

DANDRIDGE F. WALTON
ATTORNEY AT LAW
314 WILKINSON STREET
P. O. Box 79
FRANKFORT, KENTUCKY 40602

OFFICE TELEPHONES
502 227-4978
502 875-1841
HOME TELEPHONE
502 695-1762

PADUCAH OFFICE:
4TH FLOOR, CITIZENS BANK
PADUCAH, KENTUCKY 42001
502 443-8442

December 7, 1978

RECEIVED

DEC 13 1978

PUBLIC SERVICE COMMISSION
ENGINEERING DIVISION

Ms. Carryn Lee, Utility Inspector
Public Service Commission of Kentucky
Post Office Box 615
Frankfort, Kentucky 40602

Re: Fern Lake Company

Dear Ms. Lee:

This is to acknowledge receipt of your letter of November 28, 1978 to Mr. Arthue E. Abshire, President of Fern Lake Company. As we discussed this morning by telephone, the only rate in effect for Fern Lake is a contract provision which had its inception on December 22, 1947. Fern Lake and Kentucky Water Service Company, Inc. are still buying and selling water in conformity with this agreement.

This is to further advise you that Fern Lake Company is the assignee of Kentucky Utilities Company with respect to this contract, and now owns all the facilities which are reflected and mentioned in the contract. Fern Lake has pending before the Public Service Commission a request for a new tariff. That tariff has not been approved by the Commission as yet, and a hearing will be held on January 16, with respect to it. When an order granting a new rate has been approved by the Commission, new tariffs will be drafted in conformity with that order, and complete sets will be furnished you as provided by the regulations.

If you have any further questions at any time with respect to Fern Lake, please do not hesitate to advise us. We appreciate your cooperation and understanding in this matter.

Yours very truly,


Dandridge F. Walton

DFW/jm

Enclosure

cc: Arthur E. Abshire

"Exhibit B"

CONTRACT RELATING TO
MIDDLESBORO WATER SYSTEM

THIS CONTRACT made as of December 22, 1947, between KENTUCKY UTILITIES COMPANY, a Kentucky corporation (hereinafter referred to as "Company") and KENTUCKY WATER SERVICE COMPANY, INC., a Kentucky corporation (hereinafter referred to as "Purchaser"),

WITNESSETH:

WHEREAS, the Company is the owner of Fern Lake situated partly in Claiborne County, Tennessee, and partly in Bell County, Kentucky, near Middlesboro, Kentucky, and Purchaser is the owner of the water distribution system in and adjacent to Middlesboro and a tract of real estate adjacent to Fern Lake on which is situated a pumping station, and, upon the terms and conditions herein stated, Purchaser desires the Company to make available to it water from Fern Lake as a water supply for the distribution system in Middlesboro;

Now, THEREFORE, it is agreed between the parties as follows:

1. Company will, during the term of this contract, and so long as the consideration set forth in Paragraph 3 hereof is paid when due, permit the Purchaser to take from Fern Lake, by means of equipment operated on its aforesaid pump station site, water for distribution in the Middlesboro water system.

2. Purchaser will maintain and, consistent with good practice, keep in accurate operating condition a meter or meters by which all water taken by Purchaser from Fern Lake shall be measured, and the Company shall have the right at any and all reasonable times to read said meter or meters and to check such metering equipment for accuracy.

3. Purchaser will pay to Company \$17,700 per year in equal monthly installments payable on the first day of each month, and in addition thereto Purchaser will at the end of each 12 months period beginning with the date of this contract pay to the Company a sum equal to five cents (5c) for each one thousand (1,000) gallons of water

in excess of 250,000,000 gallons of water taken from Fern Lake during each twelve months period, such additional payment to be made by Purchaser within thirty days after receipt of a statement therefor. If Purchaser shall fail to pay when due any sum of money payable by it hereunder and such failure shall continue for a period of sixty days after the Company shall have made written demand for such payment, the Company may at its election terminate this contract.

4. The Company will to the extent of making ordinary and usual repairs in accordance with good engineering practice, maintain the existing dam at Fern Lake at present spillway level and the Company will not permit said Lake, nor that part of the watershed of said Lake owned by the Company, to be used for any purpose which would render the supply of water inadequate, or the water itself unsuitable for the operation of the water system in Middlesboro. The Company shall incur no liability due to the failure of the water supply or the pollution of the water in the Lake resulting from any cause other than negligence on its part.

5. This contract shall continue for a period of twenty (20) years and for yearly periods thereafter so long as Purchaser, its successors or assigns, shall maintain and operate the water system in Middlesboro and so long as Fern Lake shall constitute a suitable supply of water for the water system in Middlesboro.

6. This contract shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

IN TESTIMONY WHEREOF the names of the parties hereto have been hereunto subscribed by their respective officers thereunto duly authorized.

KENTUCKY UTILITIES COMPANY,

By R. M. WATT,
President.

KENTUCKY WATER SERVICE COMPANY, INC.,

By WILLIAM WAGNER,
President.