to bear extraordinary hardship, that individual or entity may apply to the MAGOFFIN COUNTY WATER DISTRICT for an exception. For these purposes, "extraordinary hardship" shall be defined as a condition which may threaten health and safety, or cause property or economic losses, each of which must be shown to be substantially more severe than the sacrifices borne by other users. If extraordinary hardship is found to exist, then an exception shall be granted and a written waiver issued to the customer. If an appeal is made, water service shall be continued until a decision is announced. Any person aggrieved by the decision may file a complaint with the Public Service Commission.

- (b) Exception to curtailment surcharge: Exceptions to excess use charges shall not be considered or granted.

Section 10. Severability. If any provision of this Plan is declared invalid by the courts, the remainder of the Plan and its applicability to other persons and circumstances shall not be affected by that declaration.

Section 11. Effective Date. This Plan shall take effect immediately upon approval by the Public Service Commission.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
5/1/2008
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By 
Executive Director

Agreement


**Between
Morgan County Water District
And
Magoffin Co. Water District**

This Agreement by and between the Magoffin Co. Water District and the Morgan County Water District is to establish and define mutual obligations for a WATER PURCHASE CONTRACT signed the 8 day of NOV, 2010. The items of understanding are as follows:

- **The term of this Agreement shall be renewable annually on the anniversary as indicated by the date of signing.**
- **The Morgan County Water District agrees to sell Magoffin Co. Water District a portion of the water designated to them by Cave Run Water Commission Water Purchase Agreement enacted on June 8, 2009. During the term of this contract the water provided to Magoffin Co. Water District will be potable water meeting applicable purity standards of the Kentucky Department of Natural Resources and Environmental Protection, in such quantity as required not to exceed 1,200,000 gallons per month.**
- **The Master Meter shall be read daily by Magoffin Co. Water and such consumption reported to the Morgan County Water District. The Morgan County Water District shall read the meter on the 15th day of each month and furnish Magoffin, no later than the 5th day of the following month an itemized statement detailing sales. Magoffin Co. Water agrees to pay the Morgan County Water District, no later than the 15th day of the month for water delivered at the rate of \$3.04 per thousand gallons of water.**

In Witness Whereof, the parties hereto acting under authority of their respective governing bodies have caused this Agreement to be duly executed this 8 day of Nov., 2010.

ATTEST



SELLER: Morgan County Water District


Board Chairman

ATTEST



PURCHASER: Magoffin Co. Water


Board Chairman

CONSENT AND RELEASE AGREEMENT

THIS AGREEMENT, made and entered into this 14 day of DECEMBER, 2010 by and between Salyersville Water & Sewer, currently have office located at 401 College Street, Salyersville, Kentucky 41465 ("Salyersville") and Magoffin County Water District, currently having offices located at 749 Parkway Drive, Salyersville, Kentucky 41465 ("Magoffin County").

WITNESSETH:

WHEREAS, Magoffin County is currently under-serving its water customers during periods of peak demand and needs a supplemental supply of potable water.

WHEREAS, Magoffin County has previously entered into a Water Purchaser Agreement dated January 26, 1983, as amended, with Salyersville for the delivery of all of its needs for potable water.

That the parties hereto, for and in consideration of this Agreement hereinafter set out, to be paid, kept and performed hereby agrees as follows:

1. Salyersville hereby agrees and consents to Magoffin County entering into an emergency water supply agreement with Morgan County Water District ("West Liberty") for the delivery of emergency water supply to Magoffin County.

2. Salyersville hereby releases Magoffin County from its obligations under its existing Water Purchase Agreement with Salyersville to purchase all its requirements for potable water, so that Magoffin County may purchase water as needed on an emergency basis from Morgan County Water District and expressly authorizes Magoffin County to enter into an Emergency Water Supply Agreement with Morgan County Water District.

3. The term "emergency basis" shall mean whenever, in the joint opinion of Magoffin County and Salyersville, that Salyersville cannot deliver sufficient quantities of potable water to meet the needs of Magoffin County. The term "potable water" shall mean water safe for human consumption and that satisfies state and federal water quality standards.

