

**Winchester
Municipal
Utilities**

P.O. Box 4177, 150 N. Main Street
Winchester, KY 40392-4177
Phone: 859 744-5434
Fax: 859 745-4146

August 25, 2006

Beth O'Donnell
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602-0615

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AUG 31 2006
PUBLIC SERVICE
COMMISSION

RE: Case No. 2005-00322
East Clark County Water District

Ms. O'Donnell:

Please find attached the following:

- Second Amendment to Water Purchase Agreement
- Memorandum of Settlement
- Tariff Revision

If you need any additional information, feel free to contact me at (859)744-5434.

Respectfully submitted,

Vernon Azevedo, P.E.
General Manager

Cc: Mr. William Ballard
East Clark County Water District
P. O. Box 112
Winchester, KY 40392-0112

John H. Rompf, Jr., Esq.
White, McCann, & Stewart PLLC
P. O. Box 578
Winchester, KY 40392-0578

Deborah Eversole, Esq.
Kent Hatfield, Esq.
Stoll, Keenon, and Ogden LLP
2650 Aegon Center
400 W. Market Street
Louisville, KY 40202-3377

File

Enclosure



CITY OF WINCHESTER, KENTUCKY
by and through its
WINCHESTER MUNICIPAL UTILITIES COMMISSION
and
EAST CLARK COUNTY WATER DISTRICT

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SECOND AMENDMENT TO WATER PURCHASE AGREEMENT

This Second Amendment to Water Purchase Agreement made and entered into this 6th day of June, 2006, by and between the CITY OF WINCHESTER, KENTUCKY, a corporation of the third class located in Clark County, Kentucky (hereinafter referred to as "City"), by and through its WINCHESTER MUNICIPAL UTILITIES COMMISSION (hereinafter referred to as "WMU"), and EAST CLARK COUNTY WATER DISTRICT (hereinafter referred to as "ECCWD"), of Winchester, Clark County, Kentucky,

WITNESSETH

WHEREAS, the parties hereto had previously entered into a Water Purchase Agreement dated July 15, 1999 (hereinafter "Agreement"), and

WHEREAS, the parties hereto have amended the Agreement on December 12, 2002, and

WHEREAS, the parties desire to further amend the Agreement in order to allow ECCWD an additional quantity of water pursuant to sections 6 and 7 thereof and to set new rates for water purchase and sale pursuant to sections 8 and 14 thereof,

NOW THEREFORE, the parties agree to amend the Agreement as follows:

1. The first sentence of section 6 of the Agreement is amended to provide that WMU agrees to sell and deliver to ECCWD up to 500,000 gallons per day as a peak day allocation. Present penalty provisions in the Agreement will apply for all water usage above 500,000 gallons unless WMU should grant additional allocations. WMU may waive such penalty provisions at any time in its sole discretion. WMU shall not impose such penalty provisions without giving East Clark a minimum of ten (10) days prior written notice that such charges will be applied to subsequent purchases in excess of the authorized quantity limits.

Should East Clark at some future time need to increase the amount of water it purchases from WMU, WMU will agree to the increase if, at that time, the water is available to sell and if the requested increase is reasonable in light of other customer demands in WMU's service territory.

2. To effect the last sentence of the first paragraph of Section 8 of the Agreement, WMU and ECCWD agree that the current cost of service volumetric rate for water purchased by ECCWD to be paid by ECCWD to WMU shall be \$1.62 per 100 cubic feet plus any applicable Kentucky River Authority Fee without any markup, effective upon approval of the Kentucky Public Service Commission with no retroactive adjustment or true-up. This will be a uniform rate based upon the aggregated total of all East Clark wholesale meters and does not include any retail meter.

This rate may be adjusted biannually according to cost of service methodology. All the remaining provisions of section 8 of the Agreement shall remain in full force and effect except as modified in this agreement.

3. Effective upon approval by the KPSC, the last sentence of section 14 of the Agreement shall be amended to provide the price to be paid by WMU to ECCWD for water repurchased shall be \$1.62 per 100 cubic feet (converted to 1,000 gallons) plus 29%, plus Ky. River Authority fee without any markup. This price shall be increased or decreased at the same time and in the same proportion that the price paid by ECCWD to WMU under section 8 of the Agreement is increased or decreased.

4. In all other respects the Agreement as amended shall remain in full force and effect except as specifically amended above.

In testimony whereof, the parties hereto have executed

this Agreement as of the day herein first above written.

