

Ernie Fletcher
Governor

LaJuana S. Wilcher, Secretary
Environmental and Public
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Christopher L. Lilly
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Mark David Goss
Chairman

Teresa J. Hill
Vice Chairman

Gregory Coker
Commissioner

May 3, 2006

RE: Case No. 2006-00182

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell
Executive Director

BOD/sh
Enclosure

Ernie Fletcher
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Harold C. Ward
Garrard County Water Association, Inc.
315 Lexington Road
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE)
WHOLESALE WATER SERVICE RATE OF THE) CASE NO. 2006-00182
CITY OF LANCASTER, KENTUCKY)

ORDER

The city of Lancaster, Kentucky ("Lancaster") proposes to adjust its existing rate for wholesale water service to Garrard County Water Association ("Garrard County") effective for service on and after May 4, 2006. Lancaster's proposed rate is set forth in a rate schedule and a "Water Rate Agreement" with Garrard County. Our review indicates a discrepancy in the rate set forth in these documents. Lancaster's proposed rate schedule provides for a wholesale rate of \$1.82 per 1,000 gallons of purchased water. The "Water Rate Agreement" provides for a wholesale rate of \$1.78 per 1,000 gallons of purchased water. Lancaster subsequently advised the Commission that the discrepancy in rates reflects the pass through of water withdrawal fees that the Kentucky River Authority assesses. Neither the "Water Rate Agreement" nor the proposed rate schedule make any provision for the assessment of such fees to Garrard County.

Having considered the proposed rate revision and being otherwise sufficiently advised, the Commission finds that, pursuant to KRS 278.190, further proceedings are necessary to determine the reasonableness of the proposed rate revision. As the principal focus of our investigation is on the discrepancy between the submitted documents and the municipal utility's authority to assess an additional charge to recover

KRA withdrawal fees and as Garrard County has not objected to the assessment of the higher rate, the Commission finds that the proposed rates should be suspended for one day and then be permitted to become effective subject to refund.

The Commission further finds that Garrard County, as a party to the proposed contract, has a significant interest in this proceeding and its presence in this proceeding will likely lead to presentation of issues or development of facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting this proceeding and should therefore be made a party to this proceeding.

IT IS THEREFORE ORDERED that:

1. Lancaster's proposed rate revision is suspended from May 4, 2006 to May 5, 2006. The proposed rate shall become effective subject to refund on May 5, 2006.
2. Lancaster shall maintain its records in a manner to permit the Commission to determine the amounts to be refunded in the event a refund is ordered.
3. Garrard County is granted full intervention status in this proceeding.
4. All documents that any party files with the Commission shall be served upon all other parties.
5. Service of any document or pleading shall be made in accordance with Administrative Regulation 807 KAR 5:001, Section 3(7), and Kentucky Civil Rule 5.02.

Done at Frankfort, Kentucky, this 3rd day of May, 2006.

By the Commission

ATTEST:



Executive Director