4. Upon execution, this Agreement shall inure to the benefits of and be binding upon the parties hereto and their respective heirs, personal representatives, successors and assigns.

5. This Consent and Release is given for the benefit of the parties hereto and Morgan County ^{AN} ~~an~~ intended third-party beneficiary.

6. The parties hereto state that all the remaining terms of the Water Purchase Agreement dated January 26, 1983, as amended shall remain in effect, and are hereby ratified and confirmed.

7. This Agreement may be executed in several counterparts with the same effect as if the parties executing the several counterparts had all executed one counterpart.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers or agents to execute this Agreement the day and year first written.

MAGOFFIN COUNTY WATER DISTRICT
BY: *Ralph Harkin*
CHAIRMAN

ATTEST:

Samuel S. Selzer
SECRETARY

SALYERSVILLE WATER & SEWER
BY: *Stanlady Howard*
STANLDY HOWARD, MAYOR

Blankenship Law Office, PLLC

328 E. Court Street
Prestonsburg, KY 41653
(606) 886-1343
Fax: (606) 886-1349
Email: dblankenship@bellsouth.net

December 2, 2009

Gregory D. Allen
Collins & Allen
P.O. Box 475
Salyersville, KY 41465

RECEIVED

DEC 04 2009

COLLINS & ALLEN

Re: Emergency Water Contract between Magoffin County Water District and
Paintsville Utilities

Dear Greg:

I hope this letter finds you well. As you know, I represent Paintsville Utilities and, some time ago, the Paintsville Utilities agreed to enter into a temporary emergency water supply contract with the Magoffin County Water District as the Utilities had previously done with Salyersville Waterworks.

I have completed a draft of the agreement that the Paintsville Utilities Commission has approved and we have obtained the approval from the Paintsville City Council for the enactment of a temporary wholesale water rate.

I have enclosed the agreement herein. I would ask that you examine the same and present the same to your client for consideration. If your client is agreeable to the terms therein, please advise so we can put the same into final form and execute the contract.

I look forward to hearing from you in the near future.

Very Truly Yours,



A. David Blankenship

EMERGENCY WATER PURCHASE AGREEMENT

BETWEEN

PAINTSVILLE UTILITIES COMMISSION

AND

MAGOFFIN COUNTY WATER DISTRICT

THIS EMERGENCY WATER PURCHASE AGREEMENT is made and entered into this the 29 day of March, ~~2005~~¹⁰, by and between **PAINTSVILLE UTILITIES COMMISSION**, a governmental agency of the City of Paintsville, Kentucky, hereinafter referred to as "Seller" and the **MAGOFFIN COUNTY WATER DISTRICT**, a water district created and existing under the Laws of the Commonwealth of Kentucky, hereinafter referred to as "Purchaser";

WITNESSETH:

WHEREAS, the Seller is a governmental agency of the City of Paintsville and provides water and sewer service to the citizens of Johnson County and other areas;

WHEREAS, the Purchaser is a water district which was organized and established under the provisions of Chapter 273 of the Kentucky Revised Statutes;

WHEREAS, the Purchaser is in need of an emergency water supply;

WHEREAS, the Seller has water lines in the vicinity of Magoffin County and is willing to provide Purchaser with an emergency water supply subject to the provisions below;

WHEREAS, by resolution duly adopted on _____, 2009¹⁰ by the Seller's Commission, this Agreement was approved and the Seller's General Manager was authorized to execute this Agreement for and on behalf of the Seller; and

WHEREAS, by resolution adopted on _____, 2009¹⁰ by the Purchaser's Board of Directors, this Agreement was approved and the Purchaser's Superintendent was authorized to execute this Agreement for and on behalf of the Purchaser;

NOW THEREFORE, in consideration of all the foregoing and the mutual terms and conditions expressed herein, the Seller and the Purchaser agree as follows:

1. **QUALITY AND QUANTITY OF WATER**

Seller agrees to furnish the Purchaser at the point of delivery hereinafter specified, during the term of this Agreement, potable, treated water meeting applicable purity standards of all appropriate state and federal regulatory agencies in times of emergency as defined in Paragraph 2 below and in quantities to be determined and controlled by Seller's water available in excess of the quantities necessary to serve Seller's retail customers. Should Seller not have water available in excess of the quantities necessary to serve Seller's retail customers, Seller has no obligation to provide water to Purchaser for the duration of the lack of excess water.

