

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

Parksville Water District

v.

City of Danville

)  
)  
)  
)  
)

Case No. 2014-00

**RECEIVED**  
**AUG 28 2014**  
**PUBLIC SERVICE**  
**COMMISSION**

**COMPLAINT**

Parksville Water District, by counsel, files this complaint against the city of Danville for the purpose of protesting the city's increase of its wholesale water rate charged to Parksville.

1. Parksville is a statutorily created water district operating pursuant to KRS Chapter 74, with an address of 10711 Lebanon Road, Box 9, Parksville, KY 40464. It is regulated by the Public Service Commission.

2. The City of Danville is a city of the third class located in Boyle County which owns and operates a water treatment and distribution system that provides wholesale water service to Parksville, Garrard County, Lake Village and Hustonville. Its address is P.O. Box 670, Danville, KY 40423.

3. Parksville purchases water at wholesale from the city of Danville. Copies of the water purchase contract and amendments thereto are attached as Exhibit 1.

4. Parksville and Danville operate under a Settlement Agreement approved by the Commission in Case No. 2007-00405 and 2008-00176. A copy of the Settlement Agreement is attached hereto as Exhibit 2.

5. The Settlement Agreement requires that prior to any increase in water rates to Parksville, Danville will provide Parksville with ninety (90) days written notice.

6. On August 21, 2014, Danville provided Parksville with written notice that the rate for wholesale water shall increase to \$2.68 per 1000 gallons consumed. A copy of the Notice is attached hereto as Exhibit 3.

7. Danville represented that the current rate for wholesale water paid by Parksville to Danville is \$1.59 per 1000 gallons consumed, including a surcharge. A copy of Danville's documentation is attached hereto as Exhibit 4.

8. On August 21, 2014, representatives from Danville announced at a meeting of the Parksville Board of Directors that the new rate would go into effect on September 1, 2014. *See also* Exhibit 3

9. Parksville believes that the increase in rates announced by Danville is void in that Danville failed to comply with procedures established by the Commission to increase rates.

10. Danville failed to give Parksville written notice as required by the Settlement Agreement or by the provisions of 807 KAR 5:011(8)(2).

11. Danville failed to comply with the directive of the Commission dated December 18, 1998, that requires a city to follow one of two methods to increase rates: (1) file a new rate schedule or tariff specified in 807 KAR 5:011(6)(3); or (2) file an application for an increase in rates pursuant to KRS 278.190;

12. No notice of an effective date of the proposed increase in rates was given to the Commission or Parksville as required by 807 KAR 5:011(9).

13. Because the required notice was not given to Parksville about the rate increase, it had limited opportunity to object to it or to adjust its rates to reflect the increased wholesale rate.

14. Parksville was recently provided with an explanation of the rate increase, but was not, on information and belief, provided with a copy of the complete cost study prepared for Danville.

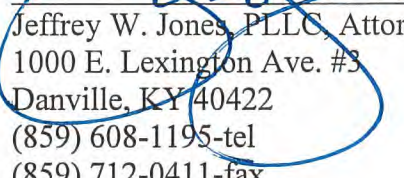
15. Parksville's proposed wholesale rate is significantly greater than that of the other three wholesale purchasers who buy water from Danville. See Exhibit 4 attached hereto.

16. Parksville believes the increase is not reasonable.

Parksville seeks a determination that the proposed increase is void having been improperly noticed and implemented without approval of the Commission and a determination that the increase as applied to Parksville is unreasonable in light of the proposed rate increases allocated to the other three wholesale water purchasers. For these reasons, Parksville requests that the Commission void the rate increases improperly proposed and investigate the reasonableness of the proposed rate increase.

This 28 day of August, 2014

Respectfully submitted by:



\_\_\_\_\_  
Jeffrey W. Jones, PLLC, Attorney at Law  
1000 E. Lexington Ave. #3  
Danville, KY 40422  
(859) 608-1195-tel  
(859) 712-0411-fax  
email: [Jeff@JWJLAW.us](mailto:Jeff@JWJLAW.us)

Attorney for Parksville Water District.

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

Parksville Water District	)	
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v.	)	Case No. 2014-00
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City of Danville	)	

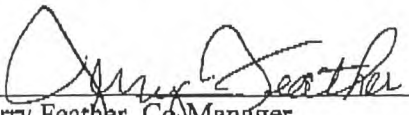
**VERIFICATION**

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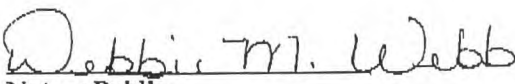
Parksville Water District, by and through undersigned counsel, and provide the following verification of the factual allegations set for its Complaint as follows:

**VERIFICATION**

I, Jerry Feather, Co-Manager of The Parksville Water District hereby state that the factual allegations set forth in the Complaint are true and correct to the best of my knowledge.

  
\_\_\_\_\_  
Jerry Feather, Co-Manager  
Parksville Water District

Subscribed before me this 28 day of August, 2014

  
\_\_\_\_\_  
Notary Public ID# 487424  
My Commission expires: April 15, 2017



# **EXHIBIT 1**

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is made and entered into this 7<sup>th</sup> day of October, 1994, by and between the CITY OF DANVILLE, KENTUCKY, a municipal corporation of the third class, hereinafter referred to as the "SELLER"; and the PARKSVILLE WATER DISTRICT, hereinafter referred to as "PURCHASER";

W I T N E S S E T H:

WHEREAS, the Seller owns and operates a water supply distribution system and is currently providing water unto Purchaser, Parksville Water District, pursuant to a contract dated December 1, 1964 and

WHEREAS, the Purchaser intends to make improvements to its water service to its customers and in order to do so must borrow money from the United States of America, Farmers Home Administration, and in order to satisfy the requirements of the United States of America, Farmers Home Administration, the Purchaser must have an extension of its right to purchase water from the City of Danville; and

WHEREAS, the Purchaser, Parksville Water District, does now desire to continue to purchase its entire water supply directly from Seller, City of Danville, for the next forty (40) years; and

WHEREAS, the Seller, City of Danville, desires to sell water directly to the Purchaser for the next forty (40) years; and

WHEREAS, resolutions have been duly passed by each of the legislative bodies of the respective parties hereto, which resolutions approved the terms and provisions of this agreement and do further authorize the respective officers of each party to execute this agreement;

NOW, THEREFORE, in consideration of the foregoing and in further consideration of the mutual promises and agreements contained herein, the parties hereto do now agree to the following terms and conditions:

1. The term of this contract shall be for a period of forty (40) years, commencing effective \_\_\_\_\_, 1994.

2. The 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 health department, in such quantity as may be required by the Purchaser. The Purchaser specifically agrees and covenants to purchase from the Seller during the term set forth above the Purchaser's entire water needs.

3. The water to be sold hereunder will be furnished at a reasonably constant pressure from the twelve (12") water main location on the Industrial Foundation property parallel to KY 34 approximately 1100 feet from its intersection with Alum Springs Cross Pike. If a greater pressure than normally available at the point of delivery is required by the Purchaser, the costs and means of providing such greater pressure shall be the responsibility of the Purchaser. It shall be the expense and the responsibility of the Purchaser to (a) construct and maintain any line or lines between the Parksville Water District and the point of delivery, (b) purchase and install a water meter consistent with the specifications directed by the Seller's City Engineer, and (c) provide the hookup or connection at the point of delivery, but subject to the supervision and approval of the Seller's City Engineer.

4. The water purchased and sold under this agreement shall be delivered by Seller at the above stated point of delivery and shall pass through and be measured by a meter or meters capable and sufficient to measure the quantity of water so delivered. It shall be the expense and responsibility of the Purchaser to furnish, install, operate and maintain at the point of delivery the necessary equipment, including a meter house or pit, and required devices of standard types for properly measuring the quantity of water delivered to the Purchaser and to calibrate and test for accuracy such metering equipment annually, or at such

other times as are reasonably requested by the Seller. A meter registering not more than 2% above or below the test results shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate shall be corrected for the three months previous to such tests in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water delivered in the corresponding period immediately prior to the failure shall be considered the amount consumed, unless the Seller and the Purchaser shall agree upon a different amount. The metering equipment shall be read on a regular basis, but not less than once every two months. An appropriate official or representative of the Purchaser shall at all reasonable times have access to the meter for the purpose of verifying its readings.

5. The Purchaser agrees to pay unto Seller for the water delivered in accordance with the following rate schedule:

	QUANTITY	RATE
	(Cu. Ft.)	(\$/100 Cu. Ft.)
First	20,000 cu. ft.	1.68 (Min. 448.00 per mo.)
Next	80,000 cu. ft.	1.35
Next	100,000 cu. ft.	1.05
Next	300,000 cu. ft.	.96
All over	500,000 cu. ft.	.91

In addition to the foregoing schedule of rates, the Purchaser shall further pay unto the Seller a surcharge of twenty percent (20%) added to the total water bill only less taxes.

HOWEVER, the parties understand and agree that if at any time during the term of this agreement the rate charged to the other wholesale or industrial consumers, including other municipalities, independent water districts, or privately owned water companies, are modified, either increased or decreased, the rate of charge to the Purchaser shall automatically be modified to conform to such rates; similarly, it is agreed and understood

that in the event the amount of the surcharge which is charged to all customers outside the city limits of Seller is modified, then the rate of surcharge unto Purchaser shall automatically be modified to conform with such surcharge rate. It is understood and agreed by the parties that modification of the water purchase rate and surcharge thereon shall be at the discretion of the Seller, City of Danville.

6. Payment for such water delivered shall be made promptly and in accordance with the regular billing policy of the Seller, which shall from time to time be in effect. The Seller shall furnish Purchaser with an itemized statement for the amount of water furnished the Purchaser during the preceding period for which the meter was read.

7. The Seller will at all times operate and maintain its system to the point of delivery to Purchaser in a state of reasonable repair and will take such reasonable action as may be necessary to furnish the Purchaser with the quantities of water heretofore set forth. Temporary or partial failure 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's consumers shall be reduced or diminished in the same ratio or proportion as the supply to Seller's other customers located outside its corporate limits is reduced or diminished. The obligation of the Seller to supply water is limited, however, by the understanding that while the Seller shall use reasonable care and diligence in the operation and maintenance of its existing system to prevent and avoid interruptions and fluctuations in supply, that nevertheless the Seller does not guarantee that such interruption and fluctuations will not occur. The parties agree that the Seller shall not be liable for the curtailment of supply due to emergencies, breaks, leaks, defects, necessary repairs, fires, strikes, acts of God, or other causes of unusual demand upon its

system. Further, in the event of fire, storm, war, acts of God, or other emergencies, the Seller's City Manager may, without liability attaching to the Seller, and without notice, reduce or temporarily discontinue such water supply. In the event the Seller's City Manager shall be absent from the City of Danville, or be for any reason incapacitated, his power to order reduction or cessation of supply shall vest in the City of Danville's Engineer or the Mayor. In either event, the official determination of emergency shall permit such reduction or cessation during the pendency of the emergency without liability unto the Seller, but with the understanding that the same shall be rectified as quickly as is reasonably possible.

8. It is contemplated and understood that the water sold hereunder is for the purpose of providing for the needs of those residents and businesses located within the boundaries of the Parksville Water District, or within close proximity thereto. It is agreed and understood that the Purchaser shall not circumvent the intention of this contract by the selling of such water, or any portion thereof, unto other municipalities, water districts, or such other entities providing water to persons or businesses not located within the boundaries of the Parksville Water District or within close proximity thereto without the express written consent of the City of Danville.

9. Should a major industrial consumer of water desire to be located in the area served by the Parksville Water District, the Parksville Water District shall not supply water unto said major industrial consumer of water without the express written consent and approval of the City of Danville, which consent and approval shall not be unreasonably withheld. A major industrial consumer of water is defined as one using more than 500,000 gallons of water per month.

10. From and after the date of this Contract, all waterlines and other appurtenant and related water facilities developed within the annexable area as shown and designated in the City of



Danville's Growth Management Area shall be built and constructed according to all applicable construction regulations and specifications for the same or similar facilities developed within the limits of the City of Danville.

11. The parties do hereby agree that this contract agreement shall become effective upon execution by both parties and that the agreement dated December 1, 1964 shall no longer be of any force or effect.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized officers, have executed this agreement as of the date first above written.

CITY OF DANVILLE, KENTUCKY  
SELLER

By: William Bunny Davis  
Mayor Pro Tem

PARKSVILLE WATER DISTRICT  
PURCHASER

By: Ronald Russell  
Chairman

ATTEST:

Cecil Wolcott  
CITY CLERK

ATTEST:

Carl Lippert  
SECRETARY

STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED and ACKNOWLEDGED before me by William Bunny Davis, Mayor Pro Tem, a duly authorized officer of the City of Danville, Kentucky, to be his voluntary act and deed and the voluntary act and deed of the City of Danville, Kentucky.

Signed - 10-4-94

Thomas W. Broach  
NOTARY PUBLIC, STATE AT LARGE, KY  
My Commission Expires: 2-14-95

S E A L ) \*\*

STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED and ACKNOWLEDGED before me by Ronald Russell, Chairman, a duly authorized officer of the Parksville Water District to be his voluntary act and deed and the voluntary act and deed of the Parksville Water District.

Signed 10-7-94

Jermy B. Feather  
NOTARY PUBLIC, STATE AT LARGE, KY  
My Commission Expires: 4-20-99

S E A L ) \*\*

ADDENDUM TO WATER PURCHASE CONTRACT

This addendum to the water purchase contract dated the 7<sup>th</sup> day of October, 1994, between the City of Danville, Kentucky, hereinafter referred to as the "Seller", and the Parksville Water District, hereinafter referred to as the "Purchaser", is made and entered into this 28<sup>th</sup> day of October, 1994.

W I T N E S S E T H

WHEREAS, the parties hereto have entered into a contract under which the Seller supplies treated water unto the Purchaser; and

WHEREAS, the Seller owns and operates a water supply distribution system and is currently providing water unto Purchaser, Parksville Water District, pursuant to a contract dated December 1, 1964 and

WHEREAS, the Purchaser intends to make improvements to its water service to its customers and in order to do so must borrow money from the United States of America, Farmers Home Administration, and in order to satisfy the requirements of the United States of America, Farmers Home Administration, and

WHEREAS, the water supply distribution system of the Seller is being extended, and

WHEREAS, the extension of the water supply distribution system is of mutual financial benefit to both the Seller and Purchaser.

NOW, THEREFORE, in consideration of the foregoing and in further consideration of the mutual promises and agreements contained herein, the parties hereto do now agree to the following terms and conditions:

1. The Purchaser is to pay as an agreed cost, a connection fee to connect the Seller's system with the system of the Purchaser, the sum of \$36,000 which shall cover the Purchaser's proportionate share of the water supply distribution system extension. The cost is based on the difference between the cost to the Purchaser of extending an 8" PVC line along the same

route which would have been required if the 12" ductile iron line were not being extended by the Seller.

2. The Seller will engineer and construct the twelve (12) water mains to a point as planned by Quest Engineers dated June 1994.

3. The Purchaser will provide for relocation of the meter pit and assembly at its expense. This pit is to be relocated and used.

4. The Seller will construct a wet tap connecting the new line to the old line for the purpose of a temporary service. This will provide for service to Purchaser during the time of the changing of the water meter pit.

5. Payment will be made within 15 days after completion of the line. Completion shall be defined as first use of the main.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized officers, have executed this agreement as of the date first above written.

CITY OF DANVILLE, KENTUCKY  
SELLER

PARKSVILLE WATER DISTRICT  
PURCHASER

BY:

MAYOR

BY:

CHAIRMAN

ATTEST:

ATTEST:

CITY CLERK

SECRETARY

STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED and ACKNOWLEDGED before me by JOHN BOWLING, a  
duly authorized officer of the City of Danville, Kentucky, to be his voluntary  
act and deed and the voluntary act and deed of the City of Danville, Kentucky.

Nicholas Wesley  
NOTARY PUBLIC, STATE AT LARGE, KY

MY COMMISSION EXPIRES: 7-5-1998

S E A L )\*\*

STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED and ACKNOWLEDGED before me by RONALD RUSSELL, a  
duly authorized officer of the Parksville Water District, to be his voluntary  
act and deed and the voluntary act and deed of the Parksville Water District.

October 28, 1994

William C. Baskin  
NOTARY PUBLIC, STATE AT LARGE, KY

MY COMMISSION EXPIRES: 3/5/97

S E A L )\*\*

**ADDENDUM TO WATER PURCHASE CONTRACT**

This ADDENDUM made and entered into this 11 day of January, 2002, by and between the CITY OF DANVILLE, KENTUCKY, a municipal corporation of the third class, hereinafter referred to as "Seller" and PARKSVILLE WATER DISTRICT, with its principal office at Kentucky Highway, P. O. Box 9, Parksville, Kentucky 40464, hereinafter referred to as "Purchaser";

**WITNESSETH:**

WHEREAS, these parties entered into a Water Purchase Agreement dated October 7, 1994;

WHEREAS, the parties hereto desire to extend that agreement under the terms contained herein;

NOW, THEREFORE, in consideration of the foregoing and the mutual promises contained herein, the parties hereto hereby agree as follows:

All the terms contained the existing Water Purchase Contract are hereby ratified and incorporated herein as if fully set out verbatim with the exception that the term of said Contract shall be for a period of forty-one (41) years commencing on December 31, 2001 and ending at midnight on December 31, 2042.

This Addendum is entered into by the parties pursuant to Resolutions of their respective Board of Directors adopted at meetings of the same, duly and regularly held and had, and the respective officers of each party are authorized to execute this Addendum.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized officers, have hereunto set their hands on this date which is first above written.

**CITY OF DANVILLE, KENTUCKY**

**PARKSVILLE WATER DISTRICT**

by: Alex Stevens  
ALEX STEVENS, Mayor

by: Ronald Russell  
RONALD RUSSELL, Chairman

ATTEST:

ATTEST:

Doree Lewis  
City Clerk


Harriet E. Lewis  
Secretary

STATE OF KENTUCKY~COUNTY OF BOYLE

The undersigned notary public hereby certifies that the foregoing ADDENDUM was produced, acknowledged and SWORN to, before me this date by the CITY OF DANVILLE, KENTUCKY, through its authorized representative and Mayor, ALEX STEVENS.

WITNESS my hand and seal of office this the 11<sup>th</sup> day of December, 2001.

My Commission expires March 7 2005

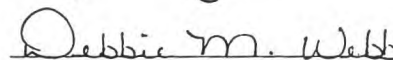
  
Notary Public

STATE OF KENTUCKY~COUNTY OF BOYLE

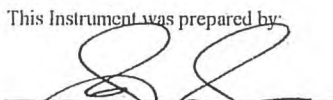
The undersigned notary public hereby certifies that the foregoing ADDENDUM was produced, acknowledged and SWORN to, before me this date by PARKSVILLE WATER DISTRICT, through its authorized representative and Chairman, RONALD RUSSELL.

WITNESS my hand and seal of office this the 11 day of January, 2002.

My Commission expires 3-19-2005

  
Notary Public

This Instrument was prepared by:

  
JEFFREY W. JONES, Attorney at Law  
104 West Main Street, Suite #202  
Danville, Kentucky 40422



**ADDENDUM TO WATER PURCHASE CONTRACT**

This ADDENDUM made and entered into this 25 day of July, 2011, by and between the CITY OF DANVILLE, KENTUCKY, a municipal corporation of the third class, hereinafter referred to as "Seller" and PARKSVILLE WATER DISTRICT, with its principal office at 10711 Lebanon Rd, P. O. Box 9, Parksville, Kentucky 40464, hereinafter referred to as "Purchaser";

**WITNESSETH:**

WHEREAS, these parties entered into a Water Purchase Agreement dated October 7, 1994;

WHEREAS, the parties hereto desire to extend that agreement under the terms contained herein;

NOW, THEREFORE, in consideration of the foregoing and the mutual promises contained herein, the parties hereto hereby agree as follows:

All the terms contained in the existing Water Purchase Contract are hereby ratified and incorporated herein as if fully set out verbatim with the exception that the term of said Contract shall be for a period of forty-four (44) years commencing on December 31, 2011 and ending at midnight on December 31, 2055.

This Addendum is entered into by the parties pursuant to Resolutions of their respective Board of Directors adopted at meetings of the same, duly and regularly held and had, and the respective officers of each party are authorized to execute this Addendum.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized officers, have hereunto set their hands on this date which is first above written.

CITY OF DANVILLE, KENTUCKY

by: Bernie Hunstad  
BERNIE HUNSTAD, Mayor

PARKSVILLE WATER DISTRICT

by: Ronald Russell  
RONALD RUSSELL, Chairman

ATTEST:

D. Pelt  
City Clerk

ATTEST:


Mary S. Guernant  
Secretary

## STATE OF KENTUCKY~COUNTY OF BOYLE

The undersigned notary public hereby certifies that the foregoing ADDENDUM was produced, acknowledged and SWORN to, before me this date by the CITY OF DANVILLE, KENTUCKY, through its authorized representative and Mayor, BERNIE HUNSTAD.

WITNESS my hand and seal of office this the 25 day of July, 2011.

My Commission expires 3/7/13.

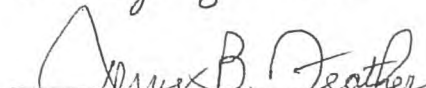
  
Notary Public

## STATE OF KENTUCKY~COUNTY OF BOYLE

The undersigned notary public hereby certifies that the foregoing ADDENDUM was produced, acknowledged and SWORN to, before me this date by PARKSVILLE WATER DISTRICT, through its authorized representative and Chairman, RONALD RUSSELL.

