

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF GARRARD COUNTY)	2025-00263
WATER ASSOCIATION, INC.)	

ORDER

On August 7, 2025, Garrard County Water Association, Inc. (Garrard Water) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.012 and 807 KAR 5:068.

LEGAL STANDARD

In accordance with KRS 278.012, when a wholesale supplier selling water to a water association increases its rates, the water association has the authority to increase its rate commensurate with the wholesale supplier. The water association must file, within the statutory and regulatory deadlines, a copy of the notice from the wholesale supplier showing the increase in the wholesale rate, and a statement of the volume of purchased water used to calculate the rate adjustment. The Commission shall approve the filing by order after the above documents are filed.

DISCUSSION AND FINDINGS

Garrard Water purchases water from city of Lancaster (Lancaster) and city of Danville (Danville).¹ Garrard Water also pays a pass-through fee to Kentucky River

¹ Application, GCWA_PWA_Form.pdf.

Authority based on its water purchases from Lancaster.² Lancaster notified Garrard Water that its wholesale rate would increase by \$0.3744 from \$2.63 per 1,000 gallons to \$3.0044 per 1,000 gallons for the first 325,000,000 gallons, and by \$0.2338 from \$1.48 per 1,000 gallons to \$1.7138 per 1,000 gallons over 325,000,000 gallons, effective August 1, 2025.³ Garrard Water proposes to increase the water rates to its customers effective August 1, 2025, to reflect the increased cost of purchased water from Lancaster. The fee to Kentucky River Authority did not increase and Danville did not propose any rate changes.

Unaccounted-for Water Loss

Commission regulation 807 KAR 5:066, Section 6(3), states that for ratemaking purposes a utility's unaccounted-for water loss shall not exceed 15 percent of the total water produced and purchased, excluding water consumed by a utility in its own operations. In its 2022 Annual Report filed with the Commission, Garrard Water reported a water loss of 19.0662 percent.⁴ In its 2023 Annual Report filed with the Commission, Garrard Water reported a water loss of 20.9261 percent.⁵ In its 2024 Annual Report filed with the Commission, Garrard Water reported a water loss of 22.1393 percent.⁶ Garrard

² Application, GCWA_PWA_Form.pdf.

³ TFS2025-00293 (Ky. PSC Jun. 30, 2025); Lancaster submitted the tariff on June 30, 2025, and the tariff was accepted for filing by the Commission by letter dated July 31, 2025, with an effective date of August 1, 2025.

⁴ *Annual Report of Garrard Water to the Public Service Commission for the Year Ended December 31, 2022* at 58.

⁵ *Annual Report of Garrard Water to the Public Service Commission for the Year Ended December 31, 2023* at 58.

⁶ *Annual Report of Garrard Water to the Public Service Commission for the Year Ended December 31, 2024* at 58.

Water's three-year water loss average is 20.7105 percent.⁷ The approximate cost of Garrard Water's total water loss using a three-year average is \$258,091.68.⁸

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission strongly encourages Garrard Water to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Garrard Water to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

Financial Condition and Rates

Based on a review of Commission records, Garrard Water has not sought a base rate adjustment in many decades, Garrard Water's only rate increases have occurred as a condition for federal financing of a construction project in accordance with KRS 278.023.⁹ In accordance with the provisions of KRS 278.023, the Commission's review of such applications is a limited review of a utility's total financial stability and operational viability.

In Case No. 2019-00041, the Commission discussed the problems that can occur when utilities intentionally avoid a review of their financial records by relying solely on financing cases to increase rates.¹⁰ A key recommendation from that proceeding was

⁷ $19.0662\% + 20.9261\% + 22.1393\% = 62.1316 / 3 \text{ years} = 20.7105\%$.

⁸ Total water cost at new wholesale rate of \$1,246,187.61 times 20.7105% water loss equals \$258,091.68.

⁹ Case No. 2023-00276, *Electronic Application of Garrard County Water Association, Inc. for a Certificate of Public Convenience and Necessity to Construct a Water System Improvements Project, Finance, and Increase in Rates Pursuant to the Provisions of KRS 278.023* (Ky. PSC Dec. 13, 2023).

