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SEP 25 2012

AGREEMENT BETWEEN
OWEN ELECTRIC COOPERATIVE
AND
KENTUCKY AMERICAN WATER

PUBLIC SERVICE
COMMISSION

THIS AGREEMENT made and entered into this 29th day of October 2008, by and between Owen Electric Cooperative, Inc (OEC) and Kentucky American Water (KAW), hereinafter referred to as the Parties, is to establish a new 25 kV distribution line from Keith Substation to the plant site on Hwy. 127 at the Owen/Franklin County line (site) as well as site primary metering and maintenance of customer owned equipment.

WITNESSETH:

WHEREAS, KAW requested a bid proposal for a new 4700 kVA primary service approximately at the county line between Owen and Franklin along Hwy. 127 by October 2009; and

WHEREAS, OEC supplied a bid for that service on March 4, 2008 and was the successful bidder, per a letter from KAW dated June 8, 2008; and

WHEREAS, KAW will own the sites dual primary cables and two 5000 kVA transformers, that at KAW's request OEC will supply, install, maintain and replace as necessary and will bill KAW a monthly maintenance replacement fee to be set by the Public Service Commission (PSC) in OEC's upcoming rate case. KAW understands OEC will be requesting a maintenance fee as reflected on the attached Exhibit "A"; and

WHEREAS, voltage flicker limitations are critical to both KAW and OEC, that OEC will build an express line to supply KAW at the site, that KAW will work with OEC on the equipment specification to meet KAW's flicker limitations, and that KAW will pay for the additional cost (estimated to be \$25,000.00), to meet those specifications beyond OEC's standard construction costs; and,

NOW THEREFORE, in consideration of the premises aforesaid and other good and valuable consideration, receipt of all of which is hereby acknowledged, it is understood and agreed between the Parties that:

1. KAW will pay \$1,600,000 to OEC for standard construction with low loss transformer by East Kentucky Power (EKP) to expand the Keith Substation to supply a 25 kV feeder bay and by OEC to build an express feeder approximately 13 miles to property line at the site. Three separate payments will be made to OEC on the following schedule:

Payment 1: \$550,000.00 due on November 1, 2008
Payment 2: \$550,000.00 due on January 1, 2009
Payment 3: \$500,000.00 due on March 1, 2009



All invoices shall be submitted in duplicate and addressed to:

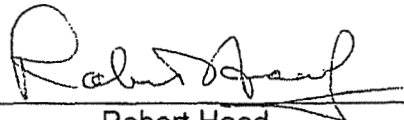
Kentucky American Water, Eastern Division
Attention: Michael Galavotti, Workbasket No. A12ENG01
c/o Shared Services Center
P.O. Box 5610
Cherry Hill, NJ 08034

2. KAW will take responsibility to guarantee payment to OEC for all line relocation and temporary services work during construction at the site.
3. OEC will supply three phase 480 V temporary power to the site within three months after start of construction or as required if later than the three months.
4. OEC will bill, at cost, KAW for the KAW equipment at the site that OEC will be purchasing and installing that will consist of two (2) 5000 kVA transformers and dual primary underground cables and associated miscellaneous equipment. Initial billing of \$300,000 by November 1, 2008 and the remainder when the job is completed. Total estimated cost at this time is between \$350,000 and \$400,000. KAW shall pay the full amount of said bills to OEC within thirty (30) days of receipt.
5. Upon completion when permanent power is being supplied OEC will bill KAW per OEC's standard tariff under the primary metering section as well as a maintenance replacement fee for KAW's equipment that OEC will be maintaining and replacing as required. The amounts for maintenance and replacement will be per future PSC approved rates.
6. KAW will pay OEC, at cost, for all additional expenditures by OEC and EKP to reduce the voltage flicker level at the site per KAW requirements. These costs will be billed when determined and paid within 30 days of receipt of bill from OEC. The proposed design will have under 7% flicker for the 700 HP motor with a motor starting current of two (2) time running current.
7. OEC agrees to defend, indemnify and hold harmless KAW and its Directors, Officers, Agents, employees from all claims of whatsoever nature and kind, including those brought by employees of OEC or Subcontractors arising out of or as a result of any negligent act or omission in connection with the performance of the work to be performed pursuant to this Agreement by OEC, its employees, Agents and Subcontractors. Provided, however, that nothing herein shall be construed as making OEC, or Subcontractors liable for any injury, death, loss, damage, or destruction caused by the sole negligence of KAW.
8. The terms and conditions established with this agreement are pending all applicable approvals required by the Parties' individual Board of Directors, the Rural Utilities Service, the Kentucky Public Service Commission, and any other applicable local, state, and federal agencies.

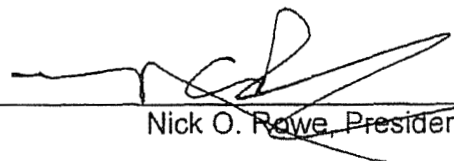


IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by an authorized representative.

