

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

WATER RATE AGREEMENT BETWEEN CITY)
OF LANCASTER AND GARRARD COUNTY) CASE NO.
WATER ASSOCIATION) 2007-00114

O R D E R

On March 15, 2007, the city of Lancaster, Kentucky (“Lancaster”) notified the Commission of a proposed revision to its wholesale water service rate for Garrard County Water Association (“Garrard County”). Language in the proposed amendment to the water rate agreement with Garrard County contained an automatic adjustment mechanism tied to the state of Kentucky’s Consumer Price Index (“CPI”) as calculated by the Governor’s Office for Local Development (“GOLD”).

On April 17, 2007, the Commission ordered that, within 30 days from the date of that Order, Lancaster show cause in writing why the proposed automatic adjustment is reasonable; would produce a fair, just, and reasonable rate for water service; and is a reliable and accurate measure of the changes in the cost of supplying water to Garrard County.

On May 3, 2007, Lancaster filed with the Commission a water rate agreement with Garrard County, executed on May 2, 2007, which modified the proposed revision filed on March 15, 2007. This new agreement, inter alia, removed the automatic adjustment mechanism tied to Kentucky’s CPI. Added was a provision “that the costs and methodology used to arrive at the price increase noted above will be reviewed

every year by an independent third party to identify any need for an increase or decrease in wholesale rates.” A revised tariff was also filed, adjusting the wholesale rate for Garrard County to \$1.83 per 1,000 gallons.

Having considered the proposed water rate agreement and tariff filed on May 3, 2007, the Commission finds that they are reasonable and lawful and in compliance with KRS 278.190.

IT IS THEREFORE ORDERED that:

1. The water rate agreement between Lancaster and Garrard County filed with the Commission on May 3, 2007 is accepted.
2. The increase in the wholesale water rate of \$1.83 per 1,000 gallons charged by Lancaster to Garrard County contained in its revised tariff is approved for wholesale water service rendered on and after June 10, 2007.
3. This matter is hereby concluded and removed from the docket.

Done at Frankfort, Kentucky, this 4th day of June, 2007.

By the Commission

ATTEST:



Executive Director