2. **DEFINITION OF EMERGENCY**

Emergency means any situation or event, natural or manmade, which impairs Purchaser's water supply reserve or system such that (1) there is a disruption of the normal water supply functions to Purchaser's customers and (2) in order to protect the public health, an immediate supply of water is necessary.

3. RESTRICTION ON RESALE OF WATER

The water made available under this Agreement is only for use by retail customers (i.e. consumers) of the Purchaser and may not be sold on a wholesale basis to any other utility.

4. TERM

The term of this Agreement shall be for a period of one (1) year and shall automatically renew each year thereafter for a successive one-year term.

5. TERMINATION

Either party may terminate this Agreement at any time by giving written notice to the other party. Termination of this Agreement shall not prejudice the rights, nor relieve the obligations, accrued to the date of termination.

6. POINT OF DELIVERY

The water will be furnished to the Purchaser through one four-inch Omni meter located on U.S. 460 near the Johnson County/Magoffin County line. Purchaser shall be solely responsible for the financing, procurement and installation of all necessary water lines from its existing system to the Johnson County/Magoffin County line where Purchaser shall make connection with the Seller's water system in accordance with the Seller's system specifications. It shall also be the obligation and responsibility of Purchaser to purchase and install a water meter, at a location to be determined by Seller, to measure the water flow to Purchaser. Upon installation of said water lines, Purchaser agrees to convey ownership of said lines to Seller, and Seller shall adopt said lines into its existing system. Seller also reserves the right to install, at its own cost, a water meter on

the Johnson County side of the county line, to measure water flow in addition to the meter Purchaser installs.

7. DECLARING AN EMERGENCY SITUATION

Water will be available only for emergency purposes as defined in Paragraph 2 above. The procedure for declaring an emergency shall be as follows. Purchaser shall notify Seller of its intention to declare a water emergency and shall inform Seller of the nature and cause of the emergency, the number of customers affected by the emergency, the anticipated amount of water needed to abate the emergency and the anticipated duration of the emergency. Upon receipt of the information from Purchaser, should Seller concur a water emergency situation exists, Seller shall advise Purchaser of its concurrence and shall sell water to Purchaser in quantities to be determined and controlled by Seller's water available in excess of the quantities necessary to serve Seller's retail customers. Should Seller not have water available in excess of the quantities necessary to serve Seller's retail customers, Seller has no obligation to provide water to Purchaser for the duration of the lack of excess water.

8. OPERATION OF SYSTEM

The Seller shall, at all times, operate and maintain its water system in an efficient manner and shall take such action as may be reasonably necessary to perform its obligations under this Agreement. Temporary or partial failures to deliver water, when water is available in excess of the quantities necessary to serve Seller's other customers, shall be remedied with all possible dispatch upon discovery of any unknown breaks or unintentional disruptions of service lines. If and when discovered, the Seller shall inform

the Purchaser, by telephone, or by facsimile transmission, of the nature and extent of such temporary or partial failure to deliver water.

9. INITIAL WHOLESALE BILLING RATE

The initial billing rate shall be \$ 2.50 per 1,000 gallons of water. This rate is a discounted wholesale rate reflective of Seller's current cost of providing water service to the Purchaser at the point of delivery described in Paragraph 6 above. It is expressly understood that Seller is in the process of designing and constructing a new water treatment plant and the rate given herein shall lapse upon completion of said water treatment plant and the completion of a new cost of service rate study.

10. RATE MODIFICATIONS

The wholesale rate to be charged by the Seller to the Purchaser may be increased if the Seller's cost of providing water service to the Purchaser increases, including, but not limited to the completion of the new water treatment plant described in Paragraph 9.

