

FEB 24 '8

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the 9 day of June, 1981, between the City of Clay City, Kentucky, Post Office Box 428, Clay City, Kentucky 40312, hereinafter referred to as the "Seller" and the Powell's Valley Water District, Post Office Box 500, Clay City, Kentucky 40312, hereinafter referred to as the "Purchaser,"

W I T N E S S E T H :

Whereas, the Purchaser is organized and established under the provisions of Chapter 74 of the 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 at the close of the 1981 construction project 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 Number 1 enacted on the 9 day of June, 1981, by the Seller, the sale of water to the Purchaser in accordance with the provisions of the said Resolution was approved, and the execution of this contract

carrying out the said Resolution by the Mayor and attested by the Secretary, was duly authorized, and

Whereas, by Resolution of the Board of Commissioners of the Purchaser, enacted on the 9 day of June 1981, the purchase of water from the Seller in accordance with the terms set forth in the said Resolution was approved, and the execution of this contract by the Chairman, and attested by the Secretary and 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, Division of Water in such quantity as may be required by the Purchaser not to exceed 4.5 million gallons per month or 180,000 gallons per day, but in case of an emergency due to fire or line breakage, Purchaser may take more than 180,000 gallons per day but shall notify Seller of the problem so that appropriate arrangements can be made.

2. (Point of Delivery) That water will be furnished at a reasonable constant pressure calculated at 50 PSI from an existing six inch main supply at a point located on the north side of Kentucky 15, approximately 1700 feet west of the Seller's water treatment plant. 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 six 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 the 20th of each 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 fifth 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 fifteenth (15th) day of each month for water delivered in accordance with the following schedule of rates:

a. For service rendered from the date of this contract until the City connects with the City of Stanton:

1. \$660 for the first 1,000,000 gallons, which amount shall also be the minimum rate per month.

2. 66 cents per 1,000 gallons for all water in excess of 1,000,000 gallons per month.

b. From the time the City connects with the City of Stanton until January 1, 1982:

1. \$1,440 for the first 2,000,000 gallons, which amount shall also be the minimum rate per month.

2. 72 cents per 1,000 gallons for all water in excess of 2,000,000 gallons per month.

c. Effective January 1, 1982 which shall remain the rates in effect under the terms of this contract unless modified under paragraph C-3, except that no modification regarding rates is permitted before December 31, 1982:

1. \$1,960 for the first 2,000,000 gallons, which amount shall also be the minimum rate per month.
2. 98 cents per 1,000 gallons for all water in excess of 2,000,000 gallons per month.

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 contract and thereafter may be renewed or extended for such term, or terms, as may be agreed upon by the Seller and Purchaser.

2. (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. In the case of a problem in the supply of water, Seller shall have someone on call at all times and shall inform Purchaser of who is to be on call and where he can be located and agents of Purchaser shall have access to the treatment plant through agents of the Seller in order to determine the source of the problem and to be available to assist Seller at Seller's request in remedying the problems.

3. (Modification of Contract) That the provisions of this contract pertaining to the schedule or rates to be paid by the Purchaser for water delivered are subject to modification at the end of every year. Any increase or decrease in rates shall be based on a demonstrable increase or decrease in the costs associated with providing service to Purchaser including the cost of treatment and transmission of water, but such costs shall not include increased capitalization of the Seller's system. Seller shall keep records adequate to determine the cost of treatment and other operation and maintenance cost directly related to the production and transmission of water. If Seller intends to increase rates it shall notify Purchaser at least ninety (90) days prior to the effective date and shall supply supporting data. Purchaser shall have thirty (30) days from the receipt of the notice and supporting data to accept or to protest. If a protest cannot be negotiated, it shall be submitted to arbitration by an arbitrator chosen by each and a third chosen by the two arbitrators. The cost of arbitration shall be borne jointly by the parties. If arbitration is not concluded by the effective date of the proposed rate increase, then Purchaser shall pay the amount of the requested increase not to exceed ten (10) percent above existing rates into an escrow account subject to the final decision of the arbitrators. Any increase in excess of ten percent shall not be effective until the final decision of the arbitrators, however, shall be retroactive from the effective date of the increase. In no instance shall the rate charged to Purchaser exceed the rate charged to any other customer by Seller. In any such instance, Purchaser's rate shall

be adjusted to the lowest rate charged to any purchaser. The above provisions concerning arbitration shall not be binding upon the United States of America acting through the Farmers Home Administration as bond holder.