WITNESS my hand and seal of office this the 28 day of July, 2011.

My Commission expires 7/27/13.

  
Notary Public

This Instrument was prepared by:



JEFFREY W. JONES, Attorney at Law  
1000 East Lexington Avenue, Suite #3  
Danville, Kentucky 40422

## **EXHIBIT 2**

### Agreement

This Settlement Agreement is between Parksville Water District ("Parksville"), with its principal office at 10711 Lebanon Road, P.O. Box 9, Parksville, Kentucky 40464, and the City of Danville ("Danville"), a municipal corporation of the third class.

- (1) During the course of proceedings before the Public Service Commission of Kentucky ("Commission") styled Case No. 2007-00406 and Case No. 2008-00176, Danville and Parksville have identified a number of issues and questions relating to usage, calculation of charges, billings, and payments, including purchasing power adjustments made to rates in 2005, 2006, and 2007 and involving periods of time before, during, and after those affected by the purchasing power adjustments.
- (2) This settlement is intended as a resolution of all disputes, issues, and questions about usage, charges, billings, and payments up through and including the month of April 2009, an agreement about the proper calculation of charges thereafter and currently, and an accord about procedures for considering proposed changes to billing methods and elements in the future.
- (3) The parties acknowledge and agree: that approval by the Commission is necessary for this Settlement Agreement to be effective and binding on either party; and that, if Commission approval of the entire agreement without modification, together with a final and appealable dismissal of the case is not obtained within 90 days of submission to the Commission with a request for approval, then this Settlement Agreement shall be null and void and shall be without any effect whatsoever on the parties' respective rights, arguments, or positions in Case No. 2007-00405, Case No. 2008-00176, or otherwise. If and when approved by the Commission, this Settlement Agreement will operate as an addendum or revision to the existing Water Purchase Contract between Danville and Parksville. Each party agrees that it will neither request rehearing nor seek judicial review of any Commission order approving the entire agreement without modification.
- (4) Danville and Parksville agree to compromise all disputes, issues, and questions about usage, charges, billings, and payments up through and including the month of April 2009 for the payment by Danville to Parksville of the amount of \$ 38,171.18. Danville will pay that amount to Parksville in one lump-sum within 5 days following the close of any

period in which a timely rehearing request or review action may be filed from a final and appealable Commission order approving this Settlement Agreement in its entirety and without modification.

- (5) Danville and Parksville agree that charges for water supplied to Parksville are to be calculated at this time as follows:

- (a) for water supplied, with rates stated on a per 100 cubic foot (ccf) basis:

first 20,000 cu. ft.	\$1.68 per ccf
next 80,000 cu. ft.	\$1.35 per ccf
next 100,000 cu. ft.	\$1.05 per ccf
next 300,000 cu. ft.	\$0.96 per ccf
all over 500,000 cu. ft.	\$0.91 per ccf

- (b) plus a 20% surcharge, applied to the total water charge (but not to any applicable fees or taxes);
- (c) plus any applicable fee or tax by a third-party authority, which currently consists of a \$0.0165 per ccf (\$0.022 per 1000 gallons) Kentucky River Authority charge, to be stated as a separate line item on the bill.
- (d) Although there are multiple meters, dials, or accounts for service to Parksville, measured usage will be totaled for all meters, dials, or accounts and the rates in subpart (a) applied to the total monthly usage amount.

Parksville acknowledges that other wholesale customers of Danville have rates different from those listed in subpart (a).

- (6) Danville and Parksville retain the right and ability to make changes to their existing Water Purchase Contract (as it may be supplemented or amended by this Settlement Agreement) through a writing signed on behalf of both parties. Changes are to be filed with the Commission no fewer than 30 days prior to the date on which the changes are to become effective (unless a shorter period is requested and granted). As an alternative, Danville and Parksville agree that changes in billing methods, rates, and other elements, may be made in the future as follows:

- (a) Either party may propose a change affecting the amount billed — whether to the rates, surcharge percentage, or otherwise — by notifying the other party in writing

of the proposed change and proposed effective date and providing an explanation or justification of the proposed change. Such notice shall be provided at least 90 days in advance of the proposed change being made.

- (b) The other party shall have 45 days from receipt of the notice in which to object in writing to the proposed change; if the other party does not so object within 45 days, then the rate change is to be made according to the notice given.
  - (c) If the other party does so object, then the proposing party may apply to the Commission for the proposed change, to become effective no fewer than 30 days from the date the application is filed (unless a shorter period is requested and granted).
- (7) To the extent that the parties provide herein for approval by or application/notice to the Commission, they do so based on the existing situation in which the Commission asserts jurisdiction and authority over such matters. If by legislative action, court ruling, or Commission order or regulation it is determined that the Commission has not had or thenceforth shall not have jurisdiction and authority over one or more such matters (generally or as between Danville and Parksville), then the parties agree that:
- (a) their rights, obligations, and undertakings under paragraphs (1) - (5) above shall remain unaffected thereby; however,
  - (b) paragraph (6) above shall thereafter be null and void, and the parties' rights, obligations, and undertakings regarding such changes or matters shall be determined without reference to this Settlement Agreement.

AGREED on this 1st day of June, 2009.

Parksville Water District  
By: Ronald Russell

Parksville Water District

City of Danville  
By: \_\_\_\_\_

Hugh C. Coomer, Mayor



# **EXHIBIT 3**

City of  
**DANVILLE**  
**KENTUCKY**

P.O. Box 670  
Danville, KY 40425  
(859) 258-1200

August 20, 2014

**Parksville Water District**

c/o Jerry Feathers  
10711 Lebanon Road  
Parksville KY 40464  
859-332-2255

**RE: 2014 Wholesale Water Rate Adjustment**

Dear Mr. Feathers,

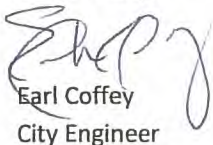
We are providing this letter as the official notice of the 2014 Wholesale Water Rate Adjustment as discussed previously. This letter is to confirm for you the basis for the rate adjustment and also the details of the change.

Recall the City previously indicated its intention to complete a utility rate study this year. The City contracted with a third party, Salt River Engineering, to complete the rate study with a cost of service component and to evaluate and recommend adjustments for all rates charged by the City's municipal utility. The study began this past winter and the wholesale portion of the evaluation has been completed. The rate study was completed consistent with the principles established in the American Water Works Association Manual M-1. The chosen study approach was the *Hybrid Method* (Cash Needs/Utility Basis) which was used to determine the revenue requirements for both owner and non-owner utility customers.

The City Commission accepted the recommendations from the consultant by implementing revised wholesale rates. The implementation of the revised rates will begin with the effective date of September 1<sup>st</sup> 2014. Consistent with the recommendations, the Parksville Water District shall pay a Flat Rate of \$2.68 per 1000 gallons consumed or \$2.00 per 100 cubic feet consumed. The minimum bill will not adjust as a result of this change.

As stated previously it is our goal to help you understand the details related to the rate identified. As such we will be more than willing to provide information to provide a better understanding. Please let us know how we may address your questions. We look forward to working with you as we transition into this revised rate.

Respectfully,

  
Earl Coffey  
City Engineer

"This institution is an equal opportunity provider and employer."

**"The City of Firsts"**

First Courthouse in Kentucky - 1785  
First U.S. Post Office in the West - 1792  
First Successful Ovariectomy in the World - 1809

First Capitol of Kentucky District - 1785  
First Political Club in the West - 1786  
First Constitutional Convention in the West - 1792

First College in the West - 1785  
First Law School in the West - 1799  
First State Supported School for Deaf - 1825

# ***EXHIBIT 4***

City of Danville  
Wholesale Customers Proposed Rates

Existing Declining Block Rate Structure								Existing Rate as a Flat Rate (\$/100 cf) <sup>1</sup>	Proposed Flat Rate (\$/100 cf)	Proposed Flat Rate (\$/1000 gal)
Parksville										
First	20,000	cubic feet	\$1.68	per 100 cf	or per	149,610	gallons	\$1.19	\$2.03	\$2.71
Next	80,000	cubic feet	\$1.35	per 100 cf	or per	598,440	gallons			
Next	100,000	cubic feet	\$1.05	per 100 cf	or per	748,050	gallons			
Next	300,000	cubic feet	\$0.96	per 100 cf	or per	2,244,150	gallons			
All Over	500,000	cubic feet	\$0.91	per 100 cf	or per	3,740,250	gallons			
Hustonville										
First	20,000	cubic feet	\$1.68	per 100 cf	or per	149,610	gallons	\$1.24	\$1.87	\$2.50
Next	80,000	cubic feet	\$1.35	per 100 cf	or per	598,440	gallons			
Next	100,000	cubic feet	\$1.05	per 100 cf	or per	748,050	gallons			
Next	300,000	cubic feet	\$0.96	per 100 cf	or per	2,244,150	gallons			
All Over	500,000	cubic feet	\$0.91	per 100 cf	or per	3,740,250	gallons			
GCWA										
First	20,000	cubic feet	\$1.68	per 100 cf	or per	149,610	gallons	\$1.23	\$1.80	\$2.41
Next	80,000	cubic feet	\$1.44	per 100 cf	or per	598,440	gallons			
Next	100,000	cubic feet	\$1.20	per 100 cf	or per	748,050	gallons			
Next	300,000	cubic feet	\$1.06	per 100 cf	or per	2,244,150	gallons			
All Over	500,000	cubic feet	\$0.86	per 100 cf	or per	3,740,250	gallons			
LVWA										
First	20,000	cubic feet	\$1.68	per 100 cf	or per	149,610	gallons	\$1.22	\$1.80	\$2.41
Next	80,000	cubic feet	\$1.35	per 100 cf	or per	598,440	gallons			
Next	100,000	cubic feet	\$1.05	per 100 cf	or per	748,050	gallons			
Next	300,000	cubic feet	\$0.96	per 100 cf	or per	2,244,150	gallons			
All Over	500,000	cubic feet	\$0.91	per 100 cf	or per	3,740,250	gallons			

<sup>1</sup>All wholesale customers are assessed an additional 20% surcharge after calculation of the monthly bill--surcharge is included. Equivalent flat rate is calculated based on FY13 usage.

Steve L. Beshear  
Governor

Leonard K. Peters  
Secretary  
Energy and Environment Cabinet



Commonwealth of Kentucky  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

David L. Armstrong  
Chairman

James Gardner  
Vice Chairman

Linda Breathitt  
Commissioner

September 03, 2014

## PARTIES OF RECORD

RE: Case No. **2014-00314**

Parksville Water District  
(Complaints - Rates)  
Parksville Water District v. City of Danville

This letter is to acknowledge receipt of initial filing in the above case. The filing was date-stamped received August 28, 2014 and has been assigned Case No. 2014-00314. In all future correspondence or filings in connection with this case, please reference the above case number. Public comments and responses to public comments regarding this case may be viewed on the Commission's web site at <http://www.psc.ky.gov>.

All documents submitted to the Commission in this proceeding must comply with the rules of procedure adopted by the Commission found in 807 KAR 5:001. Any deviation from these rules must be submitted in writing to the Commission for consideration as required by 807 KAR 5:001 (22). Additionally, confidential treatment of any material submitted must follow the requirements found in 807 KAR 5:001 (13).

**Pursuant to the 2014 revisions to KRS 278.380, beginning on July 16, 2014, the Commission shall use electronic means to deliver orders. Please ensure a proper email address is included for each person to be included on the Commission's official service list.**

Materials submitted to the Commission which do not comply with the rules of procedure, or that do not have an approved deviation, are subject to rejection by Commission pursuant to 807 KAR 5:001 (3). In order to insure cases are processed in a timely manner and accurate reliable records are created, please make sure that the rules of procedure are followed. Should you have any questions, please contact Linda Faulkner in the Division of Filings at (502)564-3940.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen  
Executive Director

JD/rs

John Bowling  
Mayor  
City of Danville Water Dept.  
P. O. Box 670  
Danville, KY 40423

Jeffrey W. Jones  
Jeffrey W. Jones PLLC, Attorney at Law  
1000 E. Lexington Ave. #3  
Danville, KENTUCKY 40422



COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PARKSVILLE WATER DISTRICT	)	
	)	
v.	)	CASE NO.
	)	2014-00314
CITY OF DANVILLE	)	

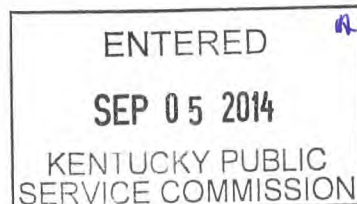
ORDER TO SATISFY OR ANSWER

The city of Danville ("Danville") is hereby notified that it has been named as defendant in a formal complaint filed on August 28, 2014, a copy of which is attached hereto.

Pursuant to 807 KAR 5:001, Section 20, Danville is HEREBY ORDERED to satisfy the matters complained of or file a written answer to the complaint within ten days of the date of service of this Order.

Should documents of any kind be filed with the Commission in the course of this proceeding, the documents shall also be served on all parties of record.

By the Commission



ATTEST:

  
\_\_\_\_\_  
Executive Director

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

AUG 28 2014

PUBLIC SERVICE  
COMMISSION

Parksville Water District

v.

City of Danville

)  
)  
)

Case No. 2014-00

314

**COMPLAINT**

Parksville Water District, by counsel, files this complaint against the city of Danville for the purpose of protesting the city's increase of its wholesale water rate charged to Parksville.

1. Parksville is a statutorily created water district operating pursuant to KRS Chapter 74, with an address of 10711 Lebanon Road, Box 9, Parksville, KY 40464. It is regulated by the Public Service Commission.

2. The City of Danville is a city of the third class located in Boyle County which owns and operates a water treatment and distribution system that provides wholesale water service to Parksville, Garrard County, Lake Village and Hustonville. Its address is P.O. Box 670, Danville, KY 40423.

3. Parksville purchases water at wholesale from the city of Danville. Copies of the water purchase contract and amendments thereto are attached as Exhibit 1.

4. Parksville and Danville operate under a Settlement Agreement approved by the Commission in Case No. 2007-00405 and 2008-00176. A copy of the Settlement Agreement is attached hereto as Exhibit 2.

5. The Settlement Agreement requires that prior to any increase in water rates to Parksville, Danville will provide Parksville with ninety (90) days written notice.

6. On August 21, 2014, Danville provided Parksville with written notice that the rate for wholesale water shall increase to \$2.68 per 1000 gallons consumed. A copy of the Notice is attached hereto as Exhibit 3.

7. Danville represented that the current rate for wholesale water paid by Parksville to Danville is \$1.59 per 1000 gallons consumed, including a surcharge. A copy of Danville's documentation is attached hereto as Exhibit 4.

8. On August 21, 2014, representatives from Danville announced at a meeting of the Parksville Board of Directors that the new rate would go into effect on September 1, 2014. *See also* Exhibit 3

9. Parksville believes that the increase in rates announced by Danville is void in that Danville failed to comply with procedures established by the Commission to increase rates.

10. Danville failed to give Parksville written notice as required by the Settlement Agreement or by the provisions of 807 KAR 5:011(8)(2).

11. Danville failed to comply with the directive of the Commission dated December 18, 1998, that requires a city to follow one of two methods to increase rates: (1) file a new rate schedule or tariff specified in 807 KAR 5:011(6)(3); or (2) file an application for an increase in rates pursuant to KRS 278.190;

12. No notice of an effective date of the proposed increase in rates was given to the Commission or Parksville as required by 807 KAR 5:011(9).

13. Because the required notice was not given to Parksville about the rate increase, it had limited opportunity to object to it or to adjust its rates to reflect the increased wholesale rate.

14. Parksville was recently provided with an explanation of the rate increase, but was not, on information and belief, provided with a copy of the complete cost study prepared for Danville.

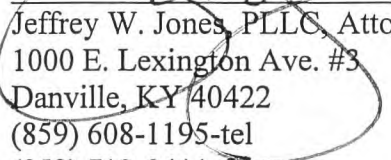
15. Parksville's proposed wholesale rate is significantly greater than that of the other three wholesale purchasers who buy water from Danville. See Exhibit 4 attached hereto.

16. Parksville believes the increase is not reasonable.

Parksville seeks a determination that the proposed increase is void having been improperly noticed and implemented without approval of the Commission and a determination that the increase as applied to Parksville is unreasonable in light of the proposed rate increases allocated to the other three wholesale water purchasers. For these reasons, Parksville requests that the Commission void the rate increases improperly proposed and investigate the reasonableness of the proposed rate increase.

This 28 day of August, 2014

Respectfully submitted by:



\_\_\_\_\_  
Jeffrey W. Jones, PLLC, Attorney at Law  
1000 E. Lexington Ave. #3  
Danville, KY 40422  
(859) 608-1195-tel  
(859) 712-0411-fax  
email: [Jeff@JWJLAW.us](mailto:Jeff@JWJLAW.us)

Attorney for Parksville Water District.

Parksville Water District )  
 )  
 v. ) Case No. 2014-00  
 )  
 City of Danville )

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Debbie M. Webb ID# 487424  
Notary Public  
My Commission expires: April 15, 2017

# **EXHIBIT 1**

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is made and entered into this 7<sup>th</sup> day of October, 1994, by and between the CITY OF DANVILLE, KENTUCKY, a municipal corporation of the third class, hereinafter referred to as the "SELLER"; and the PARKSVILLE WATER DISTRICT, hereinafter referred to as "PURCHASER";

W I T N E S S E T H:

WHEREAS, the Seller owns and operates a water supply distribution system and is currently providing water unto Purchaser, Parksville Water District, pursuant to a contract dated December 1, 1964 and

WHEREAS, the Purchaser intends to make improvements to its water service to its customers and in order to do so must borrow money from the United States of America, Farmers Home Administration, and in order to satisfy the requirements of the United States of America, Farmers Home Administration, the Purchaser must have an extension of its right to purchase water from the City of Danville; and

WHEREAS, the Purchaser, Parksville Water District, does now desire to continue to purchase its entire water supply directly from Seller, City of Danville, for the next forty (40) years; and

WHEREAS, the Seller, City of Danville, desires to sell water directly to the Purchaser for the next forty (40) years; and

WHEREAS, resolutions have been duly passed by each of the legislative bodies of the respective parties hereto, which resolutions approved the terms and provisions of this agreement and do further authorize the respective officers of each party to execute this agreement;

NOW, THEREFORE, in consideration of the foregoing and in further consideration of the mutual promises and agreements contained herein, the parties hereto do now agree to the following terms and conditions:



1. The term of this contract shall be for a period of forty (40) years, commencing effective \_\_\_\_\_, 1994.

2. The 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 health department, in such quantity as may be required by the Purchaser. The Purchaser specifically agrees and covenants to purchase from the Seller during the term set forth above the Purchaser's entire water needs.

3. The water to be sold hereunder will be furnished at a reasonably constant pressure from the twelve (12") water main location on the Industrial Foundation property parallel to KY 34 approximately 1100 feet from its intersection with Alum Springs Cross Pike. If a greater pressure than normally available at the point of delivery is required by the Purchaser, the costs and means of providing such greater pressure shall be the responsibility of the Purchaser. It shall be the expense and the responsibility of the Purchaser to (a) construct and maintain any line or lines between the Parksville Water District and the point of delivery, (b) purchase and install a water meter consistent with the specifications directed by the Seller's City Engineer, and (c) provide the hookup or connection at the point of delivery, but subject to the supervision and approval of the Seller's City Engineer.

4. The water purchased and sold under this agreement shall be delivered by Seller at the above stated point of delivery and shall pass through and be measured by a meter or meters capable and sufficient to measure the quantity of water so delivered. It shall be the expense and responsibility of the Purchaser to furnish, install, operate and maintain at the point of delivery the necessary equipment, including a meter house or pit, and required devices of standard types for properly measuring the quantity of water delivered to the Purchaser and to calibrate and test for accuracy such metering equipment annually, or at such

other times as are reasonably requested by the Seller. A meter registering not more than 2% above or below the test results shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate shall be corrected for the three months previous to such tests in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water delivered in the corresponding period immediately prior to the failure shall be considered the amount consumed, unless the Seller and the Purchaser shall agree upon a different amount. The metering equipment shall be read on a regular basis, but not less than once every two months. An appropriate official or representative of the Purchaser shall at all reasonable times have access to the meter for the purpose of verifying its readings.

5. The Purchaser agrees to pay unto Seller for the water delivered in accordance with the following rate schedule:

	QUANTITY	RATE
	(Cu. Ft.)	(\$/100 Cu. Ft.)
First	20,000 cu. ft.	1.68 (Min. 448.00 per mo.)
Next	80,000 cu. ft.	1.35
Next	100,000 cu. ft.	1.05
Next	300,000 cu. ft.	.96
All over	500,000 cu. ft.	.91

In addition to the foregoing schedule of rates, the Purchaser shall further pay unto the Seller a surcharge of twenty percent (20%) added to the total water bill only less taxes.

HOWEVER, the parties understand and agree that if at any time during the term of this agreement the rate charged to the other wholesale or industrial consumers, including other municipalities, independent water districts, or privately owned water companies, are modified, either increased or decreased, the rate of charge to the Purchaser shall automatically be modified to conform to such rates; similarly, it is agreed and understood

that in the event the amount of the surcharge which is charged to all customers outside the city limits of Seller is modified, then the rate of surcharge unto Purchaser shall automatically be modified to conform with such surcharge rate. It is understood and agreed by the parties that modification of the water purchase rate and surcharge thereon shall be at the discretion of the Seller, City of Danville.

