

Case No. 2007-00114

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MAY - 3 2007

PUBLIC SERVICE COMMISSION

Water Rate Agreement

This Agreement made and entered into this 2<sup>nd</sup> day of May, 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".

Witnessed: 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 any increase in the Kentucky River Fee will be passed on to the user in the next billing cycle. These rates to take effect on June 10, 2007. This agreement will remain in effect to June 30, 2008.
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 year 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 2<sup>nd</sup> day of May, 2007

City of Lancaster  
By: [Signature] Mayor  
Attest Shari Lane

Garrard County Water Association  
 By: [Signature] President  
 Attest Paul [Signature]  
 6/10/2007  
 PURSUANT TO 807 KAR 5:011  
 SECTION 9 (1)  
 By: [Signature]  
 Executive Director