

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT made and entered into as of this the 1st day of September, 1981, by and between the CITY OF BARBOURVILLE, KENTUCKY, a municipal corporation, organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "City") and DELTA NATURAL GAS COMPANY, INC., a corporation organized and existing under the laws of the Commonwealth of Kentucky, with an address of Route 1, Box 30-A, Winchester, Kentucky 40391 (hereinafter called "Franchisee").

W I T N E S S E T H:

PRELIMINARY STATEMENT: On April 9, 1981, the Franchisee tendered its bid to the City for a franchise with respect to the business of the Franchisee, and conduct of such business within the corporate limits of the City, pursuant to the terms and provisions of Ordinance No. 220.9 of the City (hereinafter called the "Ordinance"), and the City, acting by and through its duly elected City Council has accepted such bid.

NOW THEREFORE, for and in consideration of the premises, and in further consideration of the mutual covenants and agreements herein contained, the parties do hereby agree as follows:

SECTION 1. GRANT OF FRANCHISE.

The City does hereby grant, sell, and provide unto the Franchisee the right, privilege and franchise to furnish to the City of Barbourville, Kentucky, and to its residents, citizens, and industries natural gas service for heat, light, fuel and power purposes, subject, however, to the terms and provisions herein contained and as provided for in the Ordinance.

SECTION 2. RIGHTS AND PRIVILEGES.

The Franchisee shall have the right and power: (i) to erect, construct and maintain on or under the streets, alleys and



public places of the City pipe lines, gas mains, meters, or conduits for the transportation and delivery of natural gas to customers of the Franchisee; and (ii) to go upon or under the streets, alleys and other public places of the City and to lay, maintain, operate and repair or remove such pipes, pipe lines, gas mains, meters or conduits, and other structures, appliances and appurtenances; all as are useful and necessary in the business and service of the Franchisee.

The Franchisee, in the exercise of the franchise herein granted, shall erect, construct, operate, repair and maintain such equipment, appliances and appurtenances in a good and workmanlike manner.

The Franchisee shall have the right to break, take up and remove such portion or part of any pavement and make such excavations in the streets and public ways of the City as may be deemed necessary to provide the service so franchised hereby; provided, that any such work or project so commenced by the Franchisee shall be promptly and diligently prosecuted to completion, and upon such completion, the streets, alleys and public places of the City shall exist in as good condition of repair as before such work was commenced.

The Franchisee shall not unreasonably interfere with the use and enjoyment of the public of the streets, alleys and public places of the City in the exercise of the rights, powers and privileges granted in the Ordinance or in this Agreement. It is further agreed that nothing herein contained shall prevent or hinder the concurrent use of the City of the streets, alleys, or public places in the performance of its governmental functions and duties.

SECTION 3. SERVICE TO CUSTOMERS.

The Franchisee shall provide the highest and best service in accordance with accepted standards of the industry and shall maintain a convenient place to be open to the public at reasonable hours for the purposes of paying bills and transacting business with the public, and, further, shall keep and maintain such personnel as are reasonably necessary to provide the service so franchised hereby and to respond to customer complaints and to correct defective service.

SECTION 4. RULES AND REGULATIONS.

The Franchisee shall make such rules and regulations with regard to the service so franchised hereunder, provided that



such rules and regulations shall be consistent with the customary and standard practice of the said Franchisee and shall be equally applicable and administered to the citizens and residents of the City. The Franchisee shall charge such rates for the service so provided and furnished by it as shall be fair and reasonable and in accordance with the law of Kentucky.

SECTION 5. FRANCHISE FEE.

The consideration for the franchise granted by the Ordinance and in this Agreement shall be an amount equal to five percent (5%) of the gross annual revenue of the Franchisee as earned from the service so provided within the corporate limits of the City.

SECTION 6. METHOD OF ACCOUNTING AND PAYMENT OF FEE.

Payments of said Franchise fee shall be calculated quarterly and shall be tendered to the City within thirty (30) days after the end of the calendar quarter for which payment is due. Notwithstanding any other provision to the contrary contained herein, said Franchise fee shall be applicable to revenues received by Franchisee within the corporate limits of City pursuant to bills rendered on and after September 1, 1981.

SECTION 7. TERM OF FRANCHISE.

The term of the franchise granted herein shall be and exist for a period of five (5) years from and after the date hereof, provided, however, and notwithstanding anything herein to the contrary, that at least eighteen (18) months prior to the expiration date of this franchise, the City shall provide and otherwise solicit and advertise for a new franchise for the service herein provided to the highest and best bidder for such franchise and upon such terms as are provided by the City.

SECTION 8. INDEMNITY.

The Franchisee shall indemnify and save the City harmless from and against any and all liability or obligation on account of injuries or damage to persons or property which shall arise, accrue, or exist as a result of the construction, maintenance, repair and operation of its natural gas system.

SECTION 9. ASSIGNABILITY.

The franchise created hereby shall not be transferred



assigned, nor delegated without the prior written consent of the City, which consent shall not be unreasonably withheld. Notwithstanding anything herein to the contrary, no assignment of the franchise granted herein shall be effective unless and until such assignee shall execute and deliver to the City an agreement to be bound to the terms and provisions of this Agreement.

SECTION 10. SEVERABILITY.

In the event that any term, provision, or Section of this franchise shall be deemed or held to be invalid or unenforceable, any such declaration of invalidity or unenforceability shall not affect any other term, provision or Section of this Agreement.

SECTION 11. GENERAL.

This Agreement shall be governed and construed under the laws of the Commonwealth of Kentucky. Nothing herein contained shall serve or be deemed to abrogate, diminish, or reduce the right and power of the City to act for and on behalf of the citizens and residents of the City and to maintain and provide for the public health and welfare of the City. This Agreement shall not be valid unless executed by the proper officials of the City. Subject to the terms and provisions of Section 9 hereof, this Agreement shall be binding upon and inure to the benefit of the parties hereto, their respective successors and assigns. It is agreed that the Section headings herein contained are for convenience of reference only.

IN WITNESS WHEREOF, the parties have executed this Agreement by their duly authorized officers and officials all as of the Day and Year hereinabove written.

CITY OF BARBOURVILLE, KENTUCKY

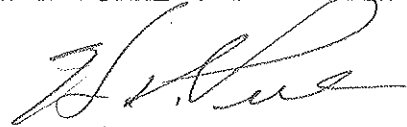
BY: *Charles W. Buchanan*
Mayor

ATTEST: *Debbie Miller*
City Clerk

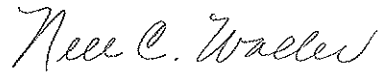


DELTA NATURAL GAS COMPANY, INC.

BY:


President

ATTEST:


Secretary