6. Payment for such water delivered shall be made promptly and in accordance with the regular billing policy of the Seller, which shall from time to time be in effect. The Seller shall furnish Purchaser with an itemized statement for the amount of water furnished the Purchaser during the preceding period for which the meter was read.

7. The Seller will at all times operate and maintain its system to the point of delivery to Purchaser in a state of reasonable repair and will take such reasonable action as may be necessary to furnish the Purchaser with the quantities of water heretofore set forth. Temporary or partial failure 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's consumers shall be reduced or diminished in the same ratio or proportion as the supply to Seller's other customers located outside its corporate limits is reduced or diminished. The obligation of the Seller to supply water is limited, however, by the understanding that while the Seller shall use reasonable care and diligence in the operation and maintenance of its existing system to prevent and avoid interruptions and fluctuations in supply, that nevertheless the Seller does not guarantee that such interruption and fluctuations will not occur. The parties agree that the Seller shall not be liable for the curtailment of supply due to emergencies, breaks, leaks, defects, necessary repairs, fires, strikes, acts of God, or other causes of unusual demand upon its

system. Further, in the event of fire, storm, war, acts of God, or other emergencies, the Seller's City Manager may, without liability attaching to the Seller, and without notice, reduce or temporarily discontinue such water supply. In the event the Seller's City Manager shall be absent from the City of Danville, or be for any reason incapacitated, his power to order reduction or cessation of supply shall vest in the City of Danville's Engineer or the Mayor. In either event, the official determination of emergency shall permit such reduction or cessation during the pendency of the emergency without liability unto the Seller, but with the understanding that the same shall be rectified as quickly as is reasonably possible.

8. It is contemplated and understood that the water sold hereunder it for the purpose of providing for the needs of those residents and businesses located within the boundaries of the Parksville Water District, or within close proximity thereto. It is agreed and understood that the Purchaser shall not circumvent the intention of this contract by the selling of such water, or any portion thereof, unto other municipalities, water districts, or such other entities providing water to persons or businesses not located within the boundaries of the Parksville Water District or within close proximity thereto without the express written consent of the City of Danville.

9. Should a major industrial consumer of water desire to located in the area served by the Parksville Water District, the Parksville Water District shall not supply water unto said major industrial consumer of water without the express written consent and approval of the City of Danville, which consent and approval shall not be unreasonably withheld. A major industrial consumer of water is defined as one using more than 500,000 gallons of water per month.

10. From and after the date of this Contract, all waterlines and other appurtenant and related water facilities developed within the annexable area as shown and designated in the City of

Danville's Growth Management Area shall be built and constructed according to all applicable construction regulations and specifications for the same or similar facilities developed within the limits of the City of Danville.

11. The parties do hereby agree that this contract agreement shall become effective upon execution by both parties and that the agreement dated December 1, 1964 shall no longer be of any force or effect.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized officers, have executed this agreement as of the date first above written.

CITY OF DANVILLE, KENTUCKY  
SELLER

By: William Bunny Davis  
Mayor Pro Tem

PARKSVILLE WATER DISTRICT  
PURCHASER

By: Ronald Russell  
Chairman

ATTEST:

Carol Holman  
CITY CLERK

ATTEST:

Carl Lippert  
SECRETARY

STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED and ACKNOWLEDGED before me by William Bunny Davis, Mayor Pro Tem, a duly authorized officer of the City of Danville, Kentucky, to be his voluntary act and deed and the voluntary act and deed of the City of Danville, Kentucky.

Signed - 10-4-94

Sharon W. Broach  
NOTARY PUBLIC, STATE AT LARGE, KY  
My Commission Expires: 2-14-95

S E A L )\*\*

STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED and ACKNOWLEDGED before me by Ronald Russell, Chairman, a duly authorized officer of the Parksville Water District to be his voluntary act and deed and the voluntary act and deed of the Parksville Water District.

Signed 10-7-94

Jerry B. Feather  
NOTARY PUBLIC, STATE AT LARGE, KY  
My Commission Expires: 4-20-99

S E A L )\*\*

ADDENDUM TO WATER PURCHASE CONTRACT

This addendum to the water purchase contract dated the 7<sup>th</sup> day of October, 1994, between the City of Danville, Kentucky, hereinafter referred to as the "Seller", and the Parksville Water District, hereinafter referred to as the "Purchaser", is made and entered into this 28<sup>th</sup> day of October, 1994.

W I T N E S S E T H

WHEREAS, the parties hereto have entered into a contract under which the Seller supplies treated water unto the Purchaser; and

WHEREAS, the Seller owns and operates a water supply distribution system and is currently providing water unto Purchaser, Parksville Water District, pursuant to a contract dated December 1, 1964 and

WHEREAS, the Purchaser intends to make improvements to its water service to its customers and in order to do so must borrow money from the United States of America, Farmers Home Administration, and in order to satisfy the requirements of the United States of America, Farmers Home Administration, and

WHEREAS, the water supply distribution system of the Seller is being extended, and

WHEREAS, the extension of the water supply distribution system is of mutual financial benefit to both the Seller and Purchaser.

NOW, THEREFORE, in consideration of the foregoing and in further consideration of the mutual promises and agreements contained herein, the parties hereto do now agree to the following terms and conditions:

1. The Purchaser is to pay as an agreed cost, a connection fee to connect the Seller's system with the system of the Purchaser, the sum of \$36,000 which shall cover the Purchaser's proportionate share of the water supply distribution system extension. The cost is based on the difference between the cost to the Purchaser of extending an 8" PVC line along the same



route which would have been required if the 12" ductile iron line were not being extended by the Seller.

2. The Seller will engineer and construct the twelve (12) water mains to a point as planned by Quest Engineers dated June 1994.

3. The Purchaser will provide for relocation of the meter pit and assembly at its expense. This pit is to be relocated and used.

4. The Seller will construct a wet tap connecting the new line to the old line for the purpose of a temporary service. This will provide for service to Purchaser during the time of the changing of the water meter pit.

5. Payment will be made within 15 days after completion of the line. Completion shall be defined as first use of the main.

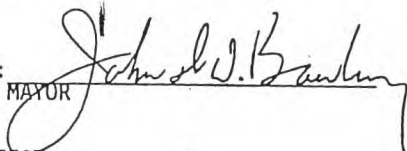
IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized officers, have executed this agreement as of the date first above written.

CITY OF DANVILLE, KENTUCKY  
SELLER

PARKSVILLE WATER DISTRICT  
PURCHASER

BY:

MAYOR



ATTEST: --

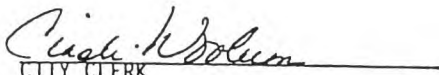
BY:

CHAIRMAN

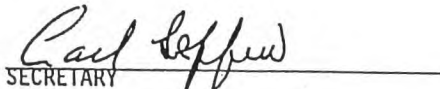


ATTEST:

CITY CLERK



SECRETARY





STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED and ACKNOWLEDGED before me by JOHN BOWLING, a  
duly authorized officer of the City of Danville, Kentucky, to be his voluntary  
act and deed and the voluntary act and deed of the City of Danville, Kentucky.

Nicholas Clay Wesley  
NOTARY PUBLIC, STATE AT LARGE, KY

MY COMMISSION EXPIRES: 2-5-1998

SEAL)\*\*

STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED and ACKNOWLEDGED before me by RONALD RUSSELL, a  
duly authorized officer of the Parksville Water District, to be his voluntary  
act and deed and the voluntary act and deed of the Parksville Water District.

October 28, 1994

William C. Baskin  
NOTARY PUBLIC, STATE AT LARGE, KY

MY COMMISSION EXPIRES: 3/6/97

SEAL)\*\*

ADDENDUM TO WATER PURCHASE CONTRACT

This ADDENDUM made and entered into this 11 day of January, 2002, by and between the CITY OF DANVILLE, KENTUCKY, a municipal corporation of the third class, hereinafter referred to as "Seller" and PARKSVILLE WATER DISTRICT, with its principal office at Kentucky Highway, P. O. Box 9, Parksville, Kentucky 40464, hereinafter referred to as "Purchaser";

WITNESSETH:

WHEREAS, these parties entered into a Water Purchase Agreement dated October 7, 1994;

WHEREAS, the parties hereto desire to extend that agreement under the terms contained herein;

NOW, THEREFORE, in consideration of the foregoing and the mutual promises contained herein, the parties hereto hereby agree as follows:

All the terms contained the existing Water Purchase Contract are hereby ratified and incorporated herein as if fully set out verbatim with the exception that the term of said Contract shall be for a period of forty-one (41) years commencing on December 31, 2001 and ending at midnight on December 31, 2042.

This Addendum is entered into by the parties pursuant to Resolutions of their respective Board of Directors adopted at meetings of the same, duly and regularly held and had, and the respective officers of each party are authorized to execute this Addendum.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized officers, have hereunto set their hands on this date which is first above written.

CITY OF DANVILLE, KENTUCKY

PARKSVILLE WATER DISTRICT

by: Alex Stevens  
ALEX STEVENS, Mayor

by: Ronald Russell  
RONALD RUSSELL, Chairman

ATTEST:

ATTEST:

Doree Lewis  
City Clerk


Herbert E. Elin  
Secretary

STATE OF KENTUCKY~COUNTY OF BOYLE

The undersigned notary public hereby certifies that the foregoing ADDENDUM was produced, acknowledged and SWORN to, before me this date by the CITY OF DANVILLE, KENTUCKY, through its authorized representative and Mayor, ALEX STEVENS.

WITNESS my hand and seal of office this the 11<sup>th</sup> day of December, 2001.

My Commission expires March 7 2005

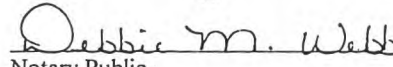
  
Notary Public

STATE OF KENTUCKY~COUNTY OF BOYLE

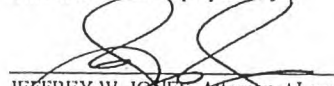
The undersigned notary public hereby certifies that the foregoing ADDENDUM was produced, acknowledged and SWORN to, before me this date by PARKSVILLE WATER DISTRICT, through its authorized representative and Chairman, RONALD RUSSELL.

WITNESS my hand and seal of office this the 11 day of January, 2002.

My Commission expires 3-19-2005

  
Notary Public

This Instrument was prepared by:

  
JEFFREY W. JONES, Attorney at Law  
104 West Main Street, Suite #202  
Danville, Kentucky 40422

## ADDENDUM TO WATER PURCHASE CONTRACT

This ADDENDUM made and entered into this 25 day of July, 2011, by and between the CITY OF DANVILLE, KENTUCKY, a municipal corporation of the third class, hereinafter referred to as "Seller" and PARKSVILLE WATER DISTRICT, with its principal office at 10711 Lebanon Rd, P. O. Box 9, Parksville, Kentucky 40464, hereinafter referred to as "Purchaser";

### WITNESSETH:

WHEREAS, these parties entered into a Water Purchase Agreement dated October 7, 1994;

WHEREAS, the parties hereto desire to extend that agreement under the terms contained herein;

NOW, THEREFORE, in consideration of the foregoing and the mutual promises contained herein, the parties hereto hereby agree as follows:

All the terms contained in the existing Water Purchase Contract are hereby ratified and incorporated herein as if fully set out verbatim with the exception that the term of said Contract shall be for a period of forty-four (44) years commencing on December 31, 2011 and ending at midnight on December 31, 2055.

This Addendum is entered into by the parties pursuant to Resolutions of their respective Board of Directors adopted at meetings of the same, duly and regularly held and had, and the respective officers of each party are authorized to execute this Addendum.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized officers, have hereunto set their hands on this date which is first above written.

CITY OF DANVILLE, KENTUCKY

by: Bernie Hunstad  
BERNIE HUNSTAD, Mayor

PARKSVILLE WATER DISTRICT

by: Ronald Russell  
RONALD RUSSELL, Chairman

ATTEST:

D. Dick  
City Clerk

ATTEST:

Mary S. Guernant  
Secretary

## STATE OF KENTUCKY~COUNTY OF BOYLE

The undersigned notary public hereby certifies that the foregoing ADDENDUM was produced, acknowledged and SWORN to, before me this date by the CITY OF DANVILLE, KENTUCKY, through its authorized representative and Mayor, BERNIE HUNSTAD.

WITNESS my hand and seal of office this the 25 day of July, 2011.

My Commission expires 3/7/13.

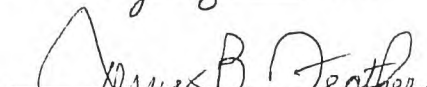
  
Notary Public

## STATE OF KENTUCKY~COUNTY OF BOYLE

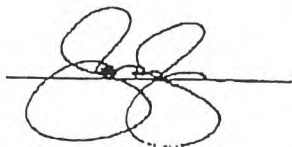
The undersigned notary public hereby certifies that the foregoing ADDENDUM was produced, acknowledged and SWORN to, before me this date by PARKSVILLE WATER DISTRICT, through its authorized representative and Chairman, RONALD RUSSELL.

WITNESS my hand and seal of office this the 28 day of July, 2011.

My Commission expires 7/27/13.

  
Notary Public

This Instrument was prepared by:



JEFFREY W. JONES, Attorney at Law  
1000 East Lexington Avenue, Suite #3  
Danville, Kentucky 40422

## **EXHIBIT 2**

### Agreement

This Settlement Agreement is between Parksville Water District ("Parksville"), with its principal office at 10711 Lebanon Road, P.O. Box 9, Parksville, Kentucky 40464, and the City of Danville ("Danville"), a municipal corporation of the third class.

- (1) During the course of proceedings before the Public Service Commission of Kentucky ("Commission") styled Case No. 2007-00406 and Case No. 2008-00176, Danville and Parksville have identified a number of issues and questions relating to usage, calculation of charges, billings, and payments, including purchasing power adjustments made to rates in 2005, 2006, and 2007 and involving periods of time before, during, and after those affected by the purchasing power adjustments.
- (2) This settlement is intended as a resolution of all disputes, issues, and questions about usage, charges, billings, and payments up through and including the month of April 2009, an agreement about the proper calculation of charges thereafter and currently, and an accord about procedures for considering proposed changes to billing methods and elements in the future.
- (3) The parties acknowledge and agree: that approval by the Commission is necessary for this Settlement Agreement to be effective and binding on either party; and that, if Commission approval of the entire agreement without modification, together with a final and appealable dismissal of the case is not obtained within 90 days of submission to the Commission with a request for approval, then this Settlement Agreement shall be null and void and shall be without any effect whatsoever on the parties' respective rights, arguments, or positions in Case No. 2007-00405, Case No. 2008-00176, or otherwise. If and when approved by the Commission, this Settlement Agreement will operate as an addendum or revision to the existing Water Purchase Contract between Danville and Parksville. Each party agrees that it will neither request rehearing nor seek judicial review of any Commission order approving the entire agreement without modification.
- (4) Danville and Parksville agree to compromise all disputes, issues, and questions about usage, charges, billings, and payments up through and including the month of April 2009 for the payment by Danville to Parksville of the amount of \$ 38,171.18. Danville will pay that amount to Parksville in one lump-sum within 5 days following the close of any



# **EXHIBIT 3**

City of  
**DANVILLE**  
**KENTUCKY**

P.O. Box 670  
Danville, KY 40425  
(859) 258-1200

August 20, 2014

Parksville Water District  
c/o Jerry Feathers  
10711 Lebanon Road  
Parksville KY 40464  
859-332-2255

**RE: 2014 Wholesale Water Rate Adjustment**

Dear Mr. Feathers,

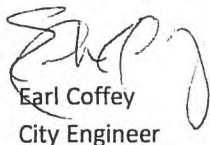
We are providing this letter as the official notice of the 2014 Wholesale Water Rate Adjustment as discussed previously. This letter is to confirm for you the basis for the rate adjustment and also the details of the change.

Recall the City previously indicated its intention to complete a utility rate study this year. The City contracted with a third party, Salt River Engineering, to complete the rate study with a cost of service component and to evaluate and recommend adjustments for all rates charged by the City's municipal utility. The study began this past winter and the wholesale portion of the evaluation has been completed. The rate study was completed consistent with the principles established in the American Water Works Association Manual M-1. The chosen study approach was the *Hybrid Method* (Cash Needs/Utility Basis) which was used to determine the revenue requirements for both owner and non-owner utility customers.

The City Commission accepted the recommendations from the consultant by implementing revised wholesale rates. The implementation of the revised rates will begin with the effective date of September 1<sup>st</sup> 2014. Consistent with the recommendations, the Parksville Water District shall pay a Flat Rate of \$2.68 per 1000 gallons consumed or \$2.00 per 100 cubic feet consumed. The minimum bill will not adjust as a result of this change.

As stated previously it is our goal to help you understand the details related to the rate identified. As such we will be more than willing to provide information to provide a better understanding. Please let us know how we may address your questions. We look forward to working with you as we transition into this revised rate.

Respectfully,

  
Earl Coffey  
City Engineer

"This institution is an equal opportunity provider and employer."

**"The City of Firsts"**

First Courthouse in Kentucky - 1785  
First U.S. Post Office in the West - 1792  
First Successful Ovariectomy in the World - 1809

First Capitol of Kentucky District - 1785  
First Political Club in the West - 1786  
First Constitutional Convention in the West - 1792

First College in the West - 1785  
First Law School in the West - 1799  
First State Supported School for Deaf - 1825

City of Danville  
Wholesale Customers Proposed Rates

Existing Declining Block Rate Structure								Existing Rate as a Flat Rate (\$/100 cf) <sup>1</sup>	Proposed Flat Rate (\$/100 cf)	Proposed Flat Rate (\$/1000 gal)
Parksville										
First	20,000	cubic feet	\$1.68	per 100 cf	or per	149,610	gallons	\$1.19	\$2.03	\$2.71
Next	80,000	cubic feet	\$1.35	per 100 cf	or per	598,440	gallons			
Next	100,000	cubic feet	\$1.05	per 100 cf	or per	748,050	gallons			
Next	300,000	cubic feet	\$0.96	per 100 cf	or per	2,244,150	gallons			
All Over	500,000	cubic feet	\$0.91	per 100 cf	or per	3,740,250	gallons			
Hustonville										
First	20,000	cubic feet	\$1.68	per 100 cf	or per	149,610	gallons	\$1.24	\$1.87	\$2.50
Next	80,000	cubic feet	\$1.35	per 100 cf	or per	598,440	gallons			
Next	100,000	cubic feet	\$1.05	per 100 cf	or per	748,050	gallons			
Next	300,000	cubic feet	\$0.96	per 100 cf	or per	2,244,150	gallons			
All Over	500,000	cubic feet	\$0.91	per 100 cf	or per	3,740,250	gallons			
GCWA										
First	20,000	cubic feet	\$1.68	per 100 cf	or per	149,610	gallons	\$1.23	\$1.80	\$2.41
Next	80,000	cubic feet	\$1.44	per 100 cf	or per	598,440	gallons			
Next	100,000	cubic feet	\$1.20	per 100 cf	or per	748,050	gallons			
Next	300,000	cubic feet	\$1.06	per 100 cf	or per	2,244,150	gallons			
All Over	500,000	cubic feet	\$0.86	per 100 cf	or per	3,740,250	gallons			
LVWA										
First	20,000	cubic feet	\$1.68	per 100 cf	or per	149,610	gallons	\$1.22	\$1.80	\$2.41
Next	80,000	cubic feet	\$1.35	per 100 cf	or per	598,440	gallons			
Next	100,000	cubic feet	\$1.05	per 100 cf	or per	748,050	gallons			
Next	300,000	cubic feet	\$0.96	per 100 cf	or per	2,244,150	gallons			
All Over	500,000	cubic feet	\$0.91	per 100 cf	or per	3,740,250	gallons			

<sup>1</sup>All wholesale customers are assessed an additional 20% surcharge after calculation of the monthly bill--surcharge is included. Equivalent flat rate is calculated based on FY13 usage.

John Bowling  
Mayor  
City of Danville Water Dept.  
P. O. Box 670  
Danville, KY 40423

Jeffrey W. Jones  
Jeffrey W. Jones PLLC, Attorney at Law  
1000 E. Lexington Ave. #3  
Danville, KENTUCKY 40422

Steven L. Beshear  
Governor

Leonard K. Peters  
Secretary  
Energy and Environment Cabinet



Commonwealth of Kentucky  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

David L. Armstrong  
Chairman

James W. Gardner  
Vice Chairman

Linda Breathitt  
Commissioner

September 18, 2014

**VIA ELECTRONIC MAIL AND U.S. FIRST CLASS MAIL**

Ms. Donna Peek  
City Clerk/Human Resources Director  
City of Danville  
P.O. Box 670  
Danville, KY 40423

**Re: Parksville Water District v. City of Danville  
Case No. 2014-00314**

Dear Ms. Peek:

Attached is a copy of an Order issued via electronic mail on September 5, 2014 to [DPeek@DanvilleKY.org](mailto:DPeek@DanvilleKY.org). Pursuant to KRS 278.380, amended by the Kentucky General Assembly during the 2014 General Session, the electronic delivery of all Kentucky Public Service Commission orders is now allowed. By this letter we request that you confirm that [DPeek@DanvilleKY.org](mailto:DPeek@DanvilleKY.org) is the correct electronic mail address for receipt of electronic mail from the Commission.

The City of Danville was ordered to satisfy the matters complained of or file a written answer to the complaint within ten days. As of the date of this letter, a response to the September 5, 2014 Order has not been received. Our records do not indicate any problems with electronic delivery of the September 5, 2014 Order. We are aware that delivery of the September 5, 2014 Order may have been blocked by the City of Danville's electronic mail filters. This letter is being sent via both electronic mail and U.S. First Class mail to ensure delivery.

