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SUPPLEMENTAL WATER PURCHASE CONTRACT

THIS SUPPLEMENTAL WATER PURCHASE CONTRACT made and entered into on this the 22<sup>nd</sup> day of August, 1981 by and between the City of Morgantown, Kentucky, hereinafter referred to as the "Seller", and the Butler County Water System, Inc., hereinafter referred to as the "Purchaser";

W I T N E S S E T H:

I. WHEREAS, THE PARTIES RECOGNIZE AND RATIFY THE FOLLOWING:

A. The Seller is a Fifth Class city of the Commonwealth of Kentucky, and the Purchaser is a corporation organized and established under the provisions of Chapter 273 of the Kentucky Revised Statutes.

B. The Logansport-Dunbar Water System, Inc. was also a corporation organized and established under the provisions of Chapter 273 of the Kentucky Revised Statutes and was duly merged with the Purchaser on July 19, 1978.

C. On the 24th day of February, 1971 the Seller and Purchaser entered into a Water Purchase Contract. On the 24th day of May, 1971 the Seller and Logansport-Dunbar Water System, Inc. entered into a Water Purchase Contract.

D. By reason of the merger of the Logansport-Dunbar Water System, Inc. into Purchaser, the Purchaser is now the owner of all of the contract rights and responsible for all of the contract duties existing under both of the Water Purchase Contracts with the Seller.

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SECTION 9 (1)

BY: Jordan P. Neal  
FOR THE PUBLIC SERVICE COMMISSION

E. Water users served by the Seller have placed a demand for additional quantities of treated water upon the Seller. There are also areas of Butler County served by Purchaser which need potable water service. Purchaser is undertaking an expansion of its distribution facilities to serve these areas. The Seller's existing water treatment facilities do not have adequate capacity to provide the additional quantities of treated water needed to satisfy both parties.

F. Seller can meet the combined needs of both parties for the additional quantities of treated water by expanding its existing water treatment facilities. Seller can expand its existing water treatment facilities at a lower cost than Purchaser can construct its own treatment facilities, thereby benefiting both parties and serving the public interest.

G. The Farmers Home Administration of the United States Department of Agriculture has offered to make financing available to the Seller, in the form of loans and grants, for Seller to expand its treatment facilities, which loans and grants are attributable in part to the need of the Purchaser for greater quantities of water and which would not otherwise be available to Seller.

H. In recognition of the benefits to be derived by cooperation between the Seller and Purchaser to meet the increased demand for public water service, the parties have cooperated and coordinated their efforts by making companion applications to the Farmers Home Administration of the United States Department of Agriculture, for loans and grants to expand the capacity of Seller's water treatment plant.

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I. By resolution enacted on the 22 day of August 1981 by the Seller, the sale of water to the Purchaser in accordance with the provisions of said resolution was approved, and the execution of this supplemental contract carrying out the said resolution by the Mayor of the City of Morgantown and attested by its Clerk was duly authorized.

J. By resolution enacted on the 27 day of October 1981 by the Purchaser, the purchase of water from the Seller in accordance with the terms set forth in this said agreement was approved, and the execution of this supplemental contract by the President of the Purchaser and attested by the Secretary was duly authorized.

II. NOW THEREFORE, IN CONSIDERATION OF THE MUTUAL BENEFITS TO BE DERIVED BY THE PARTIES HERETO IT IS AGREED AS FOLLOWS:

A. The Water Purchaser Contracts between the parties dated February 24, 1971 and May 24, 1971 are hereby consolidated and merged into this agreement.

B. The parties shall continue to cooperate and coordinate their efforts to secure appropriate financing in the form of loans and grants from the United States Department of Agriculture, Farmers Home Administration with the Purchaser to assist the Seller in obtaining a grant in the sum of Two Hundred Twelve Thousand Dollars (\$212,000.00) to be used by Seller to expand its water treatment facilities to provide sufficient quantities of treated water for Purchaser to expand its services to areas of Butler County presently without an adequate source of potable water.

