

LANCASTER WATER WORKS  
101 STANDFORD STREET  
LANCASTER, KENTUCKY 40444  
859-792-2170

APRIL 4, 2006

Ms. Beth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40330

RE: Wholesale Rate Increase

Dear Ms. O'Donnell

*Case No. 2006-00187*

**RECEIVED**

APR 07 2006

PUBLIC SERVICE  
COMMISSION

FAX  
REC'D  
APRIL 4, 2006  
TARIFF  
BRANCH

The city of Lancaster will increase its wholesale rate to the Garrard County Water Association on May 4, 2006. The city met with Mr. Coby Ward, President of the Association on February 7, 2006 and reviewed the proposed rate. A copy of this letter of intent will also be mailed to Mr. Ward.

Enclosed is a tariff setting out Lancaster's revised rate along with a copy of the ordinance adopting the new rate.

Should you have any questions you may contact me at the above number.

Sincerely,



Millard Rose  
Manager

Cc: Mr. Coby Ward  
Garrard County Water Association

## Water Rate Agreement

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This Agreement made and entered into this 7<sup>th</sup> day of March, 2006, by and between the City of Lancaster, referred to herein as the "City", and the Garrard County Water Association, referred to herein as the "Association".

Witnesseth: That whereas by a contract dated March 25, 1970, an arrangement was made 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 in the cost of performance, such cost not to include increased capitalization of the Lancaster system.

That whereas this time period was shortened to three years by subsequent agreements and that the latest three year agreement expires at the close of the day on December 31, 2005 and whereas this latest three year agreement introduced the concept of a guaranteed minimum purchase by the Association from the City.

Now, therefore, the parties hereto agree as follows:

1. That the original five year pricing period will continue to be shortened to one year.
2. That the rate charged by the City for water supplied to the Association will increase to \$1.78 per thousand gallons for the next year.
3. The Association agrees to a minimum purchase amount to 200 million gallons per year.
4. That the costs and methodology used to arrive at the price increase noted above will be reviewed annually by an independent third party to identify any need for an increase or decrease in wholesale rates.
5. All other provisions of the original contract between the parties will remain in full force and effect.

Witness our Signatures to duplicate copies hereof this 7<sup>th</sup> day of March, 2006.

City of Lancaster

By: Donna M. Powell Mayor

Attest Millen Rose

Garrard County Water Association

By: Bob McVane President

Attest Dorothy McVane

FOR \_\_\_\_\_  
Community, Town or City

P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

Lancaster Water Works  
(Name of Utility)

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

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RATES AND CHARGES

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Wholesale Rate

Garrard County Water Association

\$1.82 per 1,000 Gallons

Date Issued: April 4, 2006

Effective Date: May 4, 2006

Signature of Officer *Millard Kern*