

City of Lancaster

Billy C. Moss Municipal Center
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OCT 08 2009
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COMMISSION

Donald P. Rinthen, Mayor

October 7, 2009

The city of Lancaster and Garrard Water Association have both signed a contract for the new rate increase of 2 cents per 1000 gallons. This new rate will start 10 October if approved by you the PSC. Thanks for all of your help in this matter.


Don Rinthen Mayor

CASE # 2009-00230

Water Rate Agreement

This Agreement made and entered into this 7th day of October, 2009, 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".

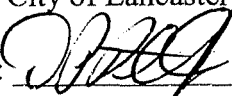
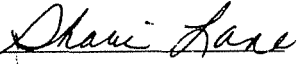
Witnesseth: That whereas by a contract dated March 25, 1970, an arrangement was made that the rate to be charged for water supplied by the City to the Association would be subject to modification every five years based on a demonstrable increase in the cost of performance, such cost not to include increased capitalization of the Lancaster system.

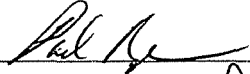
That whereas this time period was shortened to one year by subsequent agreements and that the latest one year agreement expired at the close of the day on June 30, 2009 and whereas this latest one year agreement introduced the concept of a guaranteed minimum purchase by the Association from the City.

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 \$1.90 per thousand gallons for the next year. There will be a Kentucky River Fee of \$.088 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 October 10, 2009. This agreement will remain in effect to June 30, 2010.
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 in 2010 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 7th day of October, 2009.

City of Lancaster
By: , Mayor
Attest 

Garrard County Water Association
By: , President
Attest 