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PUBLIC SERVICE COMMISSION

AMENDMENT NO. 1  
TO  
WATER PURCHASE AGREEMENT  
DATED SEPTEMBER 8, 1993  
BETWEEN  
CITY OF MT. VERNON, KENTUCKY  
AND  
ROCKCASTLE COUNTY WATER ASSOCIATION, INC.

The Parties to the Water Purchase Agreement (the "Agreement"), the City of Mt. Vernon, Kentucky (the "SELLER") and the Rockcastle County Water Association, Inc. (the "PURCHASER") do hereby amend the Agreement made and signed as of September 8, 1993 to affect the following changes with no other provisions or terms of the Agreement changed or otherwise invalidated except as explicitly described herein, this 27<sup>th</sup> day of June, 1994:

The Term of the Agreement has previously been defined under Sections 1 and 27 of the September 8, 1993 Agreement.

Section 10 of the Agreement shall be amended only by the addition of the following language at the end of the section following the words "AWWA Manual M1 - Water Rates"....

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10. RATE MODIFICATION

...and may include the following items:

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A. "Unaccounted for" Water - "Unaccounted for" water is equal to the amount of water produced less the total amount of water sold and used (backwash and line flushing). The total "Unaccounted for" water percentage shall be used relative to the SELLER and shall not exceed twenty (20) percent relative to the PURCHASER.

PURSUANT TO 807 KAR 5.011,  
SECTION 9 (1)  
BY: [Signature]  
FOR THE PUBLIC SERVICE COMMISSION

B. Bond Coverage Ratio - Bond coverage ratio is defined by the Bond Ordinance as 125 percent.

C. Depreciation - Depreciation costs as defined by the Bond Ordinance and as set forth in the annual audit of the water system.

D. Anticipated Expenditures - Projections for anticipated expenditures will be based on historical expense trends and known and measurable adjustments in costs of materials, supplies and labor for the test year expenses.

E. Customer Accounts - Costs associated with reading customer meters and issuing and collecting customer invoices. These costs shall be allocated totally to the SELLER.

F. Costs for Electricity - Costs for electricity for facilities jointly used by the PURCHASER and the SELLER.

G. Inch-mile Ratio - Inch-mile is defined as the pipeline size in inches multiplied by the length of the pipeline in miles. Inch-mile Ratio is equal to jointly used inch-miles divided by the SELLER'S total system inch-miles. This ratio will be based on the information used and results developed during the performance of a computer generated Hydraulic Study of the SELLER'S water distribution system.

IN WITNESS THEREOF, the Parties hereto, acting under the authority of their respective governing bodies, have caused this Amendment No. 1 to the Agreement to be duly executed in four (4) counterparts, each of which shall constitute an original, on the date stated above.

CITY OF MT. VERNON (SELLER)

ATTEST:

BY: Kaye Rader  
KAYE RADER, CITY CLERK

Gary R. Cromer  
GARY R. CROMER, MAYOR

ROCKCASTLE COUNTY WATER  
ASSOCIATION, INC. (PURCHASER)

ATTEST:

BY: June M. Whittler  
JUNE M. WHITTLER, SECRETARY

Harold Ballinger  
HAROLD BALLINGER, PRESIDENT

This Amendment No. 1 to the Agreement is approved on behalf of the Farmers Home Administration this  
\_\_\_\_\_ day of \_\_\_\_\_, 199\_\_\_\_\_.

By: \_\_\_\_\_  
(Typed name of person and title)

Signature: \_\_\_\_\_

This Amendment No. 1 to the Agreement has been approved as to legality of form and content by:

John E. Clontz

Mr. John E. Clontz  
Clontz & Cox  
Attorneys at Law  
P.O. Box 1350  
Mt. Vernon, Kentucky 40456

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SECTION 9 (1)

BY: Judith C. Neal  
FOR THE PUBLIC SERVICE COMMISSION