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**PUBLIC SERVICE
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CITY OF CYNTHIANA

and

HARRISON COUNTY WATER ASSOCIATION, INC.

WATER PURCHASE AGREEMENT


THIS WATER PURCHASE AGREEMENT for the sale and purchase of water is entered into as of the 29th day of September, 2009, and becoming effective on the 1st day of November, 2009, between the **CITY OF CYNTHIANA**, Cynthiana, Kentucky 41031, a municipal corporation and City of the fourth class located in Harrison County, Kentucky (hereinafter referred to as "**CITY**"), and the **HARRISON COUNTY WATER ASSOCIATION, INC.**, P. O. Box 215, Cynthiana, Kentucky 41031, (hereinafter referred to as "**HCWA**").

W I T N E S S E T H:

WHEREAS, HCWA is organized and established as a non-profit corporation under the provisions of KRS 273 et seq. for the purpose of constructing and operating a water supply distribution system serving water users in the service area on file with the Public Service Commission for the Commonwealth of Kentucky in Frankfort, Kentucky, which area is from time to time increased and to accomplish this purpose, the HCWA will require a continual supply of treated water from the City and other sources, and

WHEREAS, the City owns and operates a water supply distribution system with a capacity capable of serving the

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By 
Executive Director


customers of its system and the customers of the HCWA during the term of this Agreement; and

WHEREAS, the City has in operation a water treatment delivery system supplying water to customers both within and without the corporate limits of the City, and

WHEREAS, the Mayor of the City and the President of the HCWA enter into this Agreement for the City and for the HCWA, respectively, based upon the authority statutorily or otherwise granted to and/or inherent to their positions of Mayor and President, respectively, and also pursuant to the consent and/or authority given to each of them by the City Commission of the City and by the Board of Directors of the HCWA, respectively, and both the Mayor and the President sign this Agreement with full and lawful authority to bind the City and the HCWA, respectively. True and accurate copies of the Resolution of the City Commission of the City and of the Resolution of the Board of Directors of the HCWA authorizing the Mayor and the President, respectively, to sign this Agreement and to bind the City and the HCWA, respectively to the terms contained in this Agreement is attached hereto; and

WHEREAS, the previous "Water Purchase Contract" entered into between the City and the HCWA on October 21, 1987, and the Settlement Agreement made and entered into on March 16, 2000, both of which were approved by the Public Service Commission

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(the "PSC"), and the United States of America, acting through the Farmers Home Administration, are hereby terminated and this new Agreement replaces any prior agreement between this City and HCWA with regard to the purchase of water; and

WHEREAS, the parties hereto have determined that a current reasonable rate of \$2.41 per thousand gallons for the water supplied by the City to the HCWA, based upon the known and measurable costs to the City attributable to water supplied by the City to the HCWA; and

WHEREAS, the City and the HCWA seek to memorialize their Agreement in writing as to a new rate of \$2.41 per thousand gallons for the water supplied by the City to the HCWA through this Water Purchase Agreement, which has been lawfully approved by the City Commission of the City of Cynthiana, by and through the authority of its Mayor, John M. Keith, Jr., and his signature below by and on behalf of the City, and also lawfully approved by the Board of Directors of the HCWA by and through the authority of its President, William R. Toadvine, and his signature below by and on behalf of the HCWA, the Settlement Agreement and its prior rate of \$1.85 per thousand gallons should now be terminated and replaced by this new Agreement, subject to the review and approval of the PSC.

NOW, THEREFORE, in consideration of the premises and the covenant and agreements hereinbelow contained, the parties agree


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and bind themselves as follows;

1. The City agrees to furnish to HCWA at various points of delivery during the terms of this contract or any renewal or extension thereof, potable, treated water meeting applicable purity standards of the Commonwealth of Kentucky and of any applicable regulating body of the United States in such quantity as may be required by the HCWA to meet the needs of its customers during the term, renewal or extension of the contract, up to a maximum of 600,000,000 gallons of water per annum (12 month period) beginning on the 1st day of November, 2009.
2. Said water will be furnished by the City at a reasonably constant pressure. If a greater pressure than that normally available at the points of delivery is required by HCWA, the cost of providing such greater pressure shall be borne by HCWA. Emergency failures of pressure Or supply due to main supply breaks, power failure, flood, fire and Use of water to fight fire, earthquake or other catastrophe shall excuse the City from this provision for such reasonable period of time as may be necessary to restore service.
3. HCWA shall operate, repair, and maintain as necessary at its own expense at the points of delivery, any metering equipment, including meter house or pit and required devices. Any installation at any point of delivery or at


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any new point of delivery shall be paid for by the HCWA. Any cost for replacement of any meters shall be divided equally by the HCWA and the City, said meters being those at the points of delivery. HCWA will not be responsible for the cost of any master meter testing, unless HCWA requests a special test.

