

WATER RATE AGREEMENT

THIS AGREEMENT, made and entered into this 14th day of September, 1989, by and between the City of Lancaster, referred to herein as "City" and the Garrard County Water Association, referred to herein as "Association" and the parties agree that the effective date of this contract shall be and is August 15, 1989.

WITNESSETH: That whereas by contract dated March 25, 1970, it was agreed that the rate to be charged for water supplied by the City to the "Association" would be subject to modification every five years based on a demonstrable increase or decrease in the cost of performance, such cost not to include increase capitalization of the Lancaster system, and whereas the PUBLIC SERVICE COMMISSION OF KENTUCKY modification of rate was made on August 15, 1986, and it now EFFECTIVE appearing that a modification of the next tariff period from FEB 06 1995 five to three years and an increase in rate is justified.

NOW, therefore, the parties hereto agree as follows: PURSUANT TO 807 KAR 5.011, SECTION 9(1)
BY: Jordan C. Noel
FOR THE PUBLIC SERVICE COMMISSION

1. That the five year period provided for in the original agreement will be reduced to three years for the next period of rate tariff which shall begin August 15, 1992.

w. That commencing on August 15, 1989, and continuing for a period of three years from said date, the "City" will charge and the "Association" will pay for water supplied by the "City" to the "Association" a tariff of one dollar and twenty-eight cents (\$1.28) per thousand gallons.

3. It is further agreed by the "City" that in all future contract periods the "City" will not include

depreciation costs as an expense item in computing of its principal tariff rate. In addition the City agrees that should "Association" participate with the "City" in any capital indebtedness, it will not be responsible for depreciation costs as an expense item in the "City's" computing its proposed tariff rate in future negotiations.

4. All other provisions of the original contract between the parties will remain in full force and effect.

WITNESS OUR SIGNATURES to duplicates hereof this 14th day of September, 1989.

CITY OF LANCASTER

By: Billy C. Moss Mayor

Attest: Vivian Cotton

GARRARD COUNTY WATER ASSOCIATION

By: [Signature] President

Attest: [Signature]

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

FEB 06 1995

PURSUANT TO 807 KAR 5011,
SECTION 9(1)

By: Jordan C. Neal
FOR THE PUBLIC SERVICE COMMISSION