

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the 18 day of May,
19 87, between the ESTILL COUNTY WATER DISTRICT NO. 1, a Corporation organized
as a Water District under Kentucky Revised Statutes, Chapter 74.

(Address)

hereinafter referred to as the "Seller" and the POWELL'S VALLEY WATER DISTRICT, a Corporation
organized as a Water District under Kentucky Revised Statutes, Chapter 74.

(Address)

Clay City, Kentucky 40336
hereinafter referred to as the "Purchaser",

WITNESSETH:

Whereas, the Purchaser is organized and established under the provisions of Chapter 74 of the
Code of Kentucky 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 28 day
of March, 19 87, 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 Resolution by the Chairman of the Water District
and attested by the Secretary, was duly authorized, and

Whereas, by Resolution of the Board of Water Commissioners
of the Purchaser, enacted on the 28 day of March, 19 87,
the purchase of water from the Seller in accordance with the terms set forth in the said Water Purchase Contract
was approved, and the execution of this contract by the Chairman of the Water District, 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
Department of Natural Resources and Environmental Protection
in such quantity as may be required by the Purchaser not to exceed 3,000,000 gallons per month.

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FHA 442-30 (Rev. 4-19-72)
PURSUANT TO 607 KAR 51011,
SECTION 9(1)
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2. (Point of Delivery and Pressure) That water will be furnished at a reasonably constant pressure calculated at 30 p.s.i. from an existing 4 inch main supply at a point located near the Water District limits at a proposed point located near the Junction of KY. Highway 82 and Plum Creek (County Lines)

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 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 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 once a 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 3rd 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 15th day of each month, for water delivered in accordance with the following schedule of rates: subject to a 5% penalty for late payment of any monthly bill.

a. \$ Flat fee of \$1.53 for 1,000 gals. metered gallons

b. The Purchaser shall pay its proportionate share of the annual principal interest, and reserve based upon its 30% of Phase III Water System. Purchaser shall also make a monthly payment for the cost of debt service, purchasing and delivering water to the point of connection based upon the metered usage RM times the rate of \$1.53 per 1,000 gallons. The rate will be adjusted bi-annually upon the Seller's cost at the time of adjustment for purchasing and delivering the water to the point of connection.

c. The seller shall be responsible for operating and maintaining the water system in the most economical manner feasible, and the Purchaser shall have the right to question specific items in the audit.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
LITIGATIVE

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PURSUANT TO KY HAR 8:011,
SECTION 9(1)

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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 the necessary/expense of the seller dollars which shall cover any and all costs of the Seller for installation of the metering equipment and any other expense of the seller for the purpose of making the connection or to install the facilities in accordance with good construction practices of materials approved by the seller.

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 10 years 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 10 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 \$ 1.52 ^{per gal} 1,000 gals 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 Starting with initial delivery of water the Purchaser for water delivered are subject to modification at the end of every 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. 90 day written notice of contract modification by either party.

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. This Water Purchase Contract is hereby pledged to the United States of American acting through the Farmers Home Administration as part of the security for a loan or loans to the Powell's Valley Water District, and the Estill County Water District No. 1

10. This Contract shall not be transferred or assigned by either party, without the written consent of the other, unless required by law, and in such event, this agreement shall inure to and be binding on both parties, their successors and assigns.

11. If any section, paragraph or clause of this contract shall be held invalid, the invalidity of such section, paragraph or clause shall not affect any of the remaining provisions of this contract.

12. The Purchaser agrees that in the event of an emergency, the production of water would be primarily for Irvine and the Estill County Water District, with the possible exclusion of the Powell's Walley Water District.

Public Utility Commission
Water Department
Irvine, Georgia

APR 14 1947

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ESTILL COUNTY 9 (1)
B. J. [Signature]

In witness whereof, the parties hereto, acting under authority of their respective governing bodies, have caused this contract to be duly executed in 5 counterparts, each of which shall constitute an original.

Seller:

ESTILL COUNTY WATER DISTRICT NO. 1

By *Archie McArthur*

Title CHAIRMAN

Attest:

James W. Davis
Secretary

Purchaser:

POWELL'S VALLEY WATER DISTRICT

By *Rev. Maurin Brewer*

Title CHAIRMAN

Attest:

Quinton Davis
Secretary

This contract is approved on behalf of the Farmers Home Administration this _____ day of _____, 19 _____.

By _____

Title _____

PUBLIC SERVICE COMMISSION
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SECTION 4(1)

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