4. City shall furnish to HCWA at the above address, not later than the 5th day of each month an itemized statement of the amount of water furnished to HCWA during the preceding month.
5. City shall at all times operate and maintain its system in an efficient manner and will take such action as may be necessary to furnish HCWA with quantities of water required by the HCWA, up to a maximum of 600,000,000 gallons of water per annum (12 month period) beginning on the 1st day of November, 2009. Temporary or partial failures to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or if the supply of water available to the City is otherwise diminished over an extended period of time, the supply of water to HCWA shall be reduced or diminished in the same ratio or proportion as the supply to the City's residential consumers is reduced or diminished.
6. That the settlement agreement of March 16, 2000 and it's

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rate of \$1.85 per thousand gallons entered into by and between the parties and partially approved by the PSC, is by mutual agreement of the parties cancelled and held for naught and replaced by this Agreement, subject to review and approval of the PSC.

7. This Water Purchase Agreement and its terms contracted herein and in particular, the new rate of \$2.41 per thousand gallons of water sold by the City to HCWA shall become effective on November 1, 2009, and it is further agreed between the City and HCWA that the terms of this Agreement shall be forty (40) years from the date of November 1, 2009, and thereafter may be renewed or extended from such terms or terms as may be agreed upon by the City and HCWA, provided, however, that the new rate of \$2.41 per thousand gallons of water is subject to change by mutual agreement of the City and the HCWA, or if unable to reach such agreement, then upon a minimum of thirty (30) days notice of any such change, subject to the review and approval of the Public Service Commission of the Commonwealth of Kentucky. Further, HCWA has the one-time right to cancel this Agreement on April 30, 2010, and to pay the City \$1.85 per 1,000 gallons of water purchased, if and only if, the City has not by April 30, 2010, lawfully enacted a rate increase for water supplied to all its


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paying customers for water supplied to said customers by the City.

8. HCWA agrees to pay the City on a monthly basis for the water delivered in accordance with the rates in effect under this contract on a timely basis not in excess of 30 days from receipt of the bill. In the event HCWA fails to make any such payment when due, the City, in its discretion, may impose and inflict upon HCWA, the penalties applicable to delinquent residential customers of the HCWA and may in its discretion suspend service to HCWA until said delinquent bill and penalty have been paid.
9. The City hereby agrees to delivery to HCWA under the terms of this Agreement up to a maximum of 600,000,000 gallons of water per annum (12 month period) beginning on the 1st day of November, 2009 renewal term of this Agreement at a rate of \$2.41 per thousand gallons.
10. It is understood by and between the parties that the water supply distribution system of HCWA is being financed by loan and grants made or insured by the United State of Anlerica acting through the USDA Rural Development/Farmers Home Administration of the United States Department of Agriculture and the provisions hereof pertaining to the Undertakings of the HCWA are conditioned upon the approval, in writing, of the State Director of the ~~SECTION 9~~ Rural


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Development/Farmers Home Administration.

11. This Agreement, and any interpretation thereof, shall be governed by the laws of the Commonwealth of Kentucky.
12. The parties hereto recognize that this Agreement will be reviewed by the Commonwealth of Kentucky, Public Service Commission, and that the City will be filing this Agreement with the PSC for said review.
13. This Agreement shall be considered made and entered into on the date of the last to Sign this Agreement, either the Mayor or the President. The effective date of this Agreement shall be November 1, 2009, as indicated on page one (1) of this Agreement. This Agreement shall become null and void and of no legal or binding effect, if it is not signed by the President and returned by the HCWA to the City Clerk on or before 4:30 p.m. on Friday, September 25, 2009, as there would then be insufficient time for the City to file this Agreement, and other necessary documents related to this Agreement, with the Public Service Commission for its review prior to the effective date of November 1, 2009.
14. It is agreed by and between the parties that this agreement shall be binding upon the successors and assigns of the parties provided, however, that any assignment of the rights and obligations under this contract shall be made

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only upon written consent of both parties and that neither party shall unreasonably withhold such consent.


15. It is agreed by and between the City and HCWA that the points of delivery shall include, but not be limited to:

(1) at the northeast end of the City's line on U.S. 62 northeast of Cynthiana; (2) at the south end of the City's line on U.S. 27 and 62 south of Cynthiana; (3) at the east end of the present City line On Kentucky Highway 36 east of Cynthiana; (4) at the northwest end of the present City line on Kentucky Highway 36 northwest of Cynthiana; (5) at the west end of the present City line on Kentucky Highway 356 west of Cynthiana; (6) at the north end of the present City line on U.S. 27 north of Cynthiana; (7) southeast on Old Lair Road.

IN TESTIMONY WHEREOF, this Agreement has been lawfully and with full authority executed; (1) by the Mayor of the City of Cynthiana, Harrison County, Kentucky, by and on behalf of the City, and (2) by the President of the Harrison County Water Association, Inc., by and on behalf of the HCWA.

WITNESS our hands, this 29th day of September, 2009.

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William R Toadvine

William R. Toadvine, President of the Harrison County Water Association, Inc., by and on behalf of this non profit organization, signed on this the day of 29 September, 2009.

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF Harrison)

Subscribed, sworn to and acknowledged before me by William R. Toadvine, by and on behalf of the Harrison County Water Association, Inc., on this the 29th of September, 2009.

Charleen M McElvain

NOTARY PUBLIC, STATE-AT-LARGE

My Commission Expires: March 24, 2013

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By [Signature]
Executive Director

This Contract is approved on behalf of the USDA Rural Development/Farmers Home Administration, this the _____ day of _____, 20_____.

By: _____

Title: _____

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By  _____
Executive Director