The City of Danville is to respond to the September 5, 2014 Order within ten days of receipt of this letter or the Commission may issue an order to show cause. Any

questions regarding the contents of this letter should be directed to Ann Ramser, Staff Attorney, at (502) 782-2585.

Sincerely,



Jeff Derouen  
Executive Director

Enclosure

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PARKSVILLE WATER DISTRICT

v.

CITY OF DANVILLE

)  
)  
)  
)  
)

CASE NO.  
2014-00314

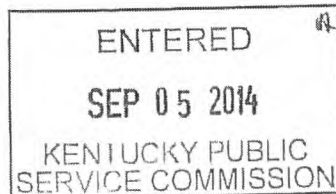
ORDER TO SATISFY OR ANSWER

The city of Danville ("Danville") is hereby notified that it has been named as defendant in a formal complaint filed on August 28, 2014, a copy of which is attached hereto.

Pursuant to 807 KAR 5:001, Section 20, Danville is HEREBY ORDERED to satisfy the matters complained of or file a written answer to the complaint within ten days of the date of service of this Order.

Should documents of any kind be filed with the Commission in the course of this proceeding, the documents shall also be served on all parties of record.

By the Commission



ATTEST:

  
\_\_\_\_\_  
Executive Director



COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED  
AUG 28 2014  
PUBLIC SERVICE  
COMMISSION

Parksville Water District

v.

City of Danville

)  
)  
)

Case No. 2014-00

314

**COMPLAINT**

Parksville Water District, by counsel, files this complaint against the city of Danville for the purpose of protesting the city's increase of its wholesale water rate charged to Parksville.

1. Parksville is a statutorily created water district operating pursuant to KRS Chapter 74, with an address of 10711 Lebanon Road, Box 9, Parksville, KY 40464. It is regulated by the Public Service Commission.

2. The City of Danville is a city of the third class located in Boyle County which owns and operates a water treatment and distribution system that provides wholesale water service to Parksville, Garrard County, Lake Village and Hustonville. Its address is P.O. Box 670, Danville, KY 40423.

3. Parksville purchases water at wholesale from the city of Danville. Copies of the water purchase contract and amendments thereto are attached as Exhibit 1.

4. Parksville and Danville operate under a Settlement Agreement approved by the Commission in Case No. 2007-00405 and 2008-00176. A copy of the Settlement Agreement is attached hereto as Exhibit 2.

5. The Settlement Agreement requires that prior to any increase in water rates to Parksville, Danville will provide Parksville with ninety (90) days written notice.

6. On August 21, 2014, Danville provided Parksville with written notice that the rate for wholesale water shall increase to \$2.68 per 1000 gallons consumed. A copy of the Notice is attached hereto as Exhibit 3.

7. Danville represented that the current rate for wholesale water paid by Parksville to Danville is \$1.59 per 1000 gallons consumed, including a surcharge. A copy of Danville's documentation is attached hereto as Exhibit 4.

8. On August 21, 2014, representatives from Danville announced at a meeting of the Parksville Board of Directors that the new rate would go into effect on September 1, 2014. *See also* Exhibit 3

9. Parksville believes that the increase in rates announced by Danville is void in that Danville failed to comply with procedures established by the Commission to increase rates.

10. Danville failed to give Parksville written notice as required by the Settlement Agreement or by the provisions of 807 KAR 5:011(8)(2).

11. Danville failed to comply with the directive of the Commission dated December 18, 1998, that requires a city to follow one of two methods to increase rates: (1) file a new rate schedule or tariff specified in 807 KAR 5:011(6)(3); or (2) file an application for an increase in rates pursuant to KRS 278.190;

12. No notice of an effective date of the proposed increase in rates was given to the Commission or Parksville as required by 807 KAR 5:011(9).

13. Because the required notice was not given to Parksville about the rate increase, it had limited opportunity to object to it or to adjust its rates to reflect the increased wholesale rate.

14. Parksville was recently provided with an explanation of the rate increase, but was not, on information and belief, provided with a copy of the complete cost study prepared for Danville.

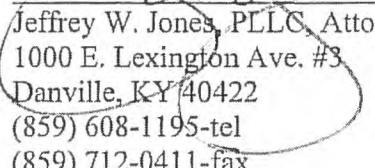
15. Parksville's proposed wholesale rate is significantly greater than that of the other three wholesale purchasers who buy water from Danville. See Exhibit 4 attached hereto.

16. Parksville believes the increase is not reasonable.

Parksville seeks a determination that the proposed increase is void having been improperly noticed and implemented without approval of the Commission and a determination that the increase as applied to Parksville is unreasonable in light of the proposed rate increases allocated to the other three wholesale water purchasers. For these reasons, Parksville requests that the Commission void the rate increases improperly proposed and investigate the reasonableness of the proposed rate increase.

This 28 day of August, 2014

Respectfully submitted by:




Jeffrey W. Jones, PLLC, Attorney at Law  
1000 E. Lexington Ave. #3  
Danville, KY 40422  
(859) 608-1195-tel  
(859) 712-0411-fax  
email: [Jeff@JWJLAW.us](mailto:Jeff@JWJLAW.us)

Attorney for Parksville Water District.

Parksville Water District )  
 )  
 v. ) Case No. 2014-00  
 )  
 City of Danville )

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## VERIFICATION

  
Jerry Feather, Co-Manager  
Parksville Water District

Debbie M. Webb ID# 487424  
Notary Public  
My Commission expires: April 15, 2017

## **EXHIBIT 1**

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is made and entered into this 7<sup>th</sup> day of October, 1994, by and between the CITY OF DANVILLE, KENTUCKY, a municipal corporation of the third class, hereinafter referred to as the "SELLER"; and the PARKSVILLE WATER DISTRICT, hereinafter referred to as "PURCHASER";

W I T N E S S E T H:

WHEREAS, the Seller owns and operates a water supply distribution system and is currently providing water unto Purchaser, Parksville Water District, pursuant to a contract dated December 1, 1964 and

WHEREAS, the Purchaser intends to make improvements to its water service to its customers and in order to do so must borrow money from the United States of America, Farmers Home Administration, and in order to satisfy the requirements of the United States of America, Farmers Home Administration, the Purchaser must have an extension of its right to purchase water from the City of Danville; and

WHEREAS, the Purchaser, Parksville Water District, does now desire to continue to purchase its entire water supply directly from Seller, City of Danville, for the next forty (40) years; and

WHEREAS, the Seller, City of Danville, desires to sell water directly to the Purchaser for the next forty (40) years; and

WHEREAS, resolutions have been duly passed by each of the legislative bodies of the respective parties hereto, which resolutions approved the terms and provisions of this agreement and do further authorize the respective officers of each party to execute this agreement;

NOW, THEREFORE, in consideration of the foregoing and in further consideration of the mutual promises and agreements contained herein, the parties hereto do now agree to the following terms and conditions:

1. The term of this contract shall be for a period of forty (40) years, commencing effective \_\_\_\_\_, 1994.

2. The 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 health department, in such quantity as may be required by the Purchaser. The Purchaser specifically agrees and covenants to purchase from the Seller during the term set forth above the Purchaser's entire water needs.

3. The water to be sold hereunder will be furnished at a reasonably constant pressure from the twelve (12") water main location on the Industrial Foundation property parallel to KY 34 approximately 1100 feet from its intersection with Alum Springs Cross Pike. If a greater pressure than normally available at the point of delivery is required by the Purchaser, the costs and means of providing such greater pressure shall be the responsibility of the Purchaser. It shall be the expense and the responsibility of the Purchaser to (a) construct and maintain any line or lines between the Parksville Water District and the point of delivery, (b) purchase and install a water meter consistent with the specifications directed by the Seller's City Engineer, and (c) provide the hookup or connection at the point of delivery, but subject to the supervision and approval of the Seller's City Engineer.

4. The water purchased and sold under this agreement shall be delivered by Seller at the above stated point of delivery and shall pass through and be measured by a meter or meters capable and sufficient to measure the quantity of water so delivered. It shall be the expense and responsibility of the Purchaser to furnish, install, operate and maintain at the point of delivery the necessary equipment, including a meter house or pit, and required devices of standard types for properly measuring the quantity of water delivered to the Purchaser and to calibrate and test for accuracy such metering equipment annually, or at such

other times as are reasonably requested by the Seller. A meter registering not more than 2% above or below the test results shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate shall be corrected for the three months previous to such tests in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water delivered in the corresponding period immediately prior to the failure shall be considered the amount consumed, unless the Seller and the Purchaser shall agree upon a different amount. The metering equipment shall be read on a regular basis, but not less than once every two months. An appropriate official or representative of the Purchaser shall at all reasonable times have access to the meter for the purpose of verifying its readings.

5. The Purchaser agrees to pay unto Seller for the water delivered in accordance with the following rate schedule:

	QUANTITY	RATE
	(Cu. Ft.)	(\$/100 Cu. Ft.)
First	20,000 cu. ft.	1.68 (Min:448.00 per mo.)
Next	80,000 cu. ft.	1.35
Next	100,000 cu. ft.	1.05
Next	300,000 cu. ft.	.96
All over	500,000 cu. ft.	.91

In addition to the foregoing schedule of rates, the Purchaser shall further pay unto the Seller a surcharge of twenty percent (20%) added to the total water bill only less taxes.

HOWEVER, the parties understand and agree that if at any time during the term of this agreement the rate charged to the other wholesale or industrial consumers, including other municipalities, independent water districts, or privately owned water companies, are modified, either increased or decreased, the rate of charge to the Purchaser shall automatically be modified to conform to such rates; similarly, it is agreed and understood



that in the event the amount of the surcharge which is charged to all customers outside the city limits of Seller is modified, then the rate of surcharge unto Purchaser shall automatically be modified to conform with such surcharge rate. It is understood and agreed by the parties that modification of the water purchase rate and surcharge thereon shall be at the discretion of the Seller, City of Danville.

6. Payment for such water delivered shall be made promptly and in accordance with the regular billing policy of the Seller, which shall from time to time be in effect. The Seller shall furnish Purchaser with an itemized statement for the amount of water furnished the Purchaser during the preceding period for which the meter was read.

7. The Seller will at all times operate and maintain its system to the point of delivery to Purchaser in a state of reasonable repair and will take such reasonable action as may be necessary to furnish the Purchaser with the quantities of water heretofore set forth. Temporary or partial failure 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's consumers shall be reduced or diminished in the same ratio or proportion as the supply to Seller's other customers located outside its corporate limits is reduced or diminished. The obligation of the Seller to supply water is limited, however, by the understanding that while the Seller shall use reasonable care and diligence in the operation and maintenance of its existing system to prevent and avoid interruptions and fluctuations in supply, that nevertheless the Seller does not guarantee that such interruption and fluctuations will not occur. The parties agree that the Seller shall not be liable for the curtailment of supply due to emergencies, breaks, leaks, defects, necessary repairs, fires, strikes, acts of God, or other causes of unusual demand upon its

system. Further, in the event of fire, storm, war, acts of God, or other emergencies, the Seller's City Manager may, without liability attaching to the Seller, and without notice, reduce or temporarily discontinue such water supply. In the event the Seller's City Manager shall be absent from the City of Danville, or be for any reason incapacitated, his power to order reduction or cessation of supply shall vest in the City of Danville's Engineer or the Mayor. In either event, the official determination of emergency shall permit such reduction or cessation during the pendency of the emergency without liability unto the Seller, but with the understanding that the same shall be rectified as quickly as is reasonably possible.

8. It is contemplated and understood that the water sold hereunder is for the purpose of providing for the needs of those residents and businesses located within the boundaries of the Parksville Water District, or within close proximity thereto. It is agreed and understood that the Purchaser shall not circumvent the intention of this contract by the selling of such water, or any portion thereof, unto other municipalities, water districts, or such other entities providing water to persons or businesses not located within the boundaries of the Parksville Water District or within close proximity thereto without the express written consent of the City of Danville.

9. Should a major industrial consumer of water desire to be located in the area served by the Parksville Water District, the Parksville Water District shall not supply water unto said major industrial consumer of water without the express written consent and approval of the City of Danville, which consent and approval shall not be unreasonably withheld. A major industrial consumer of water is defined as one using more than 500,000 gallons of water per month.

10. From and after the date of this Contract, all waterlines and other appurtenant and related water facilities developed within the annexable area as shown and designated in the City of

Danville's Growth Management Area shall be built and constructed according to all applicable construction regulations and specifications for the same or similar facilities developed within the limits of the City of Danville.

11. The parties do hereby agree that this contract agreement shall become effective upon execution by both parties and that the agreement dated December 1, 1964 shall no longer be of any force or effect.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized officers, have executed this agreement as of the date first above written.

CITY OF DANVILLE, KENTUCKY  
SELLER

By: William B. Davis  
Mayor Pro Tem

PARKSVILLE WATER DISTRICT  
PURCHASER

By: Ronald Russell  
Chairman

ATTEST:

Cecil Holman  
CITY CLERK

ATTEST:

Carl Lippert  
SECRETARY

STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED and ACKNOWLEDGED before me by William B. Davis, Mayor Pro Tem, a duly authorized officer of the City of Danville, Kentucky, to be his voluntary act and deed and the voluntary act and deed of the City of Danville, Kentucky.

Signed - 10-4-98

S E A L ) \*\*

STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED and ACKNOWLEDGED before me by Ronald Russell, Chairman, a duly authorized officer of the Parksville Water District to be his voluntary act and deed and the voluntary act and deed of the Parksville Water District.

Signed 10-7-98

S E A L ) \*\*

Sharon W. Broach  
NOTARY PUBLIC, STATE AT LARGE, KY  
My Commission Expires: 2-14-95

Jermy B. Feather  
NOTARY PUBLIC, STATE AT LARGE, KY  
My Commission Expires: 4-20-99

ADDENDUM TO WATER PURCHASE CONTRACT

This addendum to the water purchase contract dated the 7<sup>th</sup> day of October, 1994, between the City of Danville, Kentucky, hereinafter referred to as the "Seller", and the Parksville Water District, hereinafter referred to as the "Purchaser", is made and entered into this 28<sup>th</sup> day of October, 1994.

W I T N E S S E T H

WHEREAS, the parties hereto have entered into a contract under which the Seller supplies treated water unto the Purchaser; and

WHEREAS, the Seller owns and operates a water supply distribution system and is currently providing water unto Purchaser, Parksville Water District, pursuant to a contract dated December 1, 1964 and

WHEREAS, the Purchaser intends to make improvements to its water service to its customers and in order to do so must borrow money from the United States of America, Farmers Home Administration, and in order to satisfy the requirements of the United States of America, Farmers Home Administration, and

WHEREAS, the water supply distribution system of the Seller is being extended, and

WHEREAS, the extension of the water supply distribution system is of mutual financial benefit to both the Seller and Purchaser.

NOW, THEREFORE, in consideration of the foregoing and in further consideration of the mutual promises and agreements contained herein, the parties hereto do now agree to the following terms and conditions:

1. The Purchaser is to pay as an agreed cost, a connection fee to connect the Seller's system with the system of the Purchaser, the sum of \$36,000 which shall cover the Purchaser's proportionate share of the water supply distribution system extension. The cost is based on the difference between the cost to the Purchaser of extending an 8" PVC line along the same

route which would have been required if the 12" ductile iron line were not being extended by the Seller.

2. The Seller will engineer and construct the twelve (12) water mains to a point as planned by Quest Engineers dated June 1994.

3. The Purchaser will provide for relocation of the meter pit and assembly at its expense. This pit is to be relocated and used.

4. The Seller will construct a wet tap connecting the new line to the old line for the purpose of a temporary service. This will provide for service to Purchaser during the time of the changing of the water meter pit.

5. Payment will be made within 15 days after completion of the line. Completion shall be defined as first use of the main.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized officers, have executed this agreement as of the date first above written.

CITY OF DANVILLE, KENTUCKY  
SELLER

BY: John D. Bauling  
MAYOR

ATTEST: --

Craig H. Bolan  
CITY CLERK

PARKSVILLE WATER DISTRICT  
PURCHASER

BY: Ronald Russell  
CHAIRMAN

ATTEST:

Carl Leffew  
SECRETARY

STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED and ACKNOWLEDGED before me by JOHN Bowling, a  
duly authorized officer of the City of Danville, Kentucky, to be his voluntary  
act and deed and the voluntary act and deed of the City of Danville, Kentucky.

Nicholas Chas. Worley  
NOTARY PUBLIC, STATE AT LARGE, KY

MY COMMISSION EXPIRES: 7-5-1998

SEAL)\*\*

STATE OF KENTUCKY

COUNTY OF BOYLE

PRODUCED and ACKNOWLEDGED before me by RONALD RUSSELL, a  
duly authorized officer of the Parksville Water District, to be his voluntary  
act and deed and the voluntary act and deed of the Parksville Water District.

October 28, 1994

Nicholas C. Worley  
NOTARY PUBLIC, STATE AT LARGE, KY

MY COMMISSION EXPIRES: 3/5/97

SEAL)\*\*

ADDENDUM TO WATER PURCHASE CONTRACT

This ADDENDUM made and entered into this 11 day of January, 2002, by and between the CITY OF DANVILLE, KENTUCKY, a municipal corporation of the third class, hereinafter referred to as "Seller" and PARKSVILLE WATER DISTRICT, with its principal office at Kentucky Highway, P. O. Box 9, Parksville, Kentucky 40464, hereinafter referred to as "Purchaser";

WITNESSETH:

WHEREAS, these parties entered into a Water Purchase Agreement dated October 7, 1994;

WHEREAS, the parties hereto desire to extend that agreement under the terms contained herein;

NOW, THEREFORE, in consideration of the foregoing and the mutual promises contained herein, the parties hereto hereby agree as follows:

All the terms contained the existing Water Purchase Contract are hereby ratified and incorporated herein as if fully set out verbatim with the exception that the term of said Contract shall be for a period of forty-one (41) years commencing on December 31, 2001 and ending at midnight on December 31, 2042.

This Addendum is entered into by the parties pursuant to Resolutions of their respective Board of Directors adopted at meetings of the same, duly and regularly held and had, and the respective officers of each party are authorized to execute this Addendum.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized officers, have hereunto set their hands on this date which is first above written.

CITY OF DANVILLE, KENTUCKY

PARKSVILLE WATER DISTRICT

by: Alex Stevens  
ALEX STEVENS, Mayor

by: Ronald Russell  
RONALD RUSSELL, Chairman

ATTEST:

ATTEST:

Doreanna  
City Clerk

Hubert Biles  
Secretary

STATE OF KENTUCKY~COUNTY OF BOYLE

The undersigned notary public hereby certifies that the foregoing ADDENDUM was produced, acknowledged and SWORN to, before me this date by the CITY OF DANVILLE, KENTUCKY, through its authorized representative and Mayor, ALEX STEVENS.

WITNESS my hand and seal of office this the 11<sup>th</sup> day of December, 2001.

My Commission expires March 7 2005

Don Stevens  
Notary Public

STATE OF KENTUCKY~COUNTY OF BOYLE

The undersigned notary public hereby certifies that the foregoing ADDENDUM was produced, acknowledged and SWORN to, before me this date by PARKSVILLE WATER DISTRICT, through its authorized representative and Chairman, RONALD RUSSELL.

WITNESS my hand and seal of office this the 11 day of January, 2002.

My Commission expires 3-19-2005

Debbie M. Webb  
Notary Public

This Instrument was prepared by:

J. FREY W. JONES  
J. FREY W. JONES, Attorney at Law  
104 West Main Street, Suite #202  
Danville, Kentucky 40422



## ADDENDUM TO WATER PURCHASE CONTRACT

This ADDENDUM made and entered into this 25 day of July, 2011, by and between the CITY OF DANVILLE, KENTUCKY, a municipal corporation of the third class, hereinafter referred to as "Seller" and PARKSVILLE WATER DISTRICT, with its principal office at 10711 Lebanon Rd, P. O. Box 9, Parksville, Kentucky 40464, hereinafter referred to as "Purchaser";

### WITNESSETH:

WHEREAS, these parties entered into a Water Purchase Agreement dated October 7, 1994;

WHEREAS, the parties hereto desire to extend that agreement under the terms contained herein;

NOW, THEREFORE, in consideration of the foregoing and the mutual promises contained herein, the parties hereto hereby agree as follows:

All the terms contained in the existing Water Purchase Contract are hereby ratified and incorporated herein as if fully set out verbatim with the exception that the term of said Contract shall be for a period of forty-four (44) years commencing on December 31, 2011 and ending at midnight on December 31, 2055.

This Addendum is entered into by the parties pursuant to Resolutions of their respective Board of Directors adopted at meetings of the same, duly and regularly held and had, and the respective officers of each party are authorized to execute this Addendum.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized officers, have hereunto set their hands on this date which is first above written.

CITY OF DANVILLE, KENTUCKY

by: Bernie Hunstad  
BERNIE HUNSTAD, Mayor

PARKSVILLE WATER DISTRICT

by: Ronald Russell  
RONALD RUSSELL, Chairman

ATTEST:

D. Dick  
City Clerk

ATTEST:


Mary S. Guernant  
Secretary

## STATE OF KENTUCKY~COUNTY OF BOYLE

The undersigned notary public hereby certifies that the foregoing ADDENDUM was produced, acknowledged and SWORN to, before me this date by the CITY OF DANVILLE, KENTUCKY, through its authorized representative and Mayor, BERNIE HUNSTAD.

WITNESS my hand and seal of office this the 25 day of July, 2011.

My Commission expires 3/7/13.

