

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 bill for water supply charges following the close of any period in which a timely rehearing request or

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF W. DEBOLD EXECUTIVE DIRECTOR
<i>Brent Kirtley</i> TARIFF BRANCH
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);

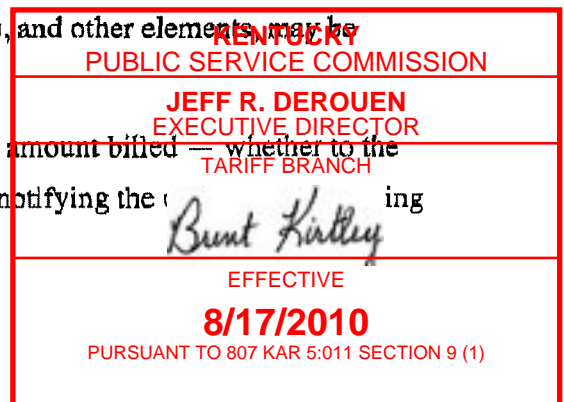
(c) plus any applicable fee or tax by a third-party authority, which currently consists of a \$0.0165 per ccf (\$0.022 per 1000 gallons) Kentucky River Authority charge, to be stated as a separate line item on the bill.

(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 Commission 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 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

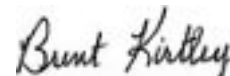
City of Danville

Hugh C. Coomer, Mayor

**KENTUCKY
PUBLIC SERVICE COMMISSION**

**JEFF R. DEROUEN
EXECUTIVE DIRECTOR**

TARIFF BRANCH



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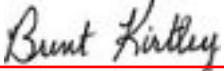
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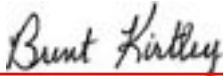
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AGREED as of this 1st day of June, 2009.

Garrard County Water Association, Inc.

Harold C. Ward, President/Executive Director

City of Danville

Hugh C. Coomer

Hugh C. Coomer, Mayor

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