11. EFFECTIVE DATE OF RATE MODIFICATIONS

The effective date of any rate modification shall be at least thirty (30) days after the Seller proposes to adopt the new rate.

12. NO LEAK ADJUSTMENT

Because the Purchaser is a wholesale customer and not a retail customer, the Purchaser shall not be entitled to any leak adjustments.

13. BILLING AND PAYMENT PROCEDURE

The Seller shall furnish the Purchaser, not later than the 4th day of each month, with an itemized statement of the amount of water furnished the Purchaser at the point of delivery during the preceding month and the cost thereof. The Purchaser shall pay

those charges not later than the 15th day of each month. A ten percent (10%) late payment penalty shall be assessed if any portion of the bill remains unpaid after the due date. In addition, any amount remaining unpaid after the last day of the month shall be deemed delinquent and shall bear interest at the rate of twelve percent (12%) per annum until paid.

14. DISPUTED BILL

If a portion of any bill is in a bona fide dispute, the undisputed amount shall be paid when due. In the event either party is entitled to all or any portion of the disputed amount, such party shall also be entitled to interest on such amount at twelve percent (12%) per annum. In any dispute relating to the payment of money, the prevailing party shall be reimbursed by the non-prevailing party for the reasonable costs of resolving such disputes, including reasonable attorney and consulting fees. Use of the above procedure shall not be deemed an event of default under this Agreement.

15. INDEMNIFICATION

It is agreed and understood that Purchaser shall fully and completely and unconditionally indemnify and hold harmless Seller for any claims or causes of action asserted against Seller for providing emergency water to Purchaser and any and all claims or causes of action arising out of this Agreement.

16. EFFECTIVE DATE AND CONTINGENCIES

The parties acknowledge that this Agreement shall not become effective until it has been reviewed by the PSC. The Effective Date of this Agreement shall be the date the Agreement is approved by PSC. The term of this Agreement shall be measured from the Effective Date.

17. NOTICES

If at any time either party desires or is required to give notice to the other party pursuant to the terms of this Agreement, such notice shall be in writing and shall be hand-delivered or mailed by certified mail, return receipt requested. Notice shall be effective upon receipt. Notices shall be given to the parties at the following addresses or such other place as each party shall designate by similar notice:

(A) As to the Seller:

Paintsville Utilities Commission
137 Main Street
Post Office Box 630
Paintsville, Kentucky 41240
Attention: General Manager

(B) As to the Purchaser:

Magoffin County Water District
P.O. Box 490
Salyersville, Kentucky 41465
Attention: Superintendent

18. RESPONSE TO NOTICES

At any time either party desires or is required to respond to any notice given pursuant to Paragraph 17, such response shall be made in the manner prescribed by Paragraph 17 and be given within fifteen (15) days after receipt of the notice unless otherwise provided in this Agreement.

19. PARAGRAPH HEADINGS

The descriptive headings of the various paragraphs of this Agreement have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms and provisions thereof.

20. FORCE MAJEURE

Seller's failure to perform any term or condition of this Agreement as a result of conditions beyond its control such as, but not limited to, war, strikes, fires, floods, drought, acts of God, governmental restrictions, power failures, or damage or destruction of any waterlines, or component equipment, or other machinery, shall not be deemed a breach of this Agreement.

21. ENTIRE AGREEMENT; SEVERABILITY

This Agreement constitutes the entire agreement between the parties with respect to the subject matter contained therein. Any prior agreements concerning this subject matter are hereby revoked and rescinded. Except as otherwise provided herein, no subsequent alteration, amendment, change or addition to this Agreement shall be binding upon either party unless and until it is reduced to writing and signed by both parties. Should any provision of this Agreement be declared to be invalid or unenforceable by a court of competent jurisdiction, the remaining provisions of this Agreement shall remain in full force and effect unless such invalid or unenforceable provision substantially alters the benefits of the Agreement for either party.

22. NON-WAIVER

Any waiver at any time by either party hereto of its rights with respect to the other party or with respect to any matter arising under in connection with this Agreement shall not be considered a waiver of any such rights or matters at any subsequent time.

