

WATER SERVICES CONTRACT

This Contract for the sale and purchase of water is entered into as of November 21, 2006 between the City of Crossville, Crossville, TN (hereinafter SELLER) and the South Cumberland Utility District (hereinafter PURCHASER), located at 139 Utility Drive, Crossville, TN 38572 (P.O. Box 139, Crossville, TN, 38557).

WITNESSETH

WHEREAS, Purchaser is organized and established pursuant to the laws of the State of Tennessee, for the purpose of constructing and operating a water supply distribution system and to accomplish this purpose, the Purchaser requires a supply of treated water; and,

WHEREAS, Seller owns and operates a full service water resource system with a capacity capable of serving the customers of Seller's system and the estimated number of water users to be served by Purchaser, during the term of this Contract.

WHEREAS, by Resolution enacted on the 21st day of November, 2006, the Crossville City Council approved this Contract to and likewise approved the execution of this Contract by the Mayor of the City of Crossville.

WHEREAS, by Resolution enacted on the 16th day of November, 2006, the Board of Commissioners of the Purchaser approved this Contract and likewise approved the execution of this Contract by the President of the Board of Commissioners.

NOW THEREFORE, in consideration of the foregoing and mutual agreements hereinafter set forth,

A. THE SELLER AGREES:

1. Seller agrees to furnish the Purchaser at the point of delivery hereinafter specified, during the term of this Contract, potable treated water meeting applicable purity standards of the State of Tennessee Department of Environment & Conservation. Seller agrees to furnish Purchaser potable treated water in such amount as Purchaser desires to purchase, so long as Purchaser's demand does not exceed Seller's capacity to furnish potable treated water to all Seller's users.
2. Seller agrees to maintain pressures similar to those provided in the past to meters existing as of January 1, 2006, located at a) the intersection of Lantana Road and City Lake Road, and b) the intersection of Pigeon Ridge Road/Coon Hollow Road and South Old Mail Road. If a greater pressure than normally available at the point of delivery is required by 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 by Seller 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.

Purchaser may only offer or allow any other person or entity to offer fire protection

services by using Purchaser's water system provided: (a) Seller shall have no obligation, express or implied, to furnish water pressure for such purposes in excess of pressures set forth in paragraph 2: (b) Seller shall have no obligation, express or implied, to furnish water flow for such purposes which causes any negative impact on Seller's ability to serve its present and/or future customers, and (c) any fire fighting capabilities and/or apparatuses that Purchaser desires to offer, or allow another person or entity to offer or add to Purchaser's water system must be done totally at Purchaser's expense.

Purchaser shall maintain storage facilities that will allow it to have a 24 hour water supply available for delivery of water to its customers. Purchaser shall also, to the extent that it is possible, fill any storage tanks or other storage facilities by pumping water from the City system during non-peak use hours.

3. Purchaser agrees to furnish, install operate and maintain at its own expense at point of delivery, the necessary metering equipment in a size to be determined by Seller, including a meter house or pit, and required devices of standard type for properly measuring the quantity of water delivered to Purchaser and to calibrate such metering equipment whenever requested by Seller, but not more frequently than once every twelve (12) months. A meter registering not more than 2% above or below the test shall be deemed accurate. 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 agree otherwise. The metering equipment shall be read on a regular basis each month. Purchaser shall have access to the metering equipment for the purpose of verifying the readings at all reasonable times.
4. Seller agrees to furnish Purchaser at the above address, not later than the 10th day of each month, an itemized statement of the amount of water furnished to Purchaser during the preceding month.

B. THE PURCHASER AGREES:

1. Effective January 1, 2007, the Purchaser agrees to purchase all water to be distributed within its system from the Seller, and to pay Seller, no later than ten (10) days after receipt of its bill, for water delivered at a rate of \$2.67 per thousand gallons, which amount shall also be the minimum rate. In the event Seller is unable to furnish Purchaser all of the potable water demanded by Purchaser's customers, Purchaser may purchase water from another water supplier to meet the excess demands of its customers.
2. The initial rate established herein of \$2.67 per thousand gallons shall apply until December 31, 2007. At no time during the term of this Contract shall Purchaser pay a rate less than \$2.67 per thousand gallons regardless of anything stated herein to the contrary. This initial rate has been established pursuant to Manual 1, Fourth Edition, of the American Water Works Association Manual of Water Supply Practices, utilizing the Commodity Demand method as a rate formula and the Utility Approach revenue needs formula.
3. The rate for water service will be subject to adjustment annually, beginning January 1, 2008. The parties agree that any rate increase to Purchaser on or after January 1, 2008, will be the same percentage rate increase as established by Seller for its inside of City

customers and shall become effective at the same time as the rate increase to the Seller's inside of City customers.

B. IT IS FURTHER MUTUALLY AGREED BETWEEN SELLER AND PURCHASER AS FOLLOWS:

1. This contract shall become effective on January 1, 2007 and terminate on December 31, 2017 unless extended by mutual agreement by both parties.
2. This contract shall be construed in accordance with and governed by the laws of the State of Tennessee.

IN WITNESS WHEREOF, the parties hereto, acting pursuant to authority of their respective Governing bodies, have caused this Contract to be executed in three counterparts on this the 21st day of November, 2006.

ATTEST:

THE CITY OF CROSSVILLE
CROSSVILLE, TENNESSEE
(SELLER)

BY:  M

J. H. Graham, III, Mayor

SOUTH CUMBERLAND UTILITY
DISTRICT
(PURCHASER)

BY: 

Jesse W. Brown, President