

WATER PURCHASE CONTRACT

THIS CONTRACT for the sale and purchase of water is entered into this 10th day of August, 1983, by and between Rowan Water, Inc., 110 Hargis Avenue, Morehead, Rowan County, Kentucky, hereinafter referred to as the "SELLER", and the Fleming County Water Association, Inc., 207 Court Square, Flemingsburg, Fleming County, Kentucky, hereinafter referred to as the "PURCHASER",

WITNESSETH:

WHEREAS, the Purchaser is organized and established under the provisions of Chapter 273 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 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 enacted on the 16th day of August, 1983, by the Seller, the sale of water ~~to~~ ^{to the} Purchaser ^{RESOLU} in accordance with the provisions of the said Resolution was approved, and the execution of this Contract carrying ~~out~~ ^{out} the

Caryn Lee for B.H.G.

said Resolution by the President, Sherman Arnett, and attested by the Secretary, was duly authorized, and

WHEREAS, by Resolution of the Board of Directors of the Purchaser, enacted on the 19th day of July, 1983, 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 President, O. W. McIntire, 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:

Cary Lee for BHA

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 Health in such quantity as may be required by the Purchaser not to exceed 5,000,000 gallons per month.

2. (Point of Delivery and Pressure) That water will be furnished at a reasonably constant pressure calculated at a minimum of 40 pounds from an existing eight (8) inch main supply at a point located near Maxey Flat Road on Kentucky Highway 32 in Fleming County, Kentucky. 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. (Meter Reading and Billing) The metering equipment shall be read on the first (1st) day of each month by the Seller and an appropriate official of the Purchaser shall at all reasonable times have access to the meter for the purpose of verifying its readings. The Seller will prepare and furnish the Purchaser at the address indicated on this Contract, or any subsequent address, on or before the 15th day of each month an itemized statement of the amount of water furnished the Purchaser during the preceding month.

Caryn Lee for [Signature]

B. The Purchaser Agrees:

1. (Rates and Payment Date) To pay the Seller the sum of ONE AND 10/100 DOLLARS (\$1.10), per 1,000 gallons of water furnished the Purchaser by the Seller. The payments shall be on a monthly basis and the Purchaser shall pay the Seller for all water furnished each month on the 20th day of the succeeding month.

2. (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 Seller 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 twelve (12) 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.

3. (Connection Fee) To pay as a connection fee all costs incurred by the Seller relative to this agreement and to the Purchaser's connection to the Seller's water system, specifically including, but not limited to, all engineering fees, consulting fees, attorneys' fees, and any and all other costs or expenses incurred by the Seller in regard to connecting the Purchaser's system to the Seller's system and the negotiation and execution of this Contract and shall not exceed Five Thousand Dollars (\$5,000.00). *J. E. S.*

W.S.C. *Caryn LaSalle B.H.G.*
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 initial delivery of water from Seller's supplier pursuant to the Seller's present contract with the City of Morehead, Kentucky, for the purchase of water, said contract being dated June 11, 1979, 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 fifteen (15) 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 \$ -0- 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 the Purchaser for water delivered are subject to modification at the end of every one (1) year period. Rate increases or

decreases shall be based on demonstrable increase or decrease in the Seller's costs of providing water to the Purchaser, including, but not limited to the following: the costs of water purchased by the Seller, maintenance and upkeep of the Seller's water supply system, other overhead and operating costs, and future capital construction of that portion of the Seller's system used in supplying water to the Purchaser. Other provisions of this Contract may be modified or altered by mutual agreement.

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. *Caryn Lu for BTG*

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.

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

ROWAN WATER, INC., SELLER

BY: Sherman R. Bennett

TITLE: President

ATTEST:

Joseph H. Thomas
SECRETARY

FLEMING COUNTY WATER ASSOCIATION,
INC., PURCHASER

BY: D. A. McIntire

TITLE: President
PUBLIC UTILITY COMMISSION

ATTEST:

J. E. Smith Jr.
SECRETARY

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This Contract is approved on behalf of the Farmers Home Administration this 3rd day of February, 1984.

BY: David R. King

TITLE: Community & Business Program Spec