CITY OF WINCHESTER, KENTUCKY

Mayor

WINCHESTER MUNICIPAL
UTILITIES COMMISSION

EAST CLARK COUNTY
WATER DISTRICT

ATTEST:

ATTEST:

ATTEST:

CITY OF WINCHESTER, KENTUCKY
ORDER NO. 2006-89

**AN ORDER APPROVING A SECOND AMENDMENT
TO THE WATER PURCHASE CONTRACT WITH
EAST CLARK COUNTY WATER DISTRICT**

WHEREAS, the City of Winchester ("City") and Winchester Municipal Utilities ("WMU") have previously entered into a contract for the sale of water with East Clark County Water District ("ECCWD") dated July 15, 1999, and

WHEREAS, the City of Winchester ("City") and Winchester Municipal Utilities ("WMU") amended the July 15, 1999 contract on December 12, 2002; and

WHEREAS, the ECCWD has requested that WMU approve the following amendments; and

- Set the capacity allocation of East Clark County Water District (ECCWD) at 500,000 gallons per day (GPD) without penalty. Consumption in excess of 500,000 GPD results in penalties assessed to ECCWD.
- Set the rate of water purchased by ECCWD from WMU at \$1.62/100 cubic feet plus applicable Kentucky River Authority fee without markup. Additionally, the six master meter readings will be aggregated for purpose of billing.
- Set the rate of water purchased by WMU from ECCWD at \$1.62/100 cubic feet (\$2.09/100 cubic feet) plus applicable Kentucky River Authority fee without markup.

WHEREAS, WMU has approved the Second Amendment to Water Purchase Agreement (the "Amended Agreement") in a regular session held April 20, 2006 and is attached hereto as exhibit "A."

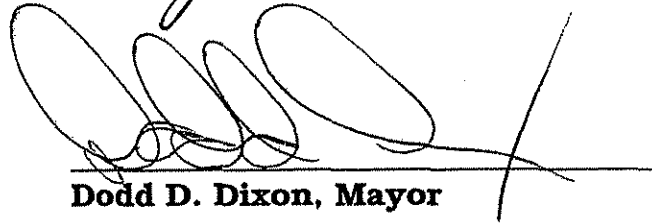
NOW, THEREFORE, BE IT ORDERED by the Board of Commissioners of the City of Winchester, Kentucky that the Mayor execute the Amended Agreement between the City of Winchester, Kentucky by and through its Winchester Municipal Utilities and East Clark County Water District as attached hereto as Exhibit "A", on behalf of the City of Winchester, Kentucky.

RECEIVED

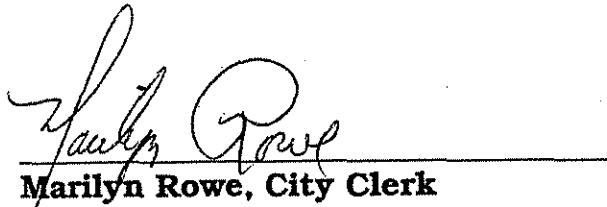
JUN 09 2006

WMU

Introduced and adopted at a meeting of the Board of Commissioners
of the City of Winchester on the 6th day of June, 2006.



Dodd D. Dixon, Mayor



Marilyn Rowe, City Clerk

Reviewed by City Attorney William Dykeman: May 25, 2006

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AUG 31 2006

PUBLIC SERVICE
COMMISSION

MEMORANDUM OF SETTLEMENT

WINCHESTER MUNICIPAL UTILITIES COMMISSION
and
EAST CLARK COUNTY WATER DISTRICT

This Memorandum of Settlement made this 30 day of MAY, 2006, by and between WINCHESTER MUNICIPAL UTILITIES COMMISSION (hereinafter referred to as "WMU"), and EAST CLARK COUNTY WATER DISTRICT (hereinafter referred to as "ECCWD"), of Winchester, Clark County, Kentucky,

WITNESSETH

WHEREAS, the ECCWD and WMU are parties to a proceeding (Case No. 2005-00322) before the Kentucky Public Service Commission (hereinafter "PSC"), and have previously entered into a Water Purchase Agreement dated July 15, 1999 (hereinafter "Agreement") as amended on December 12, 2002, and

WHEREAS, the parties desire to settle the case pending before the PSC and to enter into certain other agreements to amend the Agreement as previously amended as herein below set forth, and

WHEREAS, there are no other cases between the parties pending before the PSC,

NOW THEREFORE, the parties agree to as follows:

1. WMU future rate to ECCWD: \$1.62 per 100 cubic feet, plus the applicable Kentucky River Authority Fee, without any markup, effective upon approval by KPSC, with no retroactive adjustment or true-up. This will be a uniform rate based upon

the aggregated total of all East Clark wholesale meters and does not include any retail meter. If KPSC requires a rate study, the new rate will be in accord with the results of such study, subject to full examination by the KPSC.