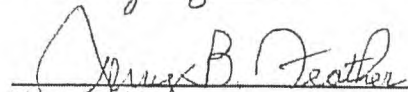
  
Notary Public

## STATE OF KENTUCKY~COUNTY OF BOYLE

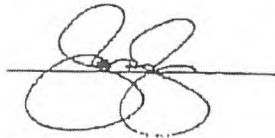
The undersigned notary public hereby certifies that the foregoing ADDENDUM was produced, acknowledged and SWORN to, before me this date by PARKSVILLE WATER DISTRICT, through its authorized representative and Chairman, RONALD RUSSELL.

WITNESS my hand and seal of office this the 28 day of July, 2011.

My Commission expires 7/27/13.

  
Notary Public

This Instrument was prepared by:



JEFFREY W. JONES, Attorney at Law  
1000 East Lexington Avenue, Suite #3  
Danville, Kentucky 40422

## **EXHIBIT 2**

### Agreement

This Settlement Agreement is between Parksville Water District ("Parksville"), with its principal office at 10711 Lebanon Road, P.O. Box 9, Parksville, Kentucky 40464, and the City of Danville ("Danville"), a municipal corporation of the third class.

- (1) During the course of proceedings before the Public Service Commission of Kentucky ("Commission") styled Case No. 2007-00406 and Case No. 2008-00176, Danville and Parksville have identified a number of issues and questions relating to usage, calculation of charges, billings, and payments, including purchasing power adjustments made to rates in 2005, 2006, and 2007 and involving periods of time before, during, and after those affected by the purchasing power adjustments.
- (2) This settlement is intended as a resolution of all disputes, issues, and questions about usage, charges, billings, and payments up through and including the month of April 2009, an agreement about the proper calculation of charges thereafter and currently, and an accord about procedures for considering proposed changes to billing methods and elements in the future.
- (3) The parties acknowledge and agree: that approval by the Commission is necessary for this Settlement Agreement to be effective and binding on either party; and that, if Commission approval of the entire agreement without modification, together with a final and appealable dismissal of the case is not obtained within 90 days of submission to the Commission with a request for approval, then this Settlement Agreement shall be null and void and shall be without any effect whatsoever on the parties' respective rights, arguments, or positions in Case No. 2007-00405, Case No. 2008-00176, or otherwise. If and when approved by the Commission, this Settlement Agreement will operate as an addendum or revision to the existing Water Purchase Contract between Danville and Parksville. Each party agrees that it will neither request rehearing nor seek judicial review of any Commission order approving the entire agreement without modification.
- (4) Danville and Parksville agree to compromise all disputes, issues, and questions about usage, charges, billings, and payments up through and including the month of April 2009 for the payment by Danville to Parksville of the amount of \$ 38,171.18. Danville will pay that amount to Parksville in one lump-sum within 5 days following the close of any

# **EXHIBIT 3**

City of  
**DANVILLE**  
**KENTUCKY**

P.O. Box 670  
Danville, KY 40425  
(859) 258-1200

August 20, 2014

Parksville Water District  
c/o Jerry Feathers  
10711 Lebanon Road  
Parksville KY 40464  
859-332-2255

**RE: 2014 Wholesale Water Rate Adjustment**

Dear Mr. Feathers,


We are providing this letter as the official notice of the 2014 Wholesale Water Rate Adjustment as discussed previously. This letter is to confirm for you the basis for the rate adjustment and also the details of the change.

Recall the City previously indicated its intention to complete a utility rate study this year. The City contracted with a third party, Salt River Engineering, to complete the rate study with a cost of service component and to evaluate and recommend adjustments for all rates charged by the City's municipal utility. The study began this past winter and the wholesale portion of the evaluation has been completed. The rate study was completed consistent with the principles established in the American Water Works Association Manual M-1. The chosen study approach was the *Hybrid Method* (Cash Needs/Utility Basis) which was used to determine the revenue requirements for both owner and non-owner utility customers.

The City Commission accepted the recommendations from the consultant by implementing revised wholesale rates. The implementation of the revised rates will begin with the effective date of September 1<sup>st</sup> 2014. Consistent with the recommendations, the Parksville Water District shall pay a Flat Rate of \$2.68 per 1000 gallons consumed or \$2.00 per 100 cubic feet consumed. The minimum bill will not adjust as a result of this change.

As stated previously it is our goal to help you understand the details related to the rate identified. As such we will be more than willing to provide information to provide a better understanding. Please let us know how we may address your questions. We look forward to working with you as we transition into this revised rate.

Respectfully,

  
Earl Coffey  
City Engineer

"This institution is an equal opportunity provider and employer."

**"The City of Firsts"**

First Courthouse in Kentucky - 1785  
First U.S. Post Office in the West - 1792  
First Successful Ovariotomy in the World - 1809

First Capitol of Kentucky District - 1785  
First Political Club in the West - 1786  
First Constitutional Convention in the West - 1792

First College in the West - 1785  
First Law School in the West - 1799  
First State Supported School for Deaf - 1825

City of Danville  
Wholesale Customers Proposed Rates

Existing Declining Block Rate Structure								Existing Rate as a Flat Rate (\$/100 cf) <sup>1</sup>	Proposed Flat Rate (\$/100 cf)	Proposed Flat Rate (\$/1000 gal)
Parksville										
First	20,000	cubic feet	\$1.68	per 100 cf	or per	149,610	gallons	\$1.19	\$2.03	\$2.71
Next	80,000	cubic feet	\$1.35	per 100 cf	or per	598,440	gallons			
Next	100,000	cubic feet	\$1.05	per 100 cf	or per	748,050	gallons			
Next	300,000	cubic feet	\$0.96	per 100 cf	or per	2,244,150	gallons			
All Over	500,000	cubic feet	\$0.91	per 100 cf	or per	3,740,250	gallons			
Hustonville										
First	20,000	cubic feet	\$1.68	per 100 cf	or per	149,610	gallons	\$1.24	\$1.87	\$2.50
Next	80,000	cubic feet	\$1.35	per 100 cf	or per	598,440	gallons			
Next	100,000	cubic feet	\$1.05	per 100 cf	or per	748,050	gallons			
Next	300,000	cubic feet	\$0.96	per 100 cf	or per	2,244,150	gallons			
All Over	500,000	cubic feet	\$0.91	per 100 cf	or per	3,740,250	gallons			
GCWA										
First	20,000	cubic feet	\$1.68	per 100 cf	or per	149,610	gallons	\$1.23	\$1.80	\$2.41
Next	80,000	cubic feet	\$1.44	per 100 cf	or per	598,440	gallons			
Next	100,000	cubic feet	\$1.20	per 100 cf	or per	748,050	gallons			
Next	300,000	cubic feet	\$1.06	per 100 cf	or per	2,244,150	gallons			
All Over	500,000	cubic feet	\$0.86	per 100 cf	or per	3,740,250	gallons			
LVWA										
First	20,000	cubic feet	\$1.68	per 100 cf	or per	149,610	gallons	\$1.22	\$1.80	\$2.41
Next	80,000	cubic feet	\$1.35	per 100 cf	or per	598,440	gallons			
Next	100,000	cubic feet	\$1.05	per 100 cf	or per	748,050	gallons			
Next	300,000	cubic feet	\$0.96	per 100 cf	or per	2,244,150	gallons			
All Over	500,000	cubic feet	\$0.91	per 100 cf	or per	3,740,250	gallons			

<sup>1</sup>All wholesale customers are assessed an additional 20% surcharge after calculation of the monthly bill--surcharge is included. Equivalent flat rate is calculated based on FY13 usage.

John Bowling  
Mayor  
City of Danville Water Dept.  
P. O. Box 670  
Danville, KY 40423

Jeffrey W. Jones  
Jeffrey W. Jones PLLC, Attorney at Law  
1000 E. Lexington Ave. #3  
Danville, KENTUCKY 40422



RECEIVED

SEP 29 2014

PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

PARKSVILLE WATER DISTRICT

v.

CITY OF DANVILLE

)

)

)

CASE NO.

2014-00314

---

**ANSWER**

---

Comes now the Defendant City of Danville ("City"), by counsel, and for its Answer to the Complaint states as follows:

**FIRST DEFENSE**

The Complaint fails to state a claim against this Defendant upon which relief can be granted and should be dismissed.

**SECOND DEFENSE**

The City has not implemented a rate increase. It is charging Parksville the same rates that were approved by the Commission in Case Nos. 2007-00405 and 2008-00176.

**THIRD DEFENSE**

1. The City is without sufficient information or knowledge to form a belief as to the allegations of paragraph 1 of the Complaint and therefore denies the allegations of those paragraphs.

2. The City admits the allegations of paragraph 2 of the Complaint, and specifically that it provides wholesale water service to Parksville Water District, Garrard County Water Association, Lake Village Water Association, and the City of Hustonville.

3. The City admits the allegations of paragraph 3 of the Complaint.

4. The City admits the allegations of paragraph 4 of the Complaint to the extent that the Settlement Agreement is consistent with law and that it outlines only a portion of the governing relationship between the parties.

5. The City admits the allegations of paragraph 5 of the Complaint.

6. With respect to the allegations of paragraph 6 of the Complaint, the City admits that Exhibit 3 is a letter dated August 20, 2014, indicating that the City was proposing to increase the wholesale water rate to Parksville to \$2.68 per 1,000 gallons. As the letter indicates, the city had previously notified Parksville that it intended to increase its wholesale rates. The City met with representatives of Parksville and other wholesale customers on July 23, 2014, at which the cost-of-service study was distributed to the Parksville representatives.

7. The City denies the allegations of paragraph 7 of the Complaint.

8. With respect to the allegations of paragraph 8 of the Complaint, the City denies that the new rates have actually gone into effect.

9. With respect to the allegations of paragraph 9 of the Complaint, the City is without sufficient information or knowledge to form a belief as to what Parksville believes. The City denies the remaining allegations of paragraph 9 of the Complaint.

10. Paragraph 10, 11, and 12 of the Complaint state a conclusion of law which does not require a factual response of this Defendant, but to the extent a response is deemed

necessary, Defendant denies so much of the allegations of paragraphs 10, 11, and 12 of the Complaint.

11. The City denies the allegations of paragraph 13 of the Complaint. Parksville has sufficient opportunity to increase its rates pursuant to KRS 278.015.

12. With respect to the allegations of paragraph 14 of the Complaint, the City admits that it provided an explanation of the rate increase on multiple occasions and denies the allegation that it has not provided Parksville with a complete copy of the cost-of-service study.

13. With respect to the allegations of paragraph 15 of the Complaint, the City admits that the cost-based rate for the City to provide service to Parksville is higher than the cost-based rate of Garrard County Water Association and Lake Village Water Association. The City denies the remaining allegations of the paragraph.

14. With respect to the allegations of paragraph 16 of the Complaint, the City is without sufficient information or knowledge to form a belief as to what Parksville believes. The City denies the remaining allegations of paragraph 16 of the Complaint.

15. The City denies the remaining allegations of the Complaint not specifically admitted herein.

WHEREFORE, the City respectfully requests judgment be entered in its favor, and that Parksville's Complaint be dismissed and that it take nothing thereby. Because the City has not implemented any proposed rate increase, there cannot be a claim that the increase is void and such claim should be dismissed. Because the City has not sought Public Service Commission acceptance of the proposed rate that is the subject matter of Parksville's Complaint, the claim that the proposed rate increase is unreasonable should be dismissed as not ripe. If any future proposed rate increase by the City is incorporated into this proceeding for a determination on the

reasonableness of the City's wholesale rates, the City requests a surcharge for reasonable rate case expense.

Respectfully submitted,



---

M. TODD OSTERLOH  
CHARLES D. COLE  
STURGILL, TURNER, BARKER & MOLONEY, PLLC  
333 W. Vine Street, Suite 1400  
Lexington, Kentucky 40507  
Telephone No.: (859) 255-8581  
tosterloh@sturgillturner.com

ATTORNEYS FOR CITY OF DANVILLE

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing was served via U.S. Mail, postage prepaid, to the following on September 25, 2014:

Jeffrey W. Jones  
Jeffrey W. Jones, PLLC  
1000 East Lexington Avenue, #3  
Danville, KY 40422



---

COUNSEL FOR CITY OF DANVILLE

# GARRARD COUNTY WATER ASSOCIATION

P.O. BOX 670 315 LEXINGTON ROAD

LANCASTER, KY 40444-0670

(859) 792-4501 TTY: 800-648-6056

FAX: (859) 792-1671

RECEIVED

SEP 8 - 2014

PUBLIC SERVICE  
COMMISSION

## Letter of Transmittal

To: Mr. Jeff Derouen, Executive Director Date: September 4, 2014

Public Service Commission

Re: Complaint of proposed wholesale

211 Sower Blvd.

rate increase from City of

Frankfort, KY 40602

Danville.

The following is attached:

Prints Shop Drawings Plans x Other  
Specifications Copy of Letter Information Requested

No. Copies	Description
10	Copies of Letter of Complaint and attachments.

Remarks: \_\_\_\_\_

\_\_\_\_\_

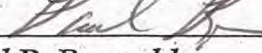
\_\_\_\_\_

\_\_\_\_\_

cc: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Signed:   
Paul B. Reynolds  
President/Executive Director



# Garrard County Water Association, Inc

P.O. BOX 670 315 LEXINGTON ROAD

LANCASTER, KY 40444-0670

(859) 792-4501 TTY: 800-648-6056

FAX: (859) 792-1671

RECEIVED

SEP 8 - 2014

PUBLIC SERVICE  
COMMISSION

September 3, 2014

Mr. Jeff Derouen, Executive Director  
Public Service Commission  
211 Sower Blvd.  
Frankfort, KY 40602

RE: Proposed Wholesale Water Rate Increase From City of Danville

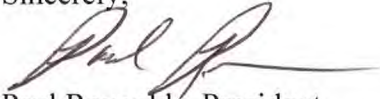
Dear Mr. Derouen,

Please accept this letter as the Association's formal opposition to the proposed wholesale rate increase from the City of Danville. This proposed increase is a direct result of the construction of a new water treatment facility in Danville. The Association's primary complaint involves the timing of the proposed rate increase. After conversations with the City of Danville it appears that they will not be closing on the associated Rural Development loans for this construction project until the early part of 2016. It is the Association's belief that a wholesale customer should not realize the increased rate until such time as the City of Danville closes out the loans associated with this project and is producing water from the new, completed treatment facility. This proposed wholesale rate increase will result in an increase of approximately \$75,000 per year to the Association's members. This \$75,000 would be paid for at least one year prior to ever receiving the product in which the members are to receive.

In a letter dated August 20, 2014, the City of Danville provided the Association with notice of the proposed rate increase. As stated in the letter, the City of Danville proposes this rate increase to take effect on September 1, 2014. The Association, however, has stated in its Water Purchase Agreement that any proposed rate increase must provide five (5) months written notice. In the ordinance adopted by the Danville City Commission this provision in the original Water Purchase Agreement has been considered. Thus, when reviewing the letter proposing the rate increase and the ordinance, the Association's rate increase should occur on or around February 1, 2015. A copy of the letter sent by the City of Danville, the Garrard County Water Association Water Purchase Agreement and the ordinance adopted by the Danville City Commission have been included with this letter.

We ask for the Commission's consideration in this matter and should we be able to provide further information please advise.

Sincerely,

A handwritten signature in dark ink, appearing to read "Paul R.", with a stylized flourish extending to the right.

Paul Reynolds, President  
Garrard County Water Association

Enclosures



City of  
**DANVILLE**  
**KENTUCKY**

P.O. Box 670  
Danville, KY 40423  
(859) 238-1200

August 20, 2014

**Garrard County Water Association**  
Paul Reynolds  
315 Lexington Street  
Lancaster, Kentucky 40444  
(859)792-4501

**RE: 2014 Wholesale Water Rate Adjustment**

Dear Mr. Reynolds,

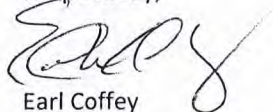
We are providing this letter as the official notice of the 2014 Wholesale Water Rate Adjustment as discussed previously. This letter is to confirm for you the basis for the rate adjustment and also the details of the change.

Recall the City previously indicated its intention to complete a utility rate study this year. The City contracted with a third party, Salt River Engineering, to complete the rate study with a cost of service component and to evaluate and recommend adjustments for all rates charged by the City's municipal utility. The study began this past winter and the wholesale portion of the evaluation has been completed. The rate study was completed consistent with the principles established in the American Water Works Association Manual M-1. The chosen study approach was the *Hybrid Method* (Cash Needs/Utility Basis) which was used to determine the revenue requirements for both owner and non-owner utility customers.

The City Commission accepted the recommendations from the consultant by implementing revised wholesale rates. The implementation of the revised rates will begin with the effective date of September 1<sup>st</sup> 2014. Consistent with the recommendations, the Garrard County Water Association shall pay a Flat Rate of \$2.41 per 1000 gallons consumed or \$1.80 per 100 cubic feet consumed. The minimum bill will not adjust as a result of this change.

As stated previously it is our goal to help you understand the details related to the rate identified. As such we will be more than willing to provide information to provide a better understanding. Please let us know how we may address your questions. We look forward to working with you as we transition into this revised rate.

Respectfully,



Earl Coffey  
City Engineer

"This institution is an equal opportunity provider and employer."

**"The City of Firsts"**

First Courthouse in Kentucky - 1785  
First U.S. Post Office in the West - 1792  
First Successful Ovariectomy in the World - 1809

First Capitol of Kentucky District - 1785  
First Political Club in the West - 1786  
First Constitutional Convention in the West - 1792

First College in the West - 1783  
First Law School in the West - 1799  
First State Supported School for Deaf - 1823



ORDINANCE NO. 1823

AN ORDINANCE AMENDING CDO SECTION 18-79(2) PERTAINING TO WATERWORKS AND MONTHLY WATER RATES FOR WHOLESALE CONSUMERS.

WHEREAS, the Board of Commissioners authorized a water rate study conducted by Salt River Engineering; and

WHEREAS, said study was based on American Water Works Association (AWWA) guidelines and principles; and

WHEREAS, the Board of Commissioners deems it necessary and appropriate to make certain adjustments to the water rates for its wholesale consumers based on the reasonable mathematical conclusions drawn from said study and the cost of service method of calculation;

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF COMMISSIONERS OF THE CITY OF DANVILLE, KENTUCKY, as follows:

SECTION ONE:

Section (2) of §18-79 of the City of Danville Code of Ordinances is hereby amended to read as follows:

(2) *Monthly water rates for wholesale consumers:*

(a) Garrard County Water Association shall pay a flat rate of \$2.41 per 1,000 gallons consumed, which is the equivalent of \$1.80 per cubic foot consumed;

(b) Hustonville shall pay a flat rate of \$2.47 per 1,000 gallons consumed, which is the equivalent of \$1.85 per cubic foot consumed;

(c) Lake Village Water Association shall pay a flat rate of \$2.41 per 1,000 gallons consumed, which is the equivalent of \$1.80 per cubic foot consumed;

(d) Parksville shall pay a flat rate of \$2.68 per 1,000 gallons consumed, which is the equivalent of \$2.00 per cubic foot consumed; and

(e) For all other wholesale consumers, the usage rates shall be 2.41 per 1,000 gallons consumed, which is the equivalent of \$1.80 per cubic foot consumed. The minimum monthly rate is \$448.00.

SECTION TWO: Section 18-82 of the City of Danville Code of Ordinances is hereby amended to read as follows:

(a) There is hereby imposed a nonresident surcharge of one hundred twenty (120) percent to be added to the total water bill, but less taxes, off all residential and commercial consumers outside the city limits purchasing water from the city filtered at the city waterworks. ~~There is hereby imposed a nonresidential surcharge of twenty (20) percent to be added to the total water bill, but less taxes, of all wholesale consumers outside the city limits purchasing water from the city filtered at the city waterworks.~~

(b) There is hereby imposed a nonresident surcharge upon all industrial customers outside the city limits purchasing water from the city filtered at the city water works, which surcharge shall be equivalent to one hundred twenty (120) percent to be added to the total water bill, but less taxes.



SECTION THREE: This ordinance is effective as of September 1, 2014, or as soon thereafter as each wholesale water purchase contract will allow and is practicable.

SECTION FOUR: If any section, subsection, paragraph, sentence, clause, phrase, or portion of this Ordinance is declared illegal or unconstitutional or otherwise invalid, such declaration shall not affect the remaining portions hereof.

GIVEN FIRST READING AND PASSED \_\_\_\_\_.

GIVEN SECOND READING AND PASSED \_\_\_\_\_.

PUBLISHED IN THE ADVOCATE-MESSENGER \_\_\_\_\_.

APPROVED:

\_\_\_\_\_  
BERNIE HUNSTAD, MAYOR

ATTEST:

\_\_\_\_\_  
DONNA PEEK, CITY CLERK

W:\Common File\City of Danville\Ordinances (2014)\Water - Wholesale Consumer Rates Ordinance Amendment-2014.doc

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is made and entered into this 23<sup>rd</sup> day of JULY, 1999, by and between the City of Danville, Kentucky, a municipal corporation of the third class, sometimes hereinafter referred to as "Seller", and Garrard County Water Association, Inc., hereinafter referred to as "Purchaser";

W I T N E S S E T H

WHEREAS, the Seller owns and operates a water supply distribution system and desires to sell water to the Purchaser; and

WHEREAS, the Purchaser desires to purchase water from the Seller, and

WHEREAS, resolutions have been duly enacted by each of the governing bodies of the respective parties hereto, which resolutions approved the terms and provisions of this agreement and do further authorize the respective representatives of each party to execute this agreement.

