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MEMORANDUM OF SETTLEMENT

WINCHESTER MUNICIPAL UTILITIES COMMISSION
and
EAST CLARK COUNTY WATER DISTRICT

This Memorandum of Settlement made this 30 day of May, 2006, by and between WINCHESTER MUNICIPAL UTILITIES COMMISSION (hereinafter referred to as "WMU"), and EAST CLARK COUNTY WATER DISTRICT (hereinafter referred to as "ECCWD"), of Winchester, Clark County, Kentucky,

WITNESSETH

WHEREAS, the ECCWD and WMU are parties to a proceeding (Case No. 2005-00322) before the Kentucky Public Service Commission (hereinafter "PSC"), and have previously entered into a Water Purchase Agreement dated July 15, 1999 (hereinafter "Agreement") as amended on December 12, 2002, and


WHEREAS, the parties desire to settle the case pending before the PSC and to enter into certain other agreements to amend the Agreement as previously amended as herein below set forth, and

WHEREAS, there are no other cases between the parties pending before the PSC,

NOW THEREFORE, the parties agree to as follows:

1. WMU future rate to ECCWD: \$1.62 per 100 cubic feet, plus the applicable Kentucky River Authority fee, any markup, effective upon approval by KPSC, with no adjustment or true-up. This will be a uniform rate based upon

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SECTION 9(1)

By 
Executive Director

the aggregated total of all East Clark wholesale meters and does not include any retail meter. If KPSC requires a rate study, the new rate will be in accord with the results of such study, subject to full examination by the KPSC.

2. ECCWD future rate to WMU: \$1.62 per 100 cubic feet (converted to 1,000 gallons) plus 29%, plus Ky. River Authority fee without any markup, effective upon approval by KPSC.

3. Within 10 days of the execution of this agreement, both WMU and ECCWD will file with the KPSC tariffs that contain the rates agreed upon herein and that contain an effective date of 30 days from the respective dates upon which the tariffs are filed.

4. WMU will engage Carryn Lee of Kentucky Rural Water Association to conduct a study, with full and complete access to WMU and other records that are in her judgment necessary to reach a fair and reasonable conclusion, to determine any system development charge to be assessed to East Clark pursuant to and consistent with 807 KAR 5:090. Both parties agree to be bound by Ms. Lee's conclusions subject to [1] PSC approval as required by law, and [2] the condition that, regardless of the results of Ms. Lee's study, the system development charge assessed to East Clark will not exceed that currently assessed to WMU's retail water customers. East Clark agrees that it will not oppose the SDC computed by Ms. Lee, if any, in the KPSC proceeding. The SDC to East Clark will be effective upon the approval of same by the KPSC.

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5. WMU will increase the quantity of water East Clark is permitted to purchase at the \$1.62 per 100 cubic feet rate, without penalty, in the amount of 100,000 gallons per day. Present penalty provisions in the Water Purchase Contract will apply for all water usage above present contract level plus the above 100,000 gallons unless WMU should grant additional allocations. WMU may waive such penalty provisions at any time in its sole discretion. WMU shall not impose such penalty provisions without giving East Clark a minimum of ten (10) days prior written notice that such charges will be applied to subsequent purchases in excess of the authorized quantity limits.

Should East Clark at some future time need to increase the amount of water it purchases from WMU, WMU will agree to the increase if, at that time, the water is available to sell and if the requested increase is reasonable in light of other customer demands in WMU's service territory.

6. Upon execution of this agreement, East Clark will file a motion with the KPSC requesting that its Complaint against WMU be held in abeyance pending approval of the new rates as reflected herein. Upon final KPSC approval of the new rates of both parties, East Clark will move that its Complaint be dismissed as settled.

7. The parties agree that all of the other terms of the Water Purchase Contract, except as herein specifically modified, will continue to be in full force and effect including, but not limited to,

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to, Sections 8 and 14 of the parties' Water Purchase Contract. The parties will enter into a formal amendment to the Water Purchase Contract to adopt the provisions hereof as to rate, SDC's and additional water allocation.

In testimony whereof, the parties hereto have executed this Agreement as of the day herein first above written.

WINCHESTER MUNICIPAL
UTILITIES COMMISSION

Dt Nohle

EAST CLARK COUNTY
WATER DISTRICT

Fred Ferris Chairman

ATTEST:

Vivian Aguedo

ATTEST:

Chela J. Shemuel

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By [Signature]
Executive Director