OWEN ELECTRIC COOPERATIVE

By 
Robert Hood
President and Chief Executive Officer

KENTUCKY AMERICAN WATER

By 
Nick O. Rowe, President

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Attachment "A"

Annual Rate(PPI) 3.00% #Pmts 360 PV \$250,000 FV \$606,815.62 Contingencies 10% Maintenance Cost (\$430 Labor, benefits, vehicle + \$200 Oil Tests) Plus 10 Percent 700 contingencies

YEAR	EQUIPMENT		MAINTENANCE FEE		TOTAL PAYMENT REQUIRED		
	Equipment Cost Indexed for For Inflation	Cost Recovery Per Year	Contingencies Plus 10% Per Year	Indexed for inflation Annual Amount	Monthly PMT	Total Monthly Pmt	Annual Amt Paid
1	\$250,000.00	\$12,383.32	\$13,621.65	\$700.00	\$58.33	\$1,193.47	\$14,321.65
2	\$257,500.00	\$12,754.81	\$14,030.30	\$721.00	\$60.08	\$1,229.27	\$14,751.30
3	\$265,225.00	\$13,137.46	\$14,451.21	\$742.63	\$61.89	\$1,266.15	\$15,193.84
4	\$273,181.75	\$13,531.58	\$14,884.74	\$764.91	\$63.74	\$1,304.14	\$15,649.65
5	\$281,377.20	\$13,937.53	\$15,331.28	\$787.86	\$65.65	\$1,343.26	\$16,119.14
6	\$289,818.52	\$14,355.66	\$15,791.22	\$811.49	\$67.62	\$1,383.56	\$16,602.71
7	\$298,513.07	\$14,786.33	\$16,264.96	\$835.84	\$69.65	\$1,425.07	\$17,100.80
8	\$307,468.47	\$15,229.92	\$16,752.91	\$860.91	\$71.74	\$1,467.82	\$17,613.82
9	\$316,692.52	\$15,686.81	\$17,255.49	\$886.74	\$73.89	\$1,511.85	\$18,142.23
10	\$326,193.30	\$16,157.42	\$17,773.16	\$913.34	\$76.11	\$1,557.21	\$18,686.50
11	\$335,979.09	\$16,642.14	\$18,306.35	\$940.74	\$78.40	\$1,603.92	\$19,247.10
12	\$346,058.47	\$17,141.40	\$18,855.55	\$968.96	\$80.75	\$1,652.04	\$19,824.51
13	\$356,440.22	\$17,655.65	\$19,421.21	\$998.03	\$83.17	\$1,701.60	\$20,419.24
14	\$367,133.43	\$18,185.32	\$20,003.85	\$1,027.97	\$85.66	\$1,752.65	\$21,031.82
15	\$378,147.43	\$18,730.88	\$20,603.96	\$1,058.81	\$88.23	\$1,805.23	\$21,662.78
16	\$389,491.85	\$19,292.80	\$21,222.08	\$1,090.58	\$90.88	\$1,859.39	\$22,312.66
17	\$401,176.61	\$19,871.59	\$21,858.74	\$1,123.29	\$93.61	\$1,915.17	\$22,982.04
18	\$413,211.91	\$20,467.73	\$22,514.51	\$1,156.99	\$96.42	\$1,972.63	\$23,671.50
19	\$425,608.27	\$21,081.77	\$23,189.94	\$1,191.70	\$99.31	\$2,031.80	\$24,381.65
20	\$438,376.51	\$21,714.22	\$23,885.64	\$1,227.45	\$102.29	\$2,092.76	\$25,113.09
21	\$451,527.81	\$22,365.65	\$24,602.21	\$1,264.28	\$105.36	\$2,155.54	\$25,866.49
22	\$465,073.64	\$23,036.61	\$25,340.28	\$1,302.21	\$108.52	\$2,220.21	\$26,642.48
23	\$479,025.85	\$23,727.71	\$26,100.48	\$1,341.27	\$111.77	\$2,286.81	\$27,441.76
24	\$493,396.63	\$24,439.54	\$26,883.50	\$1,381.51	\$115.13	\$2,355.42	\$28,265.01
25	\$508,198.53	\$25,172.73	\$27,690.00	\$1,422.96	\$118.58	\$2,426.08	\$29,112.96
26	\$523,444.48	\$25,927.91	\$28,520.70	\$1,465.64	\$122.14	\$2,498.86	\$29,986.35
27	\$539,147.82	\$26,705.75	\$29,376.32	\$1,509.61	\$125.80	\$2,573.83	\$30,885.94
28	\$555,322.25	\$27,506.92	\$30,257.61	\$1,554.90	\$129.58	\$2,651.04	\$31,812.52
29	\$571,981.92	\$28,332.13	\$31,165.34	\$1,601.55	\$133.46	\$2,730.57	\$32,766.89
30	\$589,141.38	\$29,182.09	\$32,100.30	\$1,649.60	\$137.47	\$2,812.49	\$33,749.90
		\$589,141.38	\$648,055.52	\$33,302.79			\$681,358.31

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