

AUG 24 1994

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the 23rd day of JANUARY, 19 87, between the City of Pikeville, a municipal corporation of the third class,
City Hall, 304 Auxier Avenue, P.O. Box 1228, Pikeville, Kentucky 41501
(Address)

hereinafter referred to as the "Seller" and the Sandy Valley Water District,
Betsy Layne, Floyd County, Kentucky 41605
(Address)

hereinafter referred to as the "Purchaser",

WITNESSETH:

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COMMISSION

Whereas, the Purchaser is organized and established under the provisions of the Kentucky Revised Statutes of the Code of the Commonwealth of Kentucky, 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 _____ day of _____, 19 _____, by the Seller, the sale of water to the Purchaser in accordance with the provisions of the said water purchase contract was approved, and the execution of this contract carrying out the said contract by the Mayor, City of Pikeville and attested by the Secretary, was duly authorized, and

Whereas, by Resolution of the Board of Commissioners of the Purchaser, enacted on the _____ day of _____, 19 _____, the purchase of water from the Seller in accordance with the terms set forth in the said Contract was approved, and the execution of this contract by the Chairman of the Board and attested by the Secretary was duly authorized;

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Now, therefore, in consideration of the foregoing and the mutual agreements hereinafter set forth,

A. The Seller Agrees:

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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 Natural Resources & Environmental Protection Cabinet, Division of Water in such quantity as may be required by the Purchaser not to exceed 27,000,000 gallons per month.

2. (Point of Delivery and Pressure) That water will be furnished at a reasonably constant pressure calculated at 89 psi from an existing 12" (Twelve) inch main supply at a point located on the old Airport Road near the entrance to the former County Airport.

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 twelve (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 about the 1st of the 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 first (1st) day of the following ~~xxx~~ 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 last day of each month, for water delivered in accordance with the following schedule of rates:

~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX for the first XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX gallons which amount shall not be the minimum rate per month. XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX~~

~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX cents per 1000 gallons for water in excess of XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX gallons but less than XXXXXXXXXXXXXXXXXXXXXXX gallons.~~

~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX cents per 1000 gallons for water in excess of XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX gallons.~~

A. ~~\$1.34 per 1,000 gallons purchased with a minimum of 3,000,000 gallons per month, purchased.~~ *[Signature]*

B \$6,155 per month plus \$.74 per 1,000 gallons purchased.

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(Choose one and cross out the one not chosen and initial it) SEP 09 1994

PURSUANT TO 807 KAR 5.011,
SECTION 9 (1)

BY: Jordan C. Keel
FOR THE PUBLIC SERVICE COMMISSION

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 N/A dollars which shall cover any and all costs of the Seller for installation of the metering equipment and _____

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

1. (Term of Contract) That this contract shall extend for a term of forty (40) 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 N/A 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 \$ N/A 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 the Purchaser for water delivered are subject to modification at the end of every two (2) 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. Any rate adjustment shall be based on the formula on page #31 of the H.J. Umbaugh & Associates Accounting Report on Wholesale Cost of Service for the Pikeville, Kentucky Municipal Water Utility dated April 7, 1986.

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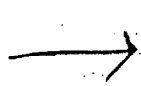
PURSUANT TO 807 KAR 5.011,
SECTION 9 (1)

BY: Jordan C. Neel
FOR THE PUBLIC SERVICE COMMISSION

In witness whereof, the parties hereto, acting under authority of their respective governing bodies, have caused this contract to be duly executed in three (3) counterparts, each of which shall constitute an original.

Seller:

City of Pikeville



By W.C. Hambley W.

Title Mayor, Wm. C. Hambley

Attest:

Karen G. Harris
Secretary

Purchaser:

Sandy Valley Water District

By Jawell Stoe

Title Chairman of the Board

Attest:

Pat Layne
Secretary

This contract is approved on behalf of the Farmers Home Administration this 26th day of JANUARY, 19 87.

By Robert W. Letton

Title Chief, Community & Business Programs

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PURSUANT TO 807 KAR 5.011,
SECTION 9 (1)

BY: Jordan C. Neal
FOR THE PUBLIC SERVICE COMMISSION