NOW, THEREFORE, in consideration of the foregoing and in further consideration of the mutual promises and agreements contained herein, the parties hereby do now agree to the following terms and conditions:

1. The term of this contract shall be for a period of 45 years, commencing on or before the first day of October, 1999, and ending on the first day of October, 2044.



2. The Seller agrees to furnish the Purchaser at the point of delivery specified and set forth on Addendum a (attached hereto and incorporated by reference) during the term of this contract treated water suitable for human consumption and meeting applicable purity and safety standards, in a quantity not to exceed 300,000 gallons per day, 9,000,000 gallons per month. The Purchaser specifically agrees and covenants to purchase from Seller during the term set forth above and not exceeding the limits set forth above, unless a written agreement is had to the contrary.

3. The water to be sold hereunder will be furnished at a point set forth in the attached addendum. If a greater pressure than that normally available at the point of delivery is required by the Purchaser, the costs and means of providing such greater pressure shall be the responsibility of the Purchaser. It shall be the expense and the responsibility of the Purchaser to (a) construct and maintain any line or lines beyond the point of delivery, (b) purchase and install a water meter and necessary appurtenant facilities consistent with the specifications directed by the Seller's City Engineer, and (c) provide the hook-up or connection at the point of delivery, but subject to the supervision and the approval of the Seller's City Engineer.

4. The water purchased and sold under this agreement shall be delivered by Seller at the above-stated point of delivery and shall pass through and be measured by a meter capable and sufficient to measure the quantity of water so delivered. It shall



be the expense and responsibility of the Purchaser to furnish, install, and maintain the necessary metering equipment, the same to be determined by the Seller's City Engineer, and any required devices of standard types for property measuring the quantity of water delivered to the Purchaser and the responsibility of the Seller to calibrate and test for accuracy such metering equipment annually, or at such other times that are reasonably requested by either party. A meter registering not more than 2% above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by tests to be inaccurate shall be corrected for the six (6) months previous to such tests in accordance with the percentage of inaccuracy found by such tests.

If any meter fails to register for any period, the amount of water delivered in the corresponding period immediately prior to the failure shall be considered the amount consumed, unless the Seller and Purchaser shall agree upon a different amount. The metering equipment shall be read on a regular basis, but not less than once every month. An appropriate official or representative of the Purchaser shall at all reasonable times have access to the meter for the purpose of verifying its readings.

5. The Purchaser agrees to pay to Seller for water delivered in accordance with the following rate schedule based on monthly consumption:

Quantity (Cu Ft)	Rate (\$/100 Cu Ft)
---------------------	------------------------



First	20,000 cu ft	\$1.68
Next	80,000 cu ft	\$1.44
Next	100,000 cu ft	\$1.20
Next	300,000 cu ft	\$1.06
All over	500,000 cu ft	\$0.86

6. In addition to the foregoing schedule of rates, the Purchaser shall further pay to Seller a surcharge of twenty percent (20%) to be added to the total water bill (not including any applicable taxes or fees).

HOWEVER, the parties understand and agree that if at any time during the term of this agreement the rate charged to other wholesale consumers, including other municipalities, independent water districts, or privately owned water companies, are modified, either increased or decreased, the rate of charge to the Purchaser shall automatically be modified to confirm to such rates; similarly, it is agreed and understood that in the event the amount of the surcharge which is charged to all wholesale customers outside the city limits of Seller, is modified, then the rate of surcharge unto Purchaser shall automatically be modified to conform with such surcharge rate. It is understood and agreed by the parties that modification of the water purchase rate and the surcharge thereon shall be at the discretion of the Seller, City of Danville. The City of Danville shall be required to give a written five (5) month advance notice of any rate increase and comply with any applicable Public Service Commission rulings.

7. The Purchaser shall not consume more than the monthly limit without written permission from the Seller except in the case



of an emergency. If an emergency so arises, it shall be the duty of the Purchaser to immediately notify the Seller by telephone of such said emergency and its expected duration and then to follow-up the said telephonic notice with written notice within 24 hours served by certified mail, return receipt requested and that this exception does not apply if the reason for the emergency is due to drought or otherwise lack of rain.

8. Payment for such water delivered shall be made promptly and in accordance with the regular billing policy of the Seller, which shall from time to time, be in effect. The Seller shall furnish Purchaser with an itemized statement of the amount of water furnished the Purchaser during the proceeding period for which the meter was read.

9. The Seller will at all times operate and maintain its system to the point of delivery to Purchaser in a state of reasonable repair and will take such reasonable action as may be necessary to furnish the Purchaser with the quantities of water heretofore set forth. Temporary or partial failure 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's consumers shall be reduced or diminished in the same ratio or proportion as the supply to Seller's other customers located outside its corporate limits is reduced or diminished. Seller will afford priority to customers



within the City of Danville. The obligation of the Seller to supply water is limited, however, by the understanding that while the Seller shall use reasonable care and diligence in the operation and maintenance of its existing system to prevent and avoid interruptions or fluctuations in supply, that nevertheless the Seller does not guarantee that such interruptions and fluctuations will not occur. The parties agree that the Seller shall not be liable for the curtailment of supply due to emergencies, breaks, leaks, defects, necessary repairs, fires, strikes, acts of God, or other causes of unusual demand upon its system. Further, in the event of fire, storm, war, acts of God, or other emergencies, the Seller's City Manager may, without liability attaching to the Seller, and without notice, reduce or temporarily discontinue such water supply. In the event the Seller's City Manager shall be absent from the City of Danville, or be for any reason incapacitated, his power to order reduction or cessation of supply shall vest in the City of Danville's Fire Chief, or if he shall be absent or incapacitated, then in the Seller's City Engineer. In either event, the official determination of emergency shall permit such reduction or cessation during the emergency without liability unto the Seller, but with the understanding that same shall be rectified as quickly as is reasonably possible.

10. It is contemplated and understood that the water sold hereunder is for the purpose of providing for the needs of consumers located within the jurisdiction of the Purchaser. It is



agreed and understood the Purchaser shall not circumvent the intention of this contract by the selling of such water, or any portion thereof, unto other municipalities, water districts, or such other entities providing water to consumers not located within the jurisdiction of the Purchaser herein, without the express written consent of the City of Danville.

11. Should major industrial consumer of water desire to located within the area served by the Purchaser, the Purchaser shall not supply water unto said major industrial consumer of water without the express written consent and approval of the City of Danville, which consent and approval shall not be unreasonably withheld. A major industrial consumer of water is defined as one using more than 500,000 gallons of water per month.

12. The parties acknowledge that Seller obtains its raw water from Herrington Lake pursuant to an agreement with Kentucky Utilities Company dated April 14, 1970, under which Agreement the sale of water to the Purchaser herein may be subject to the approval or disapproval of said Kentucky Utilities Company. In the event Kentucky Utilities Company fails to grant approval, or in the event Kentucky Utilities Company grants approval but subsequently revokes such approval, or in the event the Kentucky Utility Company undertakes any action to prohibit or limit the sale of water specifically to the Purchaser herein or to the City of Danville, the City of Danville shall have only a good faith duty to negotiate the matter with Kentucky Utilities Company, but shall not be held

liable for any cessation or reduction in the amount of water provided to the Purchaser herein which results directly from such action by Kentucky Utilities Company.

13. By execution of this contract, the undersigned parties do hereby acknowledge that all prior contracts or agreements between these parties relative to the sale and purchase of water are hereby rescinded and of no further force and effect.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized representatives, have executed this agreement effective the date first above written.

SELLER  
CITY OF DANVILLE, KENTUCKY

BY: Alex W. Stevens  
MAYOR

ATTEST:

Cindi Woolcum  
CITY CLERK

PURCHASER  
THE GARRARD COUNTY WATER ASSOC., INC.

BY: Mark C. Clark  
PRESIDENT

ATTEST:

Robert W. Eads  
SECRETARY



## ADDENDUM A

Following is a description of the expected connection to the City of Danville system, by Garrard County Water Association.

1). The point of connection will be made to the existing 12-inch water main currently located on the City of Danville property on Gun Range Road, this point of connection being just south of an existing meter vault where there will be installed appropriate equipment to check flows in the main to determine if leaks may exist under the lake.

2). The Purchaser will be responsible for construction of the water mains including those under the lake as well as work necessary for connections and metering. The Purchaser will also be responsible for any repair work to said equipment and water mains.

The Purchaser will not be responsible for leaks in unmetered portions of the mains provided repairs are made in a timely manner.

3). The meter to measure water to the Purchaser shall be located on the East Side of the lake on the northwest corner of the Jim Bryant property near the end of Bryant's Camp Road and accessible without interference of private property.

# METCALF & METCALF

ATTORNEYS AT LAW

CAYWOOD METCALF  
1957  
MARK H. METCALF  
1986

214 STANFORD STREET  
LANCASTER, KENTUCKY 40444

859-792-6056

859-792-6679

RECEIVED

OCT - 3 2014

PUBLIC SERVICE  
COMMISSION

October 1, 2014

Public Service Commission  
211 Sower Boulevard  
P O Box 615  
Frankfort KY 40602-0615

Dear Sir:

RE Proposed Wholesale Water Rate Increase From City of Danville


By this letter, I hereby enter an appearance on behalf of Garrard County Water Association, Inc., in reference to an appearance made by it on September 3, 2014. The letter begins as follows:

"Please accept this letter as the Associations formal opposition to the proposed wholesale rate increase from the City of Danville. This proposed increase is a direct result of the construction of a new water treatment facility in Danville. The Association's primary complaint involves the timing of the proposed rate increase."

The Garrard County Water Association, Inc., is a client of long-standing, and said association has been operating under Paul Reynolds, a most capable person who filed a letter (complaint) in good faith and in hope he could save it expenses in hiring an attorney. He did not realize KAR directs that an attorney must do the filing of complaint.

Now under 807 KAR 5:001, Section 20, this attorney does hereby enter his appearance on its behalf. He also, by this notification, desires he be advised of all recordings pertaining to this matter.

Respectfully submitted,

  
CAYWOOD METCALF

CM/pp

Email: metcalf11@windstream.net



RECEIVED

OCT 16 2014

PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

GARRARD COUNTY WATER ASSOCIATION INC. )  
 )  
vs ) Case No. 2014-\_\_\_\_\_  
 )  
 )  
CITY OF DANVILLE )

COMPLAINT

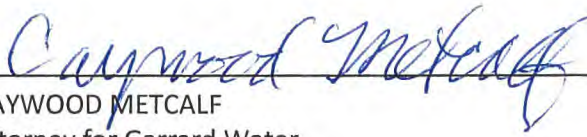
Garrard County Water Association, Inc , by counsel, files this complaint against the city of Danville for the purpose of protesting the proposed city's increase of its wholesale water rate and the beginning date of the collection thereof.

1. Garrard County Water Association, Inc., hereinafter referred to as Garrard Water, is a statutorily created water association operating pursuant to KRS Chapter 74, with an address of PO Box 670, 315 Lexington Road, Lancaster, Kentucky 40444; same is regulated by the Public Service Commission.
2. Danville is a city of the third class located in Boyle County and it owns and operates a water treatment and distribution system that provides wholesale water service to Parksville, Garrard County, Lake Village and Hustonville. Its address is PO Box 670, Danville, Kentucky 40423.
3. Garrard Water purchases water at wholesale from the city of Danville. A copy of the water purchase contract and amendments thereto are attached as Exhibit 1.
4. The City of Danville has now informed Garrard Water there will be an increase in the water rate effective September 1, 2014; same violates the Water Purchase Agreement between the Parties.
5. The Water Agreement provides a five month notice must be given.
6. The City, in enacting the ordinance, copy attached, pertaining to water rates and the Water Purchase Agreement, when reviewed together directs the increase should not take effect to about February 1, 2016.
7. The proposed increase, if beginning on September 1, 2014, would increase the cost of water to Garrard Water approximately \$75,000.00.
8. The proposed increase is void as proper notice and procedure were not followed in the adoption of said increase. Reference 807 KAR 5:011(8) (2), 807 KAR 5:011 (6) (3), KRS 278.190.

9. Complainant was not provided a copy of the complete cost study prepared by the City of Danville and believes the proposed increase is not reasonable.

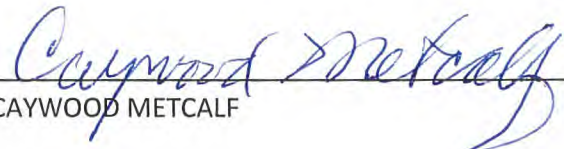
WHEREFORE, Garrard Water demands:

1. The proposed increase be denied; and
2. In the alternative, if not denied, the increase be denied until water is produced from the new completed treatment facility.

  
CAYWOOD METCALF  
Attorney for Garrard Water  
214 Stanford Street  
Lancaster, Kentucky 40444  
(859) 792-6679

**CERTIFICATE OF SERVICE**

Service of the foregoing Complaint had this 15<sup>th</sup> day of October, 2014, by mailing the original to Public Service Commission, 211 Sower Blvd., Frankfort, Kentucky 40602; and a true and correct copy thereof to Hon. Jeffrey W. Jones, 1000 E. Lexington Avenue #3, Danville, Kentucky 40422.

  
CAYWOOD METCALF

September 3, 2014

Mr. Jeff Derouen, Executive Director  
Public Service Commission  
211 Sower Blvd.  
Frankfort, KY 40602

RE: Proposed Wholesale Water Rate Increase From City of Danville

Dear Mr. Derouen,

Please accept this letter as the Association's formal opposition to the proposed wholesale rate increase from the City of Danville. This proposed increase is a direct result of the construction of a new water treatment facility in Danville. The Association's primary complaint involves the timing of the proposed rate increase. After conversations with the City of Danville it appears that they will not be closing on the associated Rural Development loans for this construction project until the early part of 2016. It is the Association's belief that a wholesale customer should not realize the increased rate until such time as the City of Danville closes out the loans associated with this project and is producing water from the new, completed treatment facility. This proposed wholesale rate increase will result in an increase of approximately \$75,000 per year to the Association's members. This \$75,000 would be paid for at least one year prior to ever receiving the product in which the members are to receive.

In a letter dated August 20, 2014, the City of Danville provided the Association with notice of the proposed rate increase. As stated in the letter, the City of Danville proposes this rate increase to take effect on September 1, 2014. The Association, however, has stated in its Water Purchase Agreement that any proposed rate increase must provide five (5) months written notice. In the ordinance adopted by the Danville City Commission this provision in the original Water Purchase Agreement has been considered. Thus, when reviewing the letter proposing the rate increase and the ordinance, the Association's rate increase should occur on or around February 1, 2015. A copy of the letter sent by the City of Danville, the Garrard County Water Association Water Purchase Agreement and the ordinance adopted by the Danville City Commission have been included with this letter.



We ask for the Commission's consideration in this matter and should we be able to provide further information please advise.

Sincerely,

Paul Reynolds, President  
Garrard County Water Association

Enclosures

# Exhibit 1

## WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is made and entered into this 23rd day of July, 1999, by and between the City of Danville, Kentucky, a municipal corporation of the third class, sometimes hereinafter referred to as "Seller", and Garrard County Water Association, Inc., hereinafter referred to as "Purchaser";

### W I T N E S S E T H

WHEREAS, the Seller owns and operates a water supply distribution system and desires to sell water to the Purchaser; and

WHEREAS, the Purchaser desires to purchase water from the Seller, and

WHEREAS, resolutions have been duly enacted by each of the governing bodies of the respective parties hereto, which resolutions approved the terms and provisions of this agreement and do further authorize the respective representatives of each party to execute this agreement.

NOW, THEREFORE, in consideration of the foregoing and in further consideration of the mutual promises and agreements contained herein, the parties hereby do now agree to the following terms and conditions:

1. The term of this contract shall be for a period of 45 years, commencing on or before the first day of October, 1999, and ending on the first day of October, 2044.

2. The Seller agrees to furnish the Purchaser at the point of delivery specified and set forth on Addendum a (attached hereto and incorporated by reference) during the term of this contract treated water suitable for human consumption and meeting applicable purity and safety standards, in a quantity not to exceed 300,000 gallons per day, 9,000,000 gallons per month. The Purchaser specifically agrees and covenants to purchase from Seller during the term set forth above and not exceeding the limits set forth above, unless a written agreement is had to the contrary.

3. The water to be sold hereunder will be furnished at a point set forth in the attached addendum. If a greater pressure than that normally available at the point of delivery is required by the Purchaser, the costs and means of providing such greater pressure shall be the responsibility of the Purchaser. It shall be the expense and the responsibility of the Purchaser to (a) construct and maintain any line or lines beyond the point of delivery, (b) purchase and install a water meter and necessary appurtenant facilities consistent with the specifications directed by the Seller's City Engineer, and (c) provide the hook-up or connection at the point of delivery, but subject to the supervision and the approval of the Seller's City Engineer.

4. The water purchased and sold under this agreement shall be delivered by Seller at the above-stated point of delivery and shall pass through and be measured by a meter capable and sufficient to measure the quantity of water so delivered. It shall

be the expense and responsibility of the Purchaser to furnish, install, and maintain the necessary metering equipment, the same to be determined by the Seller's City Engineer, and any required devices of standard types for property measuring the quantity of water delivered to the Purchaser and the responsibility of the Seller to calibrate and test for accuracy such metering equipment annually, or at such other times that are reasonably requested by either party. A meter registering not more than 2% above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by tests to be inaccurate shall be corrected for the six (6) months previous to such tests in accordance with the percentage of inaccuracy found by such tests.

If any meter fails to register for any period, the amount of water delivered in the corresponding period immediately prior to the failure shall be considered the amount consumed, unless the Seller and Purchaser shall agree upon a different amount. The metering equipment shall be read on a regular basis, but not less than once every month. An appropriate official or representative of the Purchaser shall at all reasonable times have access to the meter for the purpose of verifying its readings.

5. The Purchaser agrees to pay to Seller for water delivered in accordance with the following rate schedule based on monthly consumption:

Quantity (Cu Ft)	Rate (\$/100 Cu Ft)
---------------------	------------------------

First	20,000 cu ft	\$1.68
Next	80,000 cu ft	\$1.44
Next	100,000 cu ft	\$1.20
Next	300,000 cu ft	\$1.06
All over	500,000 cu ft	\$0.86

6. In addition to the foregoing schedule of rates, the Purchaser shall further pay to Seller a surcharge of twenty percent (20%) to be added to the total water bill (not including any applicable taxes or fees).

HOWEVER, the parties understand and agree that if at any time during the term of this agreement the rate charged to other wholesale consumers, including other municipalities, independent water districts, or privately owned water companies, are modified, either increased or decreased, the rate of charge to the Purchaser shall automatically be modified to confirm to such rates; similarly, it is agreed and understood that in the event the amount of the surcharge which is charged to all wholesale customers outside the city limits of Seller, is modified, then the rate of surcharge unto Purchaser shall automatically be modified to conform with such surcharge rate. It is understood and agreed by the parties that modification of the water purchase rate and the surcharge thereon shall be at the discretion of the Seller, City of Danville. The City of Danville shall be required to give a written five (5) month advance notice of any rate increase and comply with any applicable Public Service Commission rulings.

7. The Purchaser shall not consume more than the monthly limit without written permission from the Seller except in the case

of an emergency. If an emergency so arises, it shall be the duty of the Purchaser to immediately notify the Seller by telephone of such said emergency and its expected duration and then to follow-up the said telephonic notice with written notice within 24 hours served by certified mail, return receipt requested and that this exception does not apply if the reason for the emergency is due to drought or otherwise lack of rain.

8. Payment for such water delivered shall be made promptly and in accordance with the regular billing policy of the Seller, which shall from time to time, be in effect. The Seller shall furnish Purchaser with an itemized statement of the amount of water furnished the Purchaser during the proceeding period for which the meter was read.

9. The Seller will at all times operate and maintain its system to the point of delivery to Purchaser in a state of reasonable repair and will take such reasonable action as may be necessary to furnish the Purchaser with the quantities of water heretofore set forth. Temporary or partial failure 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's consumers shall be reduced or diminished in the same ratio or proportion as the supply to Seller's other customers located outside its corporate limits is reduced or diminished. Seller will afford priority to customers



within the City of Danville. The obligation of the Seller to supply water is limited, however, by the understanding that while the Seller shall use reasonable care and diligence in the operation and maintenance of its existing system to prevent and avoid interruptions or fluctuations in supply, that nevertheless the Seller does not guarantee that such interruptions and fluctuations will not occur. The parties agree that the Seller shall not be liable for the curtailment of supply due to emergencies, breaks, leaks, defects, necessary repairs, fires, strikes, acts of God, or other causes of unusual demand upon its system. Further, in the event of fire, storm, war, acts of God, or other emergencies, the Seller's City Manager may, without liability attaching to the Seller, and without notice, reduce or temporarily discontinue such water supply. In the event the Seller's City Manager shall be absent from the City of Danville, or be for any reason incapacitated, his power to order reduction or cessation of supply shall vest in the City of Danville's Fire Chief, or if he shall be absent or incapacitated, then in the Seller's City Engineer. In either event, the official determination of emergency shall permit such reduction or cessation during the emergency without liability unto the Seller, but with the understanding that same shall be rectified as quickly as is reasonably possible.

10. It is contemplated and understood that the water sold hereunder is for the purpose of providing for the needs of consumers located within the jurisdiction of the Purchaser. It is

agreed and understood the Purchaser shall not circumvent the intention of this contract by the selling of such water, or any portion thereof, unto other municipalities, water districts, or such other entities providing water to consumers not located within the jurisdiction of the Purchaser herein, without the express written consent of the City of Danville.