23. SUCCESSORS AND ASSIGNS

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. This Agreement shall not be assigned by either party without the written consent of the other party, which consent shall not be

unreasonably withheld, unless such assignment or transfer is to a successor in the operation of its properties by reason of a merger, consolidation, sale or foreclosure where substantially all such properties are acquired by such a successor empowered by law and financially able to effect the purposes of this Agreement which it must assume and, thereafter, be exclusively responsible for the performance of the terms of this Agreement to be performed by either party hereunder.

24. PURCHASER'S SUCCESSOR

In the event of any occurrence rendering the Purchaser incapable of performing under this Agreement, any successor of Purchaser, whether the result of legal process, assignment, or otherwise, shall succeed to the rights and obligations of the Purchaser and the terms of this Agreement shall be binding upon the successor in interest.

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

PAINTSVILLE UTILITIES COMMISSION

BY:

ITS:

MAGOFFIN COUNTY WATER DISTRICT

BY:

ITS:

COMMONWEALTH OF KENTUCKY
COUNTY OF Magoffin

I, Shirley Borders, Notary Public for the County aforesaid, do certify that the foregoing Emergency Water Purchase Agreement was this day produced to me in said County and duly acknowledged before me by Larry Herald, as General Manager of the Paintsville Utilities Commission, on behalf of the Paintsville Utilities Commission, on this the 26 day of March, ~~2009~~ 2010

Shirley Borders
NOTARY PUBLIC

MY COMMISSION EXPIRES: April 25, 2010

COMMONWEALTH OF KENTUCKY
COUNTY OF Johnson

I, Belva J. Jones, Notary Public for the County aforesaid, do certify that the foregoing Emergency Water Purchase Agreement was this day produced to me in said County and duly acknowledged before me by Larry D. Herald as Superintendent of the Magoffin County Water District, on behalf of the Magoffin County Water District, on this the 29 day of March, ~~2009~~ 2010

Belva J. Jones
NOTARY PUBLIC

MY COMMISSION EXPIRES: July 23, 2013

CONSENT AND RELEASE AGREEMENT

THIS AGREEMENT, made and entered into this 14 day of DECEMBER, 2010 by and between Salyersville Water & Sewer, currently have office located at 401 College Street, Salyersville, Kentucky 41465 ("Salyersville") and Magoffin County Water District, currently having offices located at 749 Parkway Drive, Salyersville, Kentucky 41465 ("Magoffin County").

WITNESSETH:

WHEREAS, Magoffin County is currently under-serving its water customers during periods of peak demand and needs a supplemental supply of potable water.

WHEREAS, Magoffin County has previously entered into a Water Purchaser Agreement dated January 26, 1983, as amended, with Salyersville for the delivery of all of its needs for potable water.

That the parties hereto, for and in consideration of this Agreement hereinafter set out, to be paid, kept and performed hereby agrees as follows:

1. Salyersville hereby agrees and consents to Magoffin County entering into an emergency water supply agreement with Paintsville Utilities ("Paintsville") for the delivery of emergency water supply to Magoffin County.
2. Salyersville hereby releases Magoffin County from its obligations under its existing Water Purchase Agreement with Salyersville to purchase all its requirements for potable water, so that Magoffin County may purchase water as needed on an emergency basis from Paintsville Utilities and expressly authorizes Magoffin County to enter into an Emergency Water Supply Agreement with Paintsville.

3. The term "emergency basis" shall mean whenever, in the joint opinion of Magoffin County and Salyersville, that Salyersville cannot deliver sufficient quantities of potable water to meet the needs of Magoffin County. The term "potable water" shall mean water safe for human consumption and that satisfies state and federal water quality standards.

4. Upon execution, this Agreement shall inure to the benefits of and be binding upon the parties hereto and their respective heirs, personal representatives, successors and assigns.

5. This Consent and Release is given for the benefit of the parties hereto and Paintsville Utilities ^{AN} ~~an~~ intended third-party beneficiary.

6. The parties hereto state that all the remaining terms of the Water Purchase Agreement dated January 26, 1983, as amended shall remain in effect, and are hereby ratified and confirmed.

