

Water Rate Agreement

MAR 15 2007

This Agreement made and entered into this 14th day of March, 2007, 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 one year by subsequent agreements and that the latest one year agreement expires at the close of the day on March 31, 2007 and whereas this latest one 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 \$1.83 per thousand gallons for the next year. There will be a Kentucky River Fee of \$.044 added. If there is an increase in the Kentucky River Fee it will be passed on to the purchaser in the next billing cycle after becoming effective. The increased rate is to take effect on April 10, 2007.
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 every two (2) years by an independent third party to identify any need for an increase or decrease in wholesale rates. For those years when an independent rate review is not required, a rate adjustment, if necessary, will be equal to the state of Kentucky's Consumer Price Index as calculated by the Governor's Office for Local Development (GOLD).
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 14th day of March, 2007.

City of Lancaster

By: [Signature], Mayor

Attest [Signature]

Garrard County Water Association

By: [Signature], President

Attest [Signature]

City of Lancaster

308 W. Maple Ave.
Lancaster, Kentucky 40444
Phone 859-792-2241
Fax 859-792-3341

RECEIVED
MAR 15 2007
PUBLIC SERVICE
COMMISSION

Garrard Co. Water Association
Lexington Rd
Lancaster, KY 40444

March 1, 2007

Dear Mr. Ward:

This is to notify you that your rate for purchasing water from the City of Lancaster will increase from \$1.78/1000 gal. to \$1.83/1000 gal. on April 10, 2007.

Sincerely,



Don Rinthen
Mayor.

FOR Lancaster, Kentucky
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. _____

CONTENTS


Wholesale Rate

Garrard County Water District

\$1.83 Per 1,000 Gallons

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE April 10, 2007
Month / Date / Year

ISSUED BY 
(Signature of Officer)

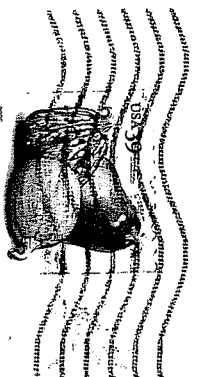
TITLE MAYOR

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

Lancaster Water and Sewer Utilities
308 W. Maple Ave. Suite 2
Lancaster, KY 40444

LEXINGTON KY 405
14 MAR 2007 PM 1 T



*Public Service Commission
811 Saver Blvd.
P.O. Box 615
Frankfort, Ky 40602-0615*

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