11. Should major industrial consumer of water desire to located within the area served by the Purchaser, the Purchaser shall not supply water unto said major industrial consumer of water without the express written consent and approval of the City of Danville, which consent and approval shall not be unreasonably withheld. A major industrial consumer of water is defined as one using more than 500,000 gallons of water per month.

12. The parties acknowledge that Seller obtains its raw water from Herrington Lake pursuant to an agreement with Kentucky Utilities Company dated April 14, 1970, under which Agreement the sale of water to the Purchaser herein may be subject to the approval or disapproval of said Kentucky Utilities Company. In the event Kentucky Utilities Company fails to grant approval, or in the event Kentucky Utilities Company grants approval but subsequently revokes such approval, or in the event the Kentucky Utility Company undertakes any action to prohibit or limit the sale of water specifically to the Purchaser herein or to the City of Danville, the City of Danville shall have only a good faith duty to negotiate the matter with Kentucky Utilities Company, but shall not be held



liable for any cessation or reduction in the amount of water provided to the Purchaser herein which results directly from such action by Kentucky Utilities Company.

13. By execution of this contract, the undersigned parties do hereby acknowledge that all prior contracts or agreements between these parties relative to the sale and purchase of water are hereby rescinded and of no further force and effect.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized representatives, have executed this agreement effective the date first above written.

SELLER  
CITY OF DANVILLE, KENTUCKY

BY: Alex W. Stevens  
MAYOR

ATTEST:  
Cindi Woolum  
CITY CLERK

PURCHASER  
THE GARRARD COUNTY WATER ASSOC., INC.

BY: [Signature]  
PRESIDENT

ATTEST:  
[Signature]  
SECRETARY

## ADDENDUM A

Following is a description of the expected connection to the City of Danville system, by Garrard County Water Association.

1). The point of connection will be made to the existing 12-inch water main currently located on the City of Danville property on Gun Range Road, this point of connection being just south of an existing meter vault where there will be installed appropriate equipment to check flows in the main to determine if leaks may exist under the lake.

2). The Purchaser will be responsible for construction of the water mains including those under the lake as well as work necessary for connections and metering. The Purchaser will also be responsible for any repair work to said equipment and water mains. The Purchaser will not be responsible for leaks in unmetered portions of the mains provided repairs are made in a timely manner.

3). The meter to measure water to the Purchaser shall be located on the East Side of the lake on the northwest corner of the Jim Bryant property near the end of Bryant's Camp Road and accessible without interference of private property.

RESOLUTION NO. 2011-02-14-\_\_\_\_\_

Be it resolved by the Board of Commissioners of the City of Danville, Kentucky, that the Mayor or Mayor Pro Tem and the City Clerk are hereby authorized to execute the Second Amended Water Purchase Contract between the City of Danville, Kentucky and Garrard County Water Association, Inc.

This the \_\_\_\_\_ day of February, 2011.

\_\_\_\_\_  
BERNIE HUNSTAD, MAYOR  
CITY OF DANVILLE, KENTUCKY

ATTEST:

\_\_\_\_\_  
DONNA PEEK, CITY CLERK  
CITY OF DANVILLE, KENTUCKY

## SECOND AMENDED WATER PURCHASE CONTRACT

This Second Amended Water Purchase Contract (hereinafter, "Agreement") is made and entered into this \_\_\_\_\_ day of February, 2011, by and between the City of Danville, Kentucky, a municipal corporation of the third class, 445 West Main Street, Danville, Kentucky 40422, (hereinafter, "Seller"), and Garrard County Water Association, Inc., 315 Lexington Road, P.O. Box 670, Lancaster, Kentucky 40444 (hereinafter, "Purchaser");

WHEREAS, the parties hereto executed a Water Purchase Contract effective July 23, 1999;

WHEREAS, as a result of a proceeding before the Public Service Commission of Kentucky styled Case No. 2008-00176, the parties entered into a Settlement Agreement which became effective on August 17, 2010, upon its filing with the Kentucky Public Service Commission pursuant to 807 KAR 5:011 §9(1), which Settlement Agreement by its terms operated as an addendum to the original contract between the parties dated July 23, 1999;

WHEREAS, the parties wish to further amend the agreement between them to increase the daily and monthly quantity limitations on the water to be purchased by Purchaser from Seller;

WHEREAS, the Board of Commissioners of the City of Danville has approved this Agreement in Resolution No. 2011-02-14-\_\_\_\_\_ and the Purchaser has approved this Agreement in Resolution No. \_\_\_\_\_;

NOW, THEREFORE, for a mutual and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties do hereby agree as follows:

1. Numerical paragraph 2 of the Water Purchase Contract dated July 23, 1999, is amended and restated in its entirety to read as follows:

“The Seller agrees to furnish the Purchaser at the point of delivery specified and set forth on Addendum A of the Water Purchase Contract dated July 23, 1999, during the term of this contract treated water suitable for human consumption and meeting applicable purity and safety standards, in a quantity not to exceed <sup>750,000</sup>450,000 gallons per day/<sup>22,500,000</sup>13,500,000 gallons per month. The Purchaser specifically agrees and covenants to purchase from Seller during the term set forth above and not exceeding the limits set forth above, unless a written agreement is had to the contrary.”

2. The Purchaser has reviewed its records regarding past purchases of water from the Seller and hereby acknowledges that as of January 1, 2011, the Seller is in full compliance with its contractual obligations under the Water Purchase Contract between the parties dated July 23, 1999, and the Settlement Agreement filed with the Kentucky Public Service Commission effective August 17, 2010.

3. Except as amended herein, all the terms and conditions of the Water Purchase Contract between the parties dated July 23, 1999, and the Settlement Agreement filed with the Kentucky Public Service Commission effective August 17, 2010, remain in full force and affect and are incorporated herein by reference.

4. The parties' obligations under this Agreement are specifically contingent upon the approval of this Agreement by the Kentucky Public Service Commission and the filing of the Agreement with the Tariff Branch of the Public Service Commission.

CITY OF DANVILLE, KENTUCKY,  
SELLER

BY: \_\_\_\_\_  
BERNIE HUNSTAD, MAYOR

ATTEST:

\_\_\_\_\_  
DONNA PEEK, CITY CLERK

THE GARRARD COUNTY WATER ASSOCIATION, INC.,  
PURCHASER

BY: \_\_\_\_\_  
PAUL B. REYNOLDS, PRESIDENT

ATTEST:

\_\_\_\_\_  
JENNY LYNN WHITTAKER, SECRETARY

W:\Common File\City of Danville\Water Purchase Contracts (2011)\Garrard County Water Second Amended Water Purchase Contract-02-11.doc

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

GARRARD COUNTY WATER ASSOCIATION, INC.	)	
	)	
COMPLAINANT	)	
V.	)	CASE NO.
		2014-00361
CITY OF DANVILLE	)	
	)	
DEFENDANT	)	

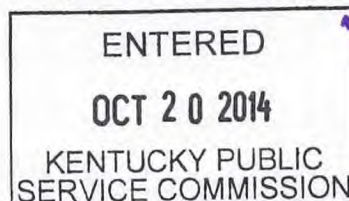
ORDER

The city of Danville ("Danville") is hereby notified that it has been named as a defendant in a formal complaint filed on October 16, 2014, a copy of which is attached hereto.

Pursuant to 807 KAR 5:001, Section 20, Danville is HEREBY ORDERED to satisfy the matters complained of or file a written answer to the complaint within ten days of the date of service of this Order.

Should documents of any kind be filed with the Commission in the course of this proceeding, the documents shall also be served on all parties of record.

By the Commission



ATTEST:

  
\_\_\_\_\_  
Executive Director



RECEIVED

OCT 16 2014

PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

GARRARD COUNTY WATER ASSOCIATION INC. )

vs )

CITY OF DANVILLE )

Case No. 2014-\_\_\_\_\_

COMPLAINT

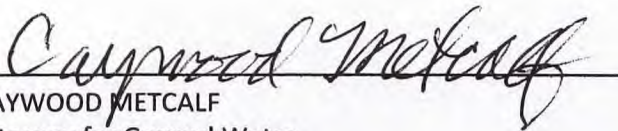
Garrard County Water Association, Inc , by counsel, files this complaint against the city of Danville for the purpose of protesting the proposed city's increase of its wholesale water rate and the beginning date of the collection thereof.

1. Garrard County Water Association, Inc., hereinafter referred to as Garrard Water, is a statutorily created water association operating pursuant to KRS Chapter 74, with an address of PO Box 670, 315 Lexington Road, Lancaster, Kentucky 40444; same is regulated by the Public Service Commission.
2. Danville is a city of the third class located in Boyle County and it owns and operates a water treatment and distribution system that provides wholesale water service to Parksville, Garrard County, Lake Village and Hustonville. Its address is PO Box 670, Danville, Kentucky 40423.
3. Garrard Water purchases water at wholesale from the city of Danville. A copy of the water purchase contract and amendments thereto are attached as Exhibit 1.
4. The City of Danville has now informed Garrard Water there will be an increase in the water rate effective September 1, 2014; same violates the Water Purchase Agreement between the Parties.
5. The Water Agreement provides a five month notice must be given.
6. The City, in enacting the ordinance, copy attached, pertaining to water rates and the Water Purchase Agreement, when reviewed together directs the increase should not take effect to about February 1, 2016.
7. The proposed increase, if beginning on September 1, 2014, would increase the cost of water to Garrard Water approximately \$75,000.00.
8. The proposed increase is void as proper notice and procedure were not followed in the adoption of said increase. Reference 807 KAR 5:011(8) (2), 807 KAR 5:011 (6) (3), KRS 278.190.

9. Complainant was not provided a copy of the complete cost study prepared by the City of Danville and believes the proposed increase is not reasonable.

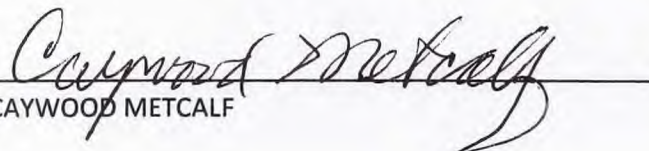
WHEREFORE, Garrard Water demands:

1. The proposed increase be denied; and
2. In the alternative, if not denied, the increase be denied until water is produced from the new completed treatment facility.

  
CAYWOOD METCALF  
Attorney for Garrard Water  
214 Stanford Street  
Lancaster, Kentucky 40444  
(859) 792-6679

**CERTIFICATE OF SERVICE**

Service of the foregoing Complaint had this 15<sup>th</sup> day of October, 2014, by mailing the original to Public Service Commission, 211 Sower Blvd., Frankfort, Kentucky 40602; and a true and correct copy thereof to Hon. Jeffrey W. Jones, 1000 E. Lexington Avenue #3, Danville, Kentucky 40422.

  
CAYWOOD METCALF



September 3, 2014

Mr. Jeff Derouen, Executive Director  
Public Service Commission  
211 Sower Blvd.  
Frankfort, KY 40602

RE: Proposed Wholesale Water Rate Increase From City of Danville

Dear Mr. Derouen,

Please accept this letter as the Association's formal opposition to the proposed wholesale rate increase from the City of Danville. This proposed increase is a direct result of the construction of a new water treatment facility in Danville. The Association's primary complaint involves the timing of the proposed rate increase. After conversations with the City of Danville it appears that they will not be closing on the associated Rural Development loans for this construction project until the early part of 2016. It is the Association's belief that a wholesale customer should not realize the increased rate until such time as the City of Danville closes out the loans associated with this project and is producing water from the new, completed treatment facility. This proposed wholesale rate increase will result in an increase of approximately \$75,000 per year to the Association's members. This \$75,000 would be paid for at least one year prior to ever receiving the product in which the members are to receive.

In a letter dated August 20, 2014, the City of Danville provided the Association with notice of the proposed rate increase. As stated in the letter, the City of Danville proposes this rate increase to take effect on September 1, 2014. The Association, however, has stated in its Water Purchase Agreement that any proposed rate increase must provide five (5) months written notice. In the ordinance adopted by the Danville City Commission this provision in the original Water Purchase Agreement has been considered. Thus, when reviewing the letter proposing the rate increase and the ordinance, the Association's rate increase should occur on or around February 1, 2015. A copy of the letter sent by the City of Danville, the Garrard County Water Association Water Purchase Agreement and the ordinance adopted by the Danville City Commission have been included with this letter.

We ask for the Commission's consideration in this matter and should we be able to provide further information please advise.

Sincerely,

Paul Reynolds, President  
Garrard County Water Association

Enclosures

## WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is made and entered into this 23rd day of July, 1999, by and between the City of Danville, Kentucky, a municipal corporation of the third class, sometimes hereinafter referred to as "Seller", and Garrard County Water Association, Inc., hereinafter referred to as "Purchaser";

### W I T N E S S E T H

WHEREAS, the Seller owns and operates a water supply distribution system and desires to sell water to the Purchaser; and

WHEREAS, the Purchaser desires to purchase water from the Seller, and

WHEREAS, resolutions have been duly enacted by each of the governing bodies of the respective parties hereto, which resolutions approved the terms and provisions of this agreement and do further authorize the respective representatives of each party to execute this agreement.

NOW, THEREFORE, in consideration of the foregoing and in further consideration of the mutual promises and agreements contained herein, the parties hereby do now agree to the following terms and conditions:

1. The term of this contract shall be for a period of 45 years, commencing on or before the first day of October, 1999, and ending on the first day of October, 2044.



2. The Seller agrees to furnish the Purchaser at the point of delivery specified and set forth on Addendum a (attached hereto and incorporated by reference) during the term of this contract treated water suitable for human consumption and meeting applicable purity and safety standards, in a quantity not to exceed 300,000 gallons per day, 9,000,000 gallons per month. The Purchaser specifically agrees and covenants to purchase from Seller during the term set forth above and not exceeding the limits set forth above, unless a written agreement is had to the contrary.

3. The water, to be sold hereunder will be furnished at a point set forth in the attached addendum. If a greater pressure than that normally available at the point of delivery is required by the Purchaser, the costs and means of providing such greater pressure shall be the responsibility of the Purchaser. It shall be the expense and the responsibility of the Purchaser to (a) construct and maintain any line or lines beyond the point of delivery, (b) purchase and install a water meter and necessary appurtenant facilities consistent with the specifications directed by the Seller's City Engineer, and (c) provide the hook-up or connection at the point of delivery, but subject to the supervision and the approval of the Seller's City Engineer.

4. The water purchased and sold under this agreement shall be delivered by Seller at the above-stated point of delivery and shall pass through and be measured by a meter capable and sufficient to measure the quantity of water so delivered. It shall

be the expense and responsibility of the Purchaser to furnish, install, and maintain the necessary metering equipment, the same to be determined by the Seller's City Engineer, and any required devices of standard types for property measuring the quantity of water delivered to the Purchaser and the responsibility of the Seller to calibrate and test for accuracy such metering equipment annually, or at such other times that are reasonably requested by either party. A meter registering not more than 2% above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by tests to be inaccurate shall be corrected for the six (6) months previous to such tests in accordance with the percentage of inaccuracy found by such tests.

If any meter fails to register for any period, the amount of water delivered in the corresponding period immediately prior to the failure shall be considered the amount consumed, unless the Seller and Purchaser shall agree upon a different amount. The metering equipment shall be read on a regular basis, but not less than once every month. An appropriate official or representative of the Purchaser shall at all reasonable times have access to the meter for the purpose of verifying its readings.

5. The Purchaser agrees to pay to Seller for water delivered in accordance with the following rate schedule based on monthly consumption:

Quantity (Cu Ft)	Rate (\$/100 Cu Ft)
---------------------	------------------------



First	20,000 cu ft	\$1.68
Next	80,000 cu ft	\$1.44
Next	100,000 cu ft	\$1.20
Next	300,000 cu ft	\$1.06
All over	500,000 cu ft	\$0.86

6. In addition to the foregoing schedule of rates, the Purchaser shall further pay to Seller a surcharge of twenty percent (20%) to be added to the total water bill (not including any applicable taxes or fees).

HOWEVER, the parties understand and agree that if at any time during the term of this agreement the rate charged to other wholesale consumers, including other municipalities, independent water districts, or privately owned water companies, are modified, either increased or decreased, the rate of charge to the Purchaser shall automatically be modified to confirm to such rates; similarly, it is agreed and understood that in the event the amount of the surcharge which is charged to all wholesale customers outside the city limits of Seller, is modified, then the rate of surcharge unto Purchaser shall automatically be modified to conform with such surcharge rate. It is understood and agreed by the parties that modification of the water purchase rate and the surcharge thereon shall be at the discretion of the Seller, City of Danville. The City of Danville shall be required to give a written five (5) month advance notice of any rate increase and comply with any applicable Public Service Commission rulings.

7. The Purchaser shall not consume more than the monthly limit without written permission from the Seller except in the case



of an emergency. If an emergency so arises, it shall be the duty of the Purchaser to immediately notify the Seller by telephone of such said emergency and its expected duration and then to follow-up the said telephonic notice with written notice within 24 hours served by certified mail, return receipt requested and that this exception does not apply if the reason for the emergency is due to drought or otherwise lack of rain.

8. Payment for such water delivered shall be made promptly and in accordance with the regular billing policy of the Seller, which shall from time to time, be in effect. The Seller shall furnish Purchaser with an itemized statement of the amount of water furnished the Purchaser during the proceeding period for which the meter was read.

9. The Seller will at all times operate and maintain its system to the point of delivery to Purchaser in a state of reasonable repair and will take such reasonable action as may be necessary to furnish the Purchaser with the quantities of water heretofore set forth. Temporary or partial failure 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's consumers shall be reduced or diminished in the same ratio or proportion as the supply to Seller's other customers located outside its corporate limits is reduced or diminished. Seller will afford priority to customers

within the City of Danville. The obligation of the Seller to supply water is limited, however, by the understanding that while the Seller shall use reasonable care and diligence in the operation and maintenance of its existing system to prevent and avoid interruptions or fluctuations in supply, that nevertheless the Seller does not guarantee that such interruptions and fluctuations will not occur. The parties agree that the Seller shall not be liable for the curtailment of supply due to emergencies, breaks, leaks, defects, necessary repairs, fires, strikes, acts of God, or other causes of unusual demand upon its system. Further, in the event of fire, storm, war, acts of God, or other emergencies, the Seller's City Manager may, without liability attaching to the Seller, and without notice, reduce or temporarily discontinue such water supply. In the event the Seller's City Manager shall be absent from the City of Danville, or be for any reason incapacitated, his power to order reduction or cessation of supply shall vest in the City of Danville's Fire Chief, or if he shall be absent or incapacitated, then in the Seller's City Engineer. In either event, the official determination of emergency shall permit such reduction or cessation during the emergency without liability unto the Seller, but with the understanding that same shall be rectified as quickly as is reasonably possible.

10. It is contemplated and understood that the water sold hereunder is for the purpose of providing for the needs of consumers located within the jurisdiction of the Purchaser. It is



agreed and understood the Purchaser shall not circumvent the intention of this contract by the selling of such water, or any portion thereof, unto other municipalities, water districts, or such other entities providing water to consumers not located within the jurisdiction of the Purchaser herein, without the express written consent of the City of Danville.

11. Should major industrial consumer of water desire to located within the area served by the Purchaser, the Purchaser shall not supply water unto said major industrial consumer of water without the express written consent and approval of the City of Danville, which consent and approval shall not be unreasonably withheld. A major industrial consumer of water is defined as one using more than 500,000 gallons of water per month.

12. The parties acknowledge that Seller obtains its raw water from Herrington Lake pursuant to an agreement with Kentucky Utilities Company dated April 14, 1970, under which Agreement the sale of water to the Purchaser herein may be subject to the approval or disapproval of said Kentucky Utilities Company. In the event Kentucky Utilities Company fails to grant approval, or in the event Kentucky Utilities Company grants approval but subsequently revokes such approval, or in the event the Kentucky Utility Company undertakes any action to prohibit or limit the sale of water specifically to the Purchaser herein or to the City of Danville, the City of Danville shall have only a good faith duty to negotiate the matter with Kentucky Utilities Company, but shall not be held

liable for any cessation or reduction in the amount of water provided to the Purchaser herein which results directly from such action by Kentucky Utilities Company.

13. By execution of this contract, the undersigned parties do hereby acknowledge that all prior contracts or agreements between these parties relative to the sale and purchase of water are hereby rescinded and of no further force and effect.

IN TESTIMONY WHEREOF, the parties hereto, by and through their respective authorized representatives, have executed this agreement effective the date first above written.

SELLER  
CITY OF DANVILLE, KENTUCKY

BY: Alex W. Stevens  
MAYOR

ATTEST:

Cindi Woolcum  
CITY CLERK

PURCHASER  
THE GARRARD COUNTY WATER ASSOC., INC.

BY: Mark C. Clark  
PRESIDENT

ATTEST:

Philip W. Eads  
SECRETARY

## ADDENDUM A

Following is a description of the expected connection to the City of Danville system, by Garrard County Water Association.

1). The point of connection will be made to the existing 12-inch water main currently located on the City of Danville property on Gun Range Road, this point of connection being just south of an existing meter vault where there will be installed appropriate equipment to check flows in the main to determine if leaks may exist under the lake.

2). The Purchaser will be responsible for construction of the water mains including those under the lake as well as work necessary for connections and metering. The Purchaser will also be responsible for any repair work to said equipment and water mains. The Purchaser will not be responsible for leaks in unmetered portions of the mains provided repairs are made in a timely manner.

3). The meter to measure water to the Purchaser shall be located on the East Side of the lake on the northwest corner of the Jim Bryant property near the end of Bryant's Camp Road and accessible without interference of private property.