7. This Agreement may be executed in several counterparts with the same effect as if the parties executing the several counterparts had all executed one counterpart.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers or agents to execute this Agreement the day and year first written.

MAGOFFIN COUNTY WATER DISTRICT
BY: 
CHAIRMAN

ATTEST:


SECRETARY

SALYERSVILLE WATER & SEWER

BY: 
STANLDY HOWARD, MAYOR

EMERGENCY WATER SUPPLY AGREEMENT

THIS AGREEMENT, made and entered into this 22nd day of March,
~~2009~~
2010, by and between the PRESTONSBURG CITY'S UTILITIES COMMISSION
("Prestonsburg") and MAGOFFIN COUNTY WATER DISTRICT ("Magoffin Co.").

WITNESSETH:

WHEREAS, Magoffin Co. is currently under serving its water customers during periods of peak demand and needs a supplemental supply of potable water.

That the parties hereto, for and in consideration of the covenants of this Agreement hereinafter set out, to be paid, kept and performed, hereby agree as follows:

1. Water Delivery Points. Prestonsburg agrees to furnish emergency water supply service to Magoffin Co. during the term of this contract at a newly constructed point of delivery located on Highway 114, Magoffin County, Kentucky ("Delivery Point") and Magoffin Co. agrees to purchase potable treated water meeting applicable purity standards of the Kentucky Department of Health.
2. Maximum and Minimum Quantities of Water. Prestonsburg shall deliver and Magoffin Co. shall purchase quantities of water not to exceed 200,000 gallons per day of twenty-four hours, and not to exceed 6,000,000 gallons per month in the aggregate through the Delivery Points. Prestonsburg shall have the right to install equipment to restrict the flow of water on an hourly basis or establish temporary shut-offs to restrict the flow so that the quantities can be limited to the contract maximums set forth herein. It shall be the sole responsibility of Magoffin Co. to control its customer load so that the water flow at the Delivery Point need not be restricted. Magoffin Co. shall not be required to take a minimum quantity at any time.

3. Metering Equipment and Testing. Magoffin Co. agrees to furnish, install, operate and maintain at its own expense at the New Delivery Point, 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 Magoffin Co.. Magoffin Co. shall calibrate the metering equipment at the Delivery Point whenever requested by Prestonsburg, but not more frequently than four times 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 delivered shall be adjusted to the amount delivered in the corresponding period immediately prior to the failure. An appropriate official of Magoffin Co., at all reasonable times, shall have access to the meters for the purpose of verifying its readings. Likewise, an appropriate official of Prestonsburg, at all reasonable times, shall have access to meters for the purpose of verifying its readings. Upon installation, the ownership of the meter and related equipment at the Delivery Point shall be transferred to Prestonsburg. After the transfer, Magoffin Co. shall pay all expenses to maintain said meter and related equipment.

4. Statement of Water Supplied. Prestonsburg agrees to furnish Magoffin Co., once each month, a statement of the quantity of water furnished Magoffin Co. during the applicable billing period.

5. Payment Policy. Payment shall be made in accordance with Prestonsburg's customer payment policy ("Payment Policy"), as it may be modified pursuant to public notice from time to time, which is attached as Exhibit "A".

6. Rate Schedule. Magoffin Co. agrees to pay Prestonsburg, according to Prestonsburg's Payment Policy, for water delivered in accordance with this Agreement at the following rates for each metered delivery point:

(a) The rate for all gallons of water delivered monthly hereunder shall be \$2.50 per \$1,000 gallons; and

(b) Service which requires booster pump service for delivery of the water also shall include a surcharge of \$.10 per booster pump per 1,000 gallons.

7. Rate Schedule Modifications. All rates set forth in this Agreement shall be adjusted annually on the anniversary date of this Agreement to compensate Prestonsburg for any documented increase in variable costs for the production and delivery of potable water.