2. ECCWD future rate to WMU: \$1.62 per 100 cubic feet (converted to 1,000 gallons) plus 29%, plus Ky. River Authority fee without any markup, effective upon approval by KPSC.

3. Within 10 days of the execution of this agreement, both WMU and ECCWD will file with the KPSC tariffs that contain the rates agreed upon herein and that contain an effective date of 30 days from the respective dates upon which the tariffs are filed.

4. WMU will engage Carryn Lee of Kentucky Rural Water Association to conduct a study, with full and complete access to WMU and other records that are in her judgment necessary to reach a fair and reasonable conclusion, to determine any system development charge to be assessed to East Clark pursuant to and consistent with 807 KAR 5:090. Both parties agree to be bound by Ms. Lee's conclusions subject to [1] PSC approval as required by law, and [2] the condition that, regardless of the results of Ms. Lee's study, the system development charge assessed to East Clark will not exceed that currently assessed to WMU's retail water customers. East Clark agrees that it will not oppose the SDC computed by Ms. Lee, if any, in the KPSC proceeding. The SDC to East Clark will be effective upon the approval of same by the KPSC.

5. WMU will increase the quantity of water East Clark is permitted to purchase at the \$1.62 per 100 cubic feet rate, without penalty, in the amount of 100,000 gallons per day. Present penalty provisions in the Water Purchase Contract will apply for all water usage above present contract level plus the above 100,000 gallons unless WMU should grant additional allocations. WMU may waive such penalty provisions at any time in its sole discretion. WMU shall not impose such penalty provisions without giving East Clark a minimum of ten (10) days prior written notice that such charges will be applied to subsequent purchases in excess of the authorized quantity limits.

Should East Clark at some future time need to increase the amount of water it purchases from WMU, WMU will agree to the increase if, at that time, the water is available to sell and if the requested increase is reasonable in light of other customer demands in WMU's service territory.

6. Upon execution of this agreement, East Clark will file a motion with the KPSC requesting that its Complaint against WMU be held in abeyance pending approval of the new rates as reflected herein. Upon final KPSC approval of the new rates of both parties, East Clark will move that its Complaint be dismissed as settled.

7. The parties agree that all of the other terms of the Water Purchase Contract, except as herein specifically modified, will continue to be in full force and effect including, but not limited

to, Sections 8 and 14 of the parties' Water Purchase Contract. The parties will enter into a formal amendment to the Water Purchase Contract to adopt the provisions hereof as to rate, SDC's and additional water allocation.

In testimony whereof, the parties hereto have executed this Agreement as of the day herein first above written.

WINCHESTER MUNICIPAL
UTILITIES COMMISSION

D. T. Nohly

EAST CLARK COUNTY
WATER DISTRICT

Paul Ferris Chairman

ATTEST:

Vivian Aguado

ATTEST:

Carole J. Shemwell

FOR Winchester, Kentucky
Name of Municipality

P.S.C. KY. NO. 1

Original SHEET NO. 1

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

Winchester Municipal Utilities Commission
(Name of Municipal Utility)

RATES AND CHARGES

East Clark County Water District

\$1.62 per 100 cubic feet plus Kentucky River Authority Fee of \$0.05 per 100 cubic feet

A Water Purchase Contract between the City of Winchester (by and through its Winchester Municipal Utilities Commission) and the East Clark County Water District, entered into on the 15th day of July 1999, is on file at the Kentucky Public Service Commission. The PSC accepted the contract and made it effective on January 20, 2000. The Winchester Municipal Utilities and the City of Winchester Commissions approved and entered into Contract Amendment Number 2 (copy attached) and Memorandum of Settlement (copy attached) with East Clark County Water District on June 6, 2006 revising the water repurchase rate as outlined above.

These rates are in accordance with the aforementioned contract and amendments and will become effective for services rendered after August 16, 2006, as ordered by the Kentucky Public Service Commission.

DATE OF ISSUE August 16, 2006
Month / Date / Year

DATE EFFECTIVE August 16, 2006
Month / Date / Year

ISSUED BY Vernon Azevedo
(Signature of Officer)

TITLE General Manager

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. 2005-00322 DATED 8/16/06