RESOLUTION NO. 2011-02-14-\_\_\_\_\_

Be it resolved by the Board of Commissioners of the City of Danville, Kentucky, that the Mayor or Mayor Pro Tem and the City Clerk are hereby authorized to execute the Second Amended Water Purchase Contract between the City of Danville, Kentucky and Garrard County Water Association, Inc.

This the \_\_\_\_\_ day of February, 2011.

\_\_\_\_\_  
BERNIE HUNSTAD, MAYOR  
CITY OF DANVILLE, KENTUCKY

ATTEST:

\_\_\_\_\_  
DONNA PEEK, CITY CLERK  
CITY OF DANVILLE, KENTUCKY

## SECOND AMENDED WATER PURCHASE CONTRACT

This Second Amended Water Purchase Contract (hereinafter, "Agreement") is made and entered into this \_\_\_\_ day of February, 2011, by and between the City of Danville, Kentucky, a municipal corporation of the third class, 445 West Main Street, Danville, Kentucky 40422, (hereinafter, "Seller"), and Garrard County Water Association, Inc., 315 Lexington Road, P.O. Box 670, Lancaster, Kentucky 40444 (hereinafter, "Purchaser");

WHEREAS, the parties hereto executed a Water Purchase Contract effective July 23, 1999;

WHEREAS, as a result of a proceeding before the Public Service Commission of Kentucky styled Case No. 2008-00176, the parties entered into a Settlement Agreement which became effective on August 17, 2010, upon its filing with the Kentucky Public Service Commission pursuant to 807 KAR 5:011 §9(1), which Settlement Agreement by its terms operated as an addendum to the original contract between the parties dated July 23, 1999;

WHEREAS, the parties wish to further amend the agreement between them to increase the daily and monthly quantity limitations on the water to be purchased by Purchaser from Seller;

WHEREAS, the Board of Commissioners of the City of Danville has approved this Agreement in Resolution No. 2011-02-14-\_\_\_\_\_ and the Purchaser has approved this Agreement in Resolution No. \_\_\_\_\_;

NOW, THEREFORE, for a mutual and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties do hereby agree as follows:

1. Numerical paragraph 2 of the Water Purchase Contract dated July 23, 1999, is amended and restated in its entirety to read as follows:



"The Seller agrees to furnish the Purchaser at the point of delivery specified and set forth on Addendum A of the Water Purchase Contract dated July 23, 1999, during the term of this contract treated water suitable for human consumption and meeting applicable purity and safety standards, in a quantity not to exceed <sup>750,000</sup>~~450,000~~ gallons per day/<sup>24,500,000</sup>~~13,500,000~~ gallons per month. The Purchaser specifically agrees and covenants to purchase from Seller during the term set forth above and not exceeding the limits set forth above, unless a written agreement is had to the contrary."

2. The Purchaser has reviewed its records regarding past purchases of water from the Seller and hereby acknowledges that as of January 1, 2011, the Seller is in full compliance with its contractual obligations under the Water Purchase Contract between the parties dated July 23, 1999, and the Settlement Agreement filed with the Kentucky Public Service Commission effective August 17, 2010.

3. Except as amended herein, all the terms and conditions of the Water Purchase Contract between the parties dated July 23, 1999, and the Settlement Agreement filed with the Kentucky Public Service Commission effective August 17, 2010, remain in full force and affect and are incorporated herein by reference.

4. The parties' obligations under this Agreement are specifically contingent upon the approval of this Agreement by the Kentucky Public Service Commission and the filing of the Agreement with the Tariff Branch of the Public Service Commission.

CITY OF DANVILLE, KENTUCKY,  
SELLER

BY: \_\_\_\_\_  
BERNIE HUNSTAD, MAYOR

ATTEST:

\_\_\_\_\_  
DONNA PEEK, CITY CLERK

THE GARRARD COUNTY WATER ASSOCIATION, INC.,  
PURCHASER

BY: \_\_\_\_\_  
PAUL B. REYNOLDS, PRESIDENT

ATTEST:

\_\_\_\_\_  
JENNY LYNN WHITTAKER, SECRETARY

John Bowling  
Mayor  
City of Danville Water Dept.  
P. O. Box 670  
Danville, KY 40423

Caywood Metcalf  
Metcalf & Metcalf  
214 Stanford Street  
Lancaster, KENTUCKY 40444

Paul Reynolds  
Chairman / President  
Garrard County Water Association, Inc.  
315 Lexington Road  
P. O. Box 670  
Lancaster, KY 40444



RECEIVED

OCT 30 2014

PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

GARRARD COUTY WATER  
ASSOCIATION, INC.

)

)

v.

)

CASE NO.  
2014-00361

)

CITY OF DANVILLE

---

**ANSWER**

---

Comes now the Defendant City of Danville ("City"), by counsel, and for its Answer to the Complaint states as follows:

**FIRST DEFENSE**

The Complaint fails to state a claim against this Defendant upon which relief can be granted and should be dismissed.

**SECOND DEFENSE**

The City has not implemented a rate increase. It is charging Garrard County Water Association ("GCWA") the same rates that were approved by the Commission in Case Nos. 2007-00405 and 2008-00176.

**THIRD DEFENSE**

Pursuant to the Agreement between the City and GCWA that was approved by the Commission in Case Nos. 2007-00405 and 2008-00176, a party to the contract that objects to a proposed rated increase must object in writing within 45 days of the notice given to that party.

The City provided notice of the proposed rate increase to GCWA by letter dated August 20, 2014. The City did not receive a written objection from GCWA within 45 days of that letter. Pursuant to the contract, the proposed rates should go into effect according to the notice given. See Agreement at 3. Further, the rates can only go into effect in compliance with other applicable law. Because the City has proposed an effective date of November 19, 2014, for the proposed rate filed with the Commission, the Commission should accept the City's water rate to GCWA effective on that date as required by the contractual provisions between the City and GCWA. Thereafter, any investigation into the reasonableness of the City's rate to GCWA would still be subject to the Commission's review under KRS 278.260.

#### **FOURTH DEFENSE**

1. The City is without sufficient information or knowledge to form a belief as to the allegations of paragraph 1 of the Complaint and therefore denies the allegations of those paragraphs.

2. The City admits the allegations of paragraph 2 of the Complaint, and specifically that it provides wholesale water service to Parksville Water District, GCWA, Lake Village Water Association, and the City of Hustonville.

3. With respect to the allegations of paragraph 6 of the Complaint, the City admits that GCWA purchases wholesale water from the City. The documents attached to GCWA's complaint speak for themselves. The City denies that the documents attached as Exhibit 1 to GCWA's complaint contain an exhaustive collection of the contractual commitments between the City and GCWA.

4. With respect to the allegations of paragraph 4 of the Complaint, the City admits that it notified GCWA by letter dated August 20, 2014, indicating that the City was proposing to



increase the wholesale water rate to GCWA to \$2.41 per 1,000 gallons. As the letter indicates, the City had previously notified GCWA that it intended to increase its wholesale rates. A copy of that letter is attached hereto as Exhibit 1. Contrary to the statement in the letter, the proposed rates did not become effective on September 1, 2014. Consistent with the terms of the contractual agreement between the City and GCWA, the City has proposed new water rates to GCWA to be effective on November 19, 2014.

5. With respect to the allegations of paragraph 5 of the Complaint, the Water Agreement speaks for itself. To the extent that an answer is required, the City denies the averments of paragraph 5 because the Agreement between the City and GCWA approved by the Commission in Case Nos. 2007-00405 and 2008-00176 sets forth different terms. This Agreement is attached hereto as Exhibit 2.

6. The City denies the allegations of paragraph 6 of the Complaint.

7. The City denies the allegations of paragraph 7 of the Complaint.

8. The City denies the allegations of paragraph 8 of the Complaint.

9. The City denies the allegations of paragraph 9 of the Complaint.

10. The City denies the remaining allegations of the Complaint not specifically admitted herein.

WHEREFORE, the City respectfully requests judgment be entered in its favor, and that GCWA's Complaint be dismissed and that it take nothing thereby. Because the City has not implemented any proposed rate increase, there cannot be a claim that the increase is void. Pursuant to the terms of the Agreement approved by the Commission, the Commission should accept the City's proposed rate to GCWA docketed as TFS2014-00614, and any investigation on the reasonableness of the rate should proceed with that rate in effect. The City also requests a

surcharge added to its rate to recoup the costs it incurs for reasonable expenses associated with an investigation into the reasonableness of its rates.

Respectfully submitted,



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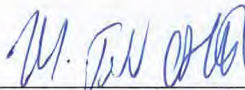
M. TODD OSTERLOH  
CHARLES D. COLE  
STURGILL, TURNER, BARKER & MOLONEY, PLLC  
333 W. Vine Street, Suite 1400  
Lexington, Kentucky 40507  
Telephone No.: (859) 255-8581  
tosterloh@sturgillturner.com

ATTORNEYS FOR CITY OF DANVILLE

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing was served via U.S. Mail, postage prepaid, to the following on October 29, 2014:

Caywood Metcalf  
Attorney for Garrard Water  
214 Stanford Street  
Lancaster, Kentucky 40444



---

COUNSEL FOR CITY OF DANVILLE



City of  
**DANVILLE**  
**KENTUCKY**

P.O. Box 670  
Danville, KY 40425  
(859) 258-1200

August 20, 2014

**Garrard County Water Association**

Paul Reynolds  
315 Lexington Street  
Lancaster, Kentucky 40444  
(859)792-4501

**RE: 2014 Wholesale Water Rate Adjustment**

Dear Mr. Reynolds,

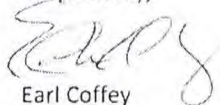
We are providing this letter as the official notice of the 2014 Wholesale Water Rate Adjustment as discussed previously. This letter is to confirm for you the basis for the rate adjustment and also the details of the change.

Recall the City previously indicated its intention to complete a utility rate study this year. The City contracted with a third party, Salt River Engineering, to complete the rate study with a cost of service component and to evaluate and recommend adjustments for all rates charged by the City's municipal utility. The study began this past winter and the wholesale portion of the evaluation has been completed. The rate study was completed consistent with the principles established in the American Water Works Association Manual M-1. The chosen study approach was the *Hybrid Method* (Cash Needs/Utility Basis) which was used to determine the revenue requirements for both owner and non-owner utility customers.

The City Commission accepted the recommendations from the consultant by implementing revised wholesale rates. The implementation of the revised rates will begin with the effective date of September 1<sup>st</sup> 2014. Consistent with the recommendations, the Garrard County Water Association shall pay a Flat Rate of \$2.41 per 1000 gallons consumed or \$1.80 per 100 cubic feet consumed. The minimum bill will not adjust as a result of this change.

As stated previously it is our goal to help you understand the details related to the rate identified. As such we will be more than willing to provide information to provide a better understanding. Please let us know how we may address your questions. We look forward to working with you as we transition into this revised rate.

Respectfully,



Earl Coffey  
City Engineer

"This institution is an equal opportunity provider and employer."

**"The City of Firsts"**

First Courthouse in Kentucky - 1785  
First U. S. Post Office in the West - 1792  
First Successful Ovariectomy in the World - 1809

First Capitol of Kentucky District - 1785  
First Political Club in the West - 1786  
First Constitutional Convention in the West - 1792

First College in the West - 1785  
First Law School in the West - 1799  
First State Supported School for Deaf - 1825





### Agreement

This Settlement Agreement is between Garrard County Water Association, Inc. ("GCWA"), with its principal office at 315 Lexington Road, P.O. Box 670, Lancaster, Kentucky 40444, and the City of Danville ("Danville"), a municipal corporation of the third class.

- (1) During the course of a proceeding before the Public Service Commission of Kentucky ("Commission") styled Case No. 2008-00176, Danville and GCWA have identified a number of issues and questions relating to usage, calculation of charges, billings, and payments, including purchasing power adjustments made to rates in 2005, 2006, and 2007 and involving periods of time before, during, and after those affected by the purchasing power adjustments.
- (2) This settlement is intended as a resolution of all disputes, issues, and questions about usage, charges, billings, and payments up through and including the month of April 2009, an agreement about the proper calculation of charges thereafter and currently, and an accord about procedures for considering proposed changes to billing methods and elements in the future.
- (3) The parties acknowledge and agree: that approval by the Commission is necessary for this Settlement Agreement to be effective and binding on either party; and that, if Commission approval of the entire agreement without modification, together with a final and appealable dismissal of the case is not obtained within 90 days of submission to the Commission with a request for approval, then this Settlement Agreement shall be null and void and shall be without any effect whatsoever on the parties' respective rights, arguments, or positions in Case No. 2008-00176 or otherwise. If and when approved by the Commission, this Settlement Agreement will operate as an addendum or revision to the existing Water Purchase Contract between Danville and GCWA.
- (4) Danville and GCWA agree to compromise all disputes, issues, and questions about usage, charges, billings, and payments up through and including the month of April 2009 for the payment by Danville to GCWA of the amount of \$ 18,270.44. Danville will pay that amount to GCWA by crediting one-twelfth of that amount to each month for the next twelve months following the close of any period in which a timely rehearing request or

Agreement page 1 of 3

KENTUCKY PUBLIC SERVICE COMMISSION
JEFFREY W. BROWN EXECUTIVE DIRECTOR
TARIFF BRANCH
<i>Brent Kirtley</i>
EFFECTIVE 8/17/2010 PURSUANT TO 807 KAR 5:011 SECTION 9 (1)



review action is still possible from a final and appealable Commission order approving this Settlement Agreement in its entirety and without modification.

- (5) Danville and GCWA agree that charges for water supplied to GCWA are to be calculated at this time as follows:

- (a) for water supplied, with rates stated on a per 100 cubic foot (ccf) basis:

first 20,000 cu. ft.	\$1.68 per ccf
next 80,000 cu. ft.	\$1.44 per ccf
next 100,000 cu. ft.	\$1.20 per ccf
next 300,000 cu. ft.	\$1.06 per ccf
all over 500,000 cu. ft.	\$0.86 per ccf

- (b) plus a 20% surcharge, applied to the total water charge (but not to any applicable fees or taxes);
- (c) plus any applicable fee or tax by a third-party authority, which currently consists of a \$0.0165 per ccf (\$0.022 per 1000 gallons) Kentucky River Authority charge, to be stated as a separate line item on the bill.
- (d) If there are multiple meters, dials, or accounts for service to GCWA, measured usage will be totaled for all meters, dials, or accounts and the rates in subpart (a) applied to the total monthly usage amount.

GCWA acknowledges that other wholesale customers of Danville have rates different from those listed in subpart (a).

- (6) Danville and GCWA retain the right and ability to make changes to their existing Water Purchase Contract (as it may be supplemented or amended by this Settlement Agreement) through a writing signed on behalf of both parties. Changes are to be filed with the Commission no fewer than 30 days prior to the date on which the changes are to become effective (unless a shorter period is requested and granted). As an alternative, Danville and GCWA agree that changes in billing methods, rates, and other elements may be made in the future as follows:

- (a) Either party may propose a change affecting the amount billed — whether to the rates, surcharge percentage, or otherwise — by notifying the other party in writing

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<i>Brent Kirtley</i>
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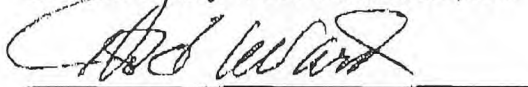


of the proposed change and proposed effective date and providing an explanation or justification of the proposed change. Such notice shall be provided at least 90 days in advance of the proposed change being made.

- (b) The other party shall have 45 days from receipt of the notice in which to object in writing to the proposed change; if the other party does not so object within 45 days, then the rate change is to be made according to the notice given.
  - (c) If the other party does so object, then the proposing party may apply to the Commission for the proposed change, to become effective no fewer than 30 days from the date the application is filed (unless a shorter period is requested and granted).
- (7) To the extent that the parties provide herein for approval by or application/notice to the Commission, they do so based on the existing situation in which the Commission asserts jurisdiction and authority over such matters. If by legislative action, court ruling, or Commission order or regulation it is determined that the Commission has not had or thenceforth shall not have jurisdiction and authority over one or more such matters (generally or as between Danville and GCWA), then the parties agree that:
- (a) their rights, obligations, and undertakings under paragraphs (1) - (5) above shall remain unaffected thereby; however,
  - (b) paragraph (6) above shall thereafter be null and void, and the parties' rights, obligations, and undertakings regarding such changes or matters shall be determined without reference to this Settlement Agreement.

AGREED as of this 1st day of June, 2009.

Garrard County Water Association, Inc.



Harold C. Ward, President/Executive Director

City of Danville

Hugh C. Coomer, Mayor

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TARIFF BRANCH 
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### Agreement

This Settlement Agreement is between Garrard County Water Association, Inc. ("GCWA"), with its principal office at 315 Lexington Road, P.O. Box 670, Lancaster, Kentucky 40444, and the City of Danville ("Danville"), a municipal corporation of the third class.

- (1) During the course of a proceeding before the Public Service Commission of Kentucky ("Commission") styled Case No. 2008-00176, Danville and GCWA have identified a number of issues and questions relating to usage, calculation of charges, billings, and payments, including purchasing power adjustments made to rates in 2005, 2006, and 2007 and involving periods of time before, during, and after those affected by the purchasing power adjustments.
- (2) This settlement is intended as a resolution of all disputes, issues, and questions about usage, charges, billings, and payments up through and including the month of April 2009, an agreement about the proper calculation of charges thereafter and currently, and an accord about procedures for considering proposed changes to billing methods and elements in the future.
- (3) The parties acknowledge and agree: that approval by the Commission is necessary for this Settlement Agreement to be effective and binding on either party; and that, if Commission approval of the entire agreement without modification, together with a final and appealable dismissal of the case is not obtained within 90 days of submission to the Commission with a request for approval, then this Settlement Agreement shall be null and void and shall be without any effect whatsoever on the parties' respective rights, arguments, or positions in Case No. 2008-00176 or otherwise. If and when approved by the Commission, this Settlement Agreement will operate as an addendum or revision to the existing Water Purchase Contract between Danville and GCWA.
- (4) Danville and GCWA agree to compromise all disputes, issues, and questions about usage, charges, billings, and payments up through and including the month of April 2009 for the payment by Danville to GCWA of the amount of \$ 18,270.44. Danville will pay that amount to GCWA by crediting one-twelfth of that amount to each month's wholesale supply charges following the close of any period in which a timely rehearing request or

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review action is still possible from a final and appealable Commission order approving this Settlement Agreement in its entirety and without modification.

- (5) Danville and GCWA agree that charges for water supplied to GCWA are to be calculated at this time as follows:

- (a) for water supplied, with rates stated on a per 100 cubic foot (ccf) basis:

first 20,000 cu. ft.	\$1.68 per ccf
next 80,000 cu. ft.	\$1.44 per ccf
next 100,000 cu. ft.	\$1.20 per ccf
next 300,000 cu. ft.	\$1.06 per ccf
all over 500,000 cu. ft.	\$0.86 per ccf

- (b) plus a 20% surcharge, applied to the total water charge (but not to any applicable fees or taxes);
- (c) plus any applicable fee or tax by a third-party authority, which currently consists of a \$0.0165 per ccf (\$0.022 per 1000 gallons) Kentucky River Authority charge, to be stated as a separate line item on the bill.
- (d) If there are multiple meters, dials, or accounts for service to GCWA, measured usage will be totaled for all meters, dials, or accounts and the rates in subpart (a) applied to the total monthly usage amount.

GCWA acknowledges that other wholesale customers of Danville have rates different from those listed in subpart (a).

- (6) Danville and GCWA retain the right and ability to make changes to their existing Water Purchase Contract (as it may be supplemented or amended by this Settlement Agreement) through a writing signed on behalf of both parties. Changes are to be filed with the Commission no fewer than 30 days prior to the date on which the changes are to become effective (unless a shorter period is requested and granted). As an alternative, Danville and GCWA agree that changes in billing methods, rates, and other elements may be made in the future as follows:

- (a) Either party may propose a change affecting the amount billed — whether to the rates, surcharge percentage, or otherwise — by notifying the *Bent Kirtley* writing

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of the proposed change and proposed effective date and providing an explanation or justification of the proposed change. Such notice shall be provided at least 90 days in advance of the proposed change being made.

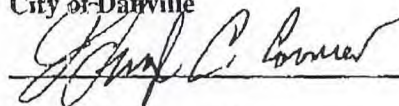
- (b) The other party shall have 45 days from receipt of the notice in which to object in writing to the proposed change; if the other party does not so object within 45 days, then the rate change is to be made according to the notice given.
  - (c) If the other party does so object, then the proposing party may apply to the Commission for the proposed change, to become effective no fewer than 30 days from the date the application is filed (unless a shorter period is requested and granted).
- (7) To the extent that the parties provide herein for approval by or application/notice to the Commission, they do so based on the existing situation in which the Commission asserts jurisdiction and authority over such matters. If by legislative action, court ruling, or Commission order or regulation it is determined that the Commission has not had or thenceforth shall not have jurisdiction and authority over one or more such matters (generally or as between Danville and GCWA), then the parties agree that:
- (a) their rights, obligations, and undertakings under paragraphs (1) - (5) above shall remain unaffected thereby; however,
  - (b) paragraph (6) above shall thereafter be null and void, and the parties' rights, obligations, and undertakings regarding such changes or matters shall be determined without reference to this Settlement Agreement.

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH 
EFFECTIVE <b>8/17/2010</b> PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

AGREED as of this 1st day of June, 2009.

Garrard County Water Association, Inc.

City of Danville



\_\_\_\_\_  
Harold C. Ward, President/Executive Director

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Hugh C. Coomer, Mayor

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