8. Termination. This contract shall commence on the date hereof and continue for a period of ten (10) years. This Agreement may be extended or renewed by the parties, if they mutually agree, upon such terms and conditions as agreed upon by the Parties. If neither party gives notice of termination at the expiration of this agreement, it shall renew automatically on a month-to-month basis. Thereafter, either party may terminate this agreement upon thirty (30) day notice.

9. Fire Protection and System Reliability. Prestonsburg shall not be responsible in any way for the failure of Magoffin Co. to furnish sufficient water for fire protection purposes, or sufficient water storage tanks for system reliability purposes, and Magoffin Co. shall indemnify Prestonsburg from any such claims related thereto.

10. Indemnification. Each party shall indemnify the other party, its employees, and agents from all claims, demands, and liabilities of any kind relating to or arising out of this Agreement, except to the extent such claims, demands, or liabilities result from or arise out of the negligence of party being indemnified.

11. Chlorination. Magoffin Co. shall be responsible for any chlorination of the water furnished by Prestonsburg if such chlorination is required by the Magoffin County Department of Health or any other Federal or State governmental policy.

12. Interruptible Service. If Prestonsburg does not have a sufficient supply of water to supply its customers, then Prestonsburg at its sole discretion may reduce or terminate service hereunder at any time.

13. Force Majeure. All obligations of either party with respect to service hereunder shall be excused without liability during the pendency of any condition of force majeure. Force majeure shall include any act, event or condition beyond the reasonable control of the party claiming force majeure, and shall include, but not be limited to, any act of God, act of terrorism, fire, storm, earthquake, freezing condition, wind, flood, drought, snow, water used to fight fires, line breaks,

environmental release, breakage of or delay in receiving parts, equipment or supplies, or shortage thereof, strike or lockout, or any act, event or requirement of any governmental law, regulation or entity. Force majeure shall not include routine line leakage or financial inability to pay, and shall not excuse payment for services rendered by Prestonsburg, including the payment of Magoffin Co.'s minimum bill, if any.

14. Notices. All notices and other communications provided hereunder shall be in writing and shall be delivered personally or transmitted by registered or certified mail, return receipt requested or by a recognized overnight courier service. Such notice shall be deemed to have been given at the time of personal delivery or upon receipt thereof, as reflected on the signed certificate or delivery statement of the courier service. Notice must be delivered or sent to the party at the following address or to such other address as a party may have designated by notice:

TO PRESTONSBURG: Prestonsburg City's Utilities Commission
2560 South Lake Drive
Prestonsburg, Kentucky 41653

TO MAGOFFIN CO.: Magoffin County Water District
Box 490
Salyersville, Kentucky 41465

15. Amendment. This Agreement may be amended in writing only, duly signed by both parties, and will be governed by and construed in accordance with Kentucky law.

16. Binding Effect and Benefit. Upon execution, the Agreement will inure to the benefit of and be binding upon the parties hereto and their respective

heirs, personal representatives, successors and assigns, subject to regulatory approval as set forth below; provided, however, neither this Agreement nor any rights and obligations hereunder may be assigned, or transferred by operation of law, or by order of the Public Service Commission by Magoffin Co. without the written consent of Prestonsburg.

17. Severability. The terms and provisions of this Agreement shall not be severable, and in the event that any term or provisions hereof is held to be invalid or unenforceable, the remaining terms or provisions hereof shall be invalid and unenforceable, and Prestonsburg shall have no further obligation hereunder.

18. Regulatory Jurisdiction. Nothing in this Agreement shall subject Prestonsburg to regulation by the Kentucky Public Service Commission ("KY PSC"). To the extent the KY PSC exercises jurisdiction over any aspect of this Agreement, Prestonsburg shall remain free, at its option, to withdraw without penalty or other obligation from this Agreement upon providing thirty (30) days written notice to Magoffin Co..

19. Wholesale Services Prohibited. Magoffin Co. shall not resell at wholesale water supplied hereunder so as to make Prestonsburg, directly or indirectly, a wholesale supplier to any other water system.

20. Non-Waiver. Prestonsburg's failure to exercise any of its rights hereunder at any time will not operate as a waiver of its right to exercise same at any other time(s).