4. (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.

5. (Miscellaneous) That the construction of the water system improvement project 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.

6. (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.

7. Farmers Home Administration (FmHA) assistance in the amount of \$250,000 grant and a \$108,125 loan amortized over 40 years at 5 percent interest, was advanced to the City of Clay City in behalf of the Powell's Valley Water District for water system improvements. The grant was advanced for the purpose

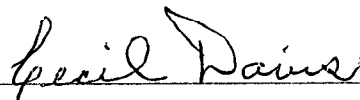
of reducing user costs for farmers, rural residents, and other rural users with a residential-size water connection. Present and future water rates of the Purchaser must be calculated in a manner to pass the reduced debt service requirement of this capital improvement as a result of the FmHA grant to the above intended users.

8. (Pledge) This contract is hereby pledged to the United States of America acting through the Farmers Home Administration, as part of the security for a loan from the United States of America.

D. It is understood by the parties that careful inspection during the construction of the new line to Stanton and of the plant is of utmost importance. Seller agrees to permit agents of Purchaser to observe that construction, and to be available to seriously consider any problems during construction that Purchaser may discover.

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

Seller: City of Clay City, Kentucky



By Cecil Davis

Title Mayor

Attest:

Betty L. Begley
Betty Begley, City Clerk

Purchaser: Powell's Valley Water District

Powell's Valley Water District
By Rev. Marvin Brewer
Title Chairman

Attest:

Janet Barnett
Secretary

This contract is approved on behalf of the Farmers Home
Administration this 7th day of July, 19 81.

By David R. King
Title Community Program Specialist

Regular Meeting December, 2, 1985

The meeting was called to order by Mayor Arnold Carmichael, Councilmembers present were; Earl Baber, Mountz McKinney, Millie Farmer, Bertha Blankenship, Dewey Campbell, and, Linville Bellamy. Others present were; City Attorney Jeff Stiles, Powells Valley Water representatives Marion Brewer, Mr. Martin, and, Simpson Barnett.

Rev. Brewer requested an extension on the contract with Clay City, to equal 40 years. This was to insure the grant they need to run water to Hardwicks Creek. The motion was made by Linville Bellamy, second by Earl Baber. The motion was passed with all members voting yes.

Ival Morton requested re-renewal of his contract for garbage pick-up in Clay City, making his contract up Feb. of 89. The motion was made by Dewey Campbell, second by Millie Farmer, the motion was passed, with all members voting yes.

Robert Matthews discussed buying radar equipment , this was tabled until he goes to school to be certified.

Jeff Stiles read second reading of the Ordinance, to send Robert Matthews to Eastern Police Academy. The motion was made to pass ordinance, by Earl Baber, Second by Mountz McKinney, yes votes from Earl Baber, Mountz McKinney, and Millie Farmer, abstained, Linville Bellamy, Bertha Blankenship, and Dewey Campbell. Motion was passed.

Request for motion to pay bills, was made by Mayor Carmichael, motion made by Earl Baber, second by Mountz McKinney, passed with all members voting yes

Mayor Carmichael discussed repair work that needed to be done on the backhoe, and, buying two small trucks for the City, the money would come from a grant for water construction. The money must be used for the water dept. ~~of~~ of which the trucks are used for. The money must be used in a reasonable amount of time or the city loses it. The motion was made by Earl Baber, second by Millie Farmer, yes votes from Earl Baber, Millie Farmer, Mountz McKinney, no vote from Bertha Blankenship, abstained, Dewey Campbell, and, Linville Bellamy. The motion passed.