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WATER PURCHASE CONTRACT

SEP 06 1994

THIS CONTRACT for the sale and purchase of water service entered into as of the 21st day of October, 1987, between the CITY OF CYNTHIANA, Cynthiana, Kentucky 41031, hereafter referred to as the "Seller", and the HARRISON COUNTY WATER ASSOCIATION, INC., P.O. Box 215, Cynthiana, Kentucky 41031, hereinafter referred to as the "Purchaser."

WITNESSETH:

WHEREAS, the Purchaser 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 Purchaser will require a continual supply of treated water, and

WHEREAS, the Seller owns and operates a water supply distribution system with a capacity capable of supplying the customers of its system and the customers of the Purchaser during the term of this Agreement,

NOW THEREFORE, in consideration of the foregoing and the mutual agreements hereinafter set forth including the consideration of the Purchaser agreeing to renegotiate its previous contract dated November 15, 1965, as amended November 12, 1968, and June 10, 1969, with the Seller due to the urgent need for the Seller to improve its present water supply system, including upgrading the present plant and constructing a

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PURSUANT TO 897 KAR 5.011, SECTION 2(1)
BY: [Signature]
FOR THE PURCHASER

raw-water line to a new source of water in order to produce sufficient amounts of water to meet the needs of its customers and those of the Purchaser and other purchasers,

1. The Seller agrees to furnish to the Purchaser at various points of delivery during the term 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 Purchaser to meet the needs of its customers during the term, renewal or extension of the contract.

2. Said water will be furnished by the Seller at a reasonably constant pressure. If a greater pressure than that normally available at the points 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 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. Purchaser 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 any new point of delivery shall be paid for by the Purchaser. Any cost for replacement of any meters shall be divided equally by the Purchaser and Seller, said meters being those at the points of delivery.

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SECTION 4(1)

BY: *[Signature]*
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4. Seller shall furnish to the Purchaser at the above address, not later than the 5th day of each month an itemized statement of the amount of water furnished to the Purchaser during the preceding month.

5. Seller shall 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 if the supply of water available to the Seller is otherwise diminished over an extended period of time, the supply of water to Purchaser shall be reduced or diminished in the same ratio or proportion as the supply to the Sellers residential consumers is reduced or diminished.

6. It is understood by and between the parties that the initial rates to be charged per month shall be \$7.00 for the first 2,000 gallons, \$2.65 per 1,000 gallons for the next 8,000 gallons, and \$1.40 per 1,000 gallons for the next 490,000 gallons and \$1.10 per 1,000 gallons purchased over 500,000 gallons.

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It is further agreed and understood by and between the parties that during the term of this contract and any extension or renewal hereof, the Purchaser shall pay the same rate as the Sellers' lowest user rate category and lowest user of the Seller pays, whether such user is residential, industrial, commercial or otherwise. Any increase or decrease in rates shall be based on

PURSUANT TO ORDER OF THE
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demonstrable increases or decreases in the costs of performance hereunder. Moreover, it is agreed by and between the parties that there shall be no change in the incremental classifications or the usage classifications so as to negate this provision requiring the Seller to supply to the Purchaser its water needs at the lowest rate charged any of its customers.

7. The Purchaser agrees to pay the Seller 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 the Purchaser fails to make any such payment when due, the Seller, in its discretion, may impose and inflict upon the Purchaser, the penalties applicable to delinquent residential customers of the Purchaser and may in its discretion suspend service to the Purchaser until said delinquent bill and penalty have been paid.

8. Purchaser agrees to pay the minimum water bill charged to the Sellers other customers.

9. It is further mutually agreed between the Seller and the Purchaser that the term of this contract shall be 60 years from the date hereof and thereafter may be renewed or extended for such term or terms as may be agreed upon by the Purchaser and Seller.

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10. Provisions of this contract may be modified or altered only on a mutual agreement and with written consent of both parties.

PURSUANT TO 807 KAR 001,
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11. This contract is subject to such rules, regulations or laws that may be applicable to similar agreements in this State

and Seller and Purchaser will collaborate in obtaining such permits, certificates, or the like as may be required to comply therewith.

12. It is understood by and between the parties that the water supply distribution system of the Purchaser is being financed by loan and grants made or insured by 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.

This Water Contract, dated October 21, 1987, between the City of Cynthiana and the Harrison County Water Association, Inc., and any Amendments hereto, are hereby pledged to the United States of America, acting through the Farmers Home Administration, as a part of the security for a loan or loans by the United States of America. This pledge shall continue in effect so long as the Harrison County Water Association, Inc. is indebted to the Farmers Home Administration.

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13. 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 only upon written consent of both parties.

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PURSUANT TO 807 KAR 5011
BY: [Signature]
FOR THE CITY

14. It is agreed by and between the Seller and Purchaser 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) southwest on Old Lair Road.

IN WITNESS WHEREOF, the parties hereto, acting under authority of their respective governing bodies, have caused this contract to be duly executed this the 21 day of October, 1987.

SELLER:

City of Cynthiana

By: Melvin E. Hampton

Title: MAYOR PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

ATTEST:

Jamie F. Felle
Secretary

SEP 22 1984

PURCHASER:

PURSUANT TO 807 KAR 5011,
SECTION 9(1)

BY: Justin C. [unclear]
Harrison County Center Association Inc.

By: C. Bernard [unclear]

Title: Pres.

ATTEST:

Charles [unclear]
Secretary
10-21-87

This contract is approved on behalf of the Farmers Home Administration this 6TH day of November, 19 87.

By: James A. Lett

Title: Community & Business Programs Specialist

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PURSUANT TO 807 KAR 5.011,
SECTION 9 (1)

BY: Jordan P. [Signature]
FOR THE PUBLIC