21. Right of First Refusal. Prestonsburg shall have a right of first refusal to acquire all or a portion of Magoffin Co.'s entire water or sewer systems and

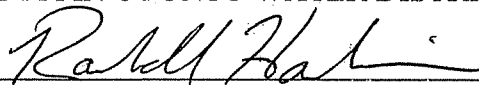
related facilities, if offered by Magoffin Co. to any third party, on the same terms and conditions as the offer to such third party.

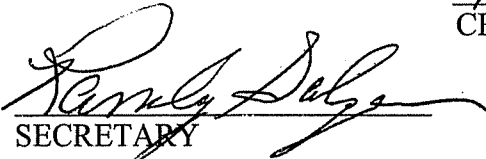
22. Counterparts. This Agreement may be executed in several counterparts with the same effect as if the parties executing the several counterparts had all executed one counterpart.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers or agents to execute this Agreement the day and year first above written.

MAGOFFIN COUNTY WATER DISTRICT

ATTEST:

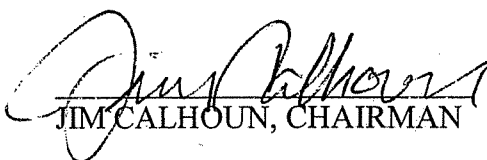
BY: 
CHAIRMAN


SECRETARY

PRESTONSBURG CITY'S UTILITIES
COMMISSION

BY: 
DAVID M. ELLIS, SUPERINTENDENT

ATTEST:


JIM CALHOUN, CHAIRMAN

CONSENT AND RELEASE AGREEMENT

THIS AGREEMENT, made and entered into this 26 day of MARCH, 2010 by and between Salyersville Water & Sewer, currently having offices located at 401 College Street, Salyersville, Kentucky 41465 ("Salyersville") and Magoffin County Water District, currently having offices located at 749 PARKWAY DRIVE SALYERSVILLE, KY 41465 ("Magoffin County").

WITNESSETH:

WHEREAS, Magoffin County is currently under-serving its water customers during periods of peak demand and needs a supplemental supply of potable water.

WHEREAS, Magoffin County has previously entered into a Water Purchaser Agreement dated January 26, 1983, as amended, with Salyersville for the delivery of all of its needs for potable water.

That the parties hereto, for and in consideration of this Agreement hereinafter set out, to be paid, kept and performed, hereby agree as follows:

1. Salyersville hereby agrees and consents to Magoffin County entering into an emergency water supply agreement with the Prestonsburg City's Utilities Commission ("Prestonsburg") for the delivery of emergency water supply to Magoffin County.

2. Salyersville hereby releases Magoffin County from its obligations under its existing Water Purchase Agreement with Salyersville to purchase all its requirements for potable water, so that Magoffin County may purchase water as needed on an emergency basis from Prestonsburg, and expressly authorizes Magoffin County to enter into an Emergency Water Supply Agreement with Prestonsburg.

Joint 5/16

3. The term "emergency basis" shall mean whenever, in the ~~sole~~ opinion of ^{Magoffin County and Salyersville} Magoffin County, that Salyersville cannot deliver sufficient quantities of potable water to meet the needs of Magoffin County. The term "potable water" shall mean water safe for human consumption and that satisfies state and federal water quality standards.

4. Upon execution, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, personal representatives, successors and assigns.

5. This Consent and Release is given for the benefit of the parties hereto and Prestonsburg, an intended third-party beneficiary.

6. The parties hereto state that all the remaining terms of the Water Purchaser Agreement dated January 26, 1983, as amended, shall remain in effect, and are hereby ratified and confirmed.

7. This Agreement may be executed in several counterparts with the same effect as if the parties executing the several counterparts had all executed one counterpart.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers or agents to execute this Agreement the day and year first above written.

MAGOFFIN COUNTY WATER DISTRICT

ATTEST:

BY: Ralph Hahn
CHAIRMAN

Randy Selzer
SECRETARY

SALYERSVILLE WATER & SEWER

BY: Stanley Howard
STANLEY HOWARD, MAYOR