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BY: Judith C. [Signature]  
FOR THE PUBLIC SERVICE COMMISSION

c. The Seller agrees:

1. Quality and Quantity - To continue furnishing the Purchaser at present points of delivery and such other delivery points hereafter designated from time to time during the term of this contract or any renewal or extension thereof, potable treated water meeting applicable purity standards of the Kentucky State Department of Health in such quantity as may be required by the purchaser, not to exceed ten million (10,000,000) gallons per month.

2. Points of Delivery and Pressure

(a) Existing Points of Delivery - The water will be furnished at reasonably constant pressure calculated at sixty (60) pounds from the four main supply points now in use. If a greater pressure than that normally available at the points of delivery is required by the Purchaser, the cost for 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.

(b) Future Points of Delivery - In the event Purchaser should require other points of delivery, the Seller will allow Purchaser to tap its mains and Purchaser shall install at Purchaser's sole cost and expense the necessary facilities required.

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3. Metering Equipment - To operate and maintain at its own expense at the points 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 (6) 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 last day 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 tenth (10th) day of each month, with an itemized statement of the quantities and charges for water furnished the Purchaser during the preceding month.

D. 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:

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FOR THE PUBLIC SERVICE COMMISSION

(a) The initial rate shall be \$0.52.6 per 1,000 gallons regardless of the quantity of water supplied.

(b) At such time as the Seller's rates to other water customers is increased by reason of the proposed improvements, the rate under this Contract shall be automatically increased to \$0.683 per 1,000 gallons, up to 10,000,000 gallons per month.

(c) At such future time as other rate increases are necessary, but not more frequently than annually as seller's cost of production, treatment and delivery of water requires that the rate be adjusted, the rate shall then be adjusted by establishing a rate calculated in accordance with generally accepted accounting and engineering practices which will establish a rate on the following criterion: "The needed total annual revenue of the water works shall be contributed by users and nonusers for whose use, need and benefit the facilities of the works are provided approximately in proportion to the cost of providing the use and benefits of the works."

2. Connection Fee The Purchaser shall not be responsible for any connection fee to the Seller as the Seller will allow Purchaser to tap its mains and Purchaser shall install at Purchaser's sole cost and expense the necessary facilities required.

E. It is further mutually agreed between the Seller and the Purchaser as follows:

1. Term of Contract - This contract shall extend for a term of sixty (60) years from and after the date that it becomes effective and thereafter it may be renewed or extended for such term or terms as may be agreed upon by the Seller and Purchaser.

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2. Failure to Deliver - 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 the 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.

3. Modification of Contract - The provisions of this contract pertaining to the schedule of rates to be paid by the Purchaser for water delivered are subject to modification from time to time, as hereinbefore set forth in Paragraph D.1(b). Other provisions of this Contract may be modified or altered only by mutual agreement of both parties.

4. Regulatory Agencies - 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 herewith.

5. Miscellaneous - The construction of the improvements by the parties 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. Each of the parties hereto

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recognize that the rights and duties hereunder are for the benefit of the respective parties as well as parties who will from time to time extend credit to each and in recognition of the rights of parties extending credit. Each party specifically grants unto the other the right to pledge or assign its rights hereunder to the Farmers Home Administration of the United States Department of Agriculture, or any other party that may from time to time extend credit to either party.

6. Successor to the Purchaser - 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 executed in two counterparts, each of which shall constitute an original.

SELLER:

CITY OF MORGANTOWN, KENTUCKY

BY: *Harold H. Cook*  
MAYOR

ATTEST:

*Reta Burden*  
SECRETARY

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PURCHASER:

BUTLER COUNTY WATER SYSTEM, INC.

BY: *J. Hampton*  
PRESIDENT

ATTEST:

*M. G. R.*  
SECRETARY

This contract is approved on behalf of the Farmers Home Administration this 19<sup>th</sup> day of December, 1981.

*Robert W. Letton*  
Community Programs Specialist

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BY: *[Signature]*  
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