¹⁰ See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), final Order.

that water associations should monitor the sufficiency of their base rates closely and, in general, apply for base rate adjustments on a more frequent basis.¹¹

Garrard Water received approval for a 6.31 percent rate increase through a Certificate of Public Convenience and Necessity (CPCN) in Case No. 2022-00276.¹² Based upon a review of the annual and audit reports filed with the Commission, Garrard Water's rate based income, or adjusted net income minus principal payments, was negative from 2020 through 2022 but was positive in 2023 and 2024. Cash basis income, or rate based income plus depreciation, was positive from 2020 through 2024. A chart summarizing cash basis and rate based income is presented below.

¹¹ See Case No. 2019-00041, Nov. 22, 2019 final Order.

¹² Case No. 2022-00276, *Electronic Application of Garrard County Water Association, Inc. for a Certificate of Public Convenience and Necessity to Construct a Water System Improvements Project, Finance, and Increase In Rates Pursuant to the Provisions of KRS 278.023* (Ky. PSC Sept. 27, 2022), final Order.

Description / Year	Audited 2020	Audited 2021	Audited 2022	Audited 2023	Audited 2024
Adjusted Net Income					
Net Income / (Loss) before Contributions	\$ 95,339	\$ 107,405	\$ 192,528	\$ 1,400,937	\$ 199,279
Other Non-recurring Items ()	(88,540)	(18,158)	(133,939)	(983,344)	3,670
Tap Fees ()	(69,842)	(76,966)	(88,024)	(103,915)	(76,649)
Adjusted Net Income / (Loss) before Contributions	\$ (63,043)	\$ 12,281	\$ (29,435)	\$ 313,678	\$ 126,300
Subtract: Principal Payments ()	(88,177)	(71,064)	0	(71,607)	(99,200)
Rate Based Income	\$ (151,220)	\$ (58,783)	\$ (29,435)	\$ 242,071	\$ 27,100
Add: Depreciation Expense	562,635	430,630	434,782	462,975	574,172
Cash Basis Income	\$ 411,415	\$ 371,847	\$ 405,347	\$ 705,046	\$ 601,272
Cash Basis Income as Percent of Depreciation	73%	86%	93%	152%	105%
Capital Spending	\$ 329,753	\$ 222,747	\$ 682,844	\$ 3,945,034	\$ 851,205
Cash and Investments					
Unrestricted Cash and Investments	\$ 1,205,120	\$ 1,684,268	\$ 1,119,542	\$ 740,959	\$ 719,771
Restricted Funds	201,303	0	2,000	2,000	1,500
Adjusted Cash Balances	1,406,423	1,684,268	1,121,542	742,959	721,271
Net Increase (Decrease) in Cash	\$ 466,299	\$ 277,845	\$ (562,726)	\$ (378,583)	\$ (21,688)
Selected Statistical Information (PSC Annual Reports)					
	2020	2021	2022	2023	2024
Customer Count	5,934	6,008	6,081	6,201	6,257
Gallons Purchased	400,066	428,919	416,429	436,016	458,248
Gallons Sold	304,370	299,251	319,030	324,647	343,748
Gallons Used for Internal Use	8,579	10,620	18,002	20,128	13,047
Water Loss Gallons	87,117	119,048	79,397	91,241	101,453
System Use Percentage	2.1444%	2.4760%	4.3229%	4.6163%	2.8471%
Water Loss Percentage	21.7757%	27.7554%	19.0662%	20.9261%	22.1393%
Gallons Sold Per Customer Per Month	4,274	4,151	4,372	4,363	4,578
Revenues from the Sale of Water	\$ 2,106,108	\$ 2,088,842	\$ 2,248,759	\$ 2,440,033	\$ 2,523,686
Purchased Water Expense	998,432	1,079,697	1,119,807	1,056,335	1,121,957
Purchased Water Expense Over 15% Water Loss	67,650	137,719	45,533	62,599	80,100
Water Loss Expense Over 15% as Percentage of Water Revenue	3.21%	6.59%	2.02%	2.57%	3.17%

The Commission finds that Garrard Water should monitor its operating performance annually and file future rate cases no less than every three to five years, depending on operating performance, to ensure that its revenue is sufficient to support adequate and reliable service.

Purchased Water Adjustment Factor

In its application, Garrard Water proposed a purchased water adjustment factor of \$0.40 per 1,000 gallons. During the 12 months ended June 30, 2025, Garrard Water purchased 433,476,705 gallons of water from Lancaster and 29,576,517 gallons of water from Danville and sold 376,419,142 gallons of water to its customers. The increase in the cost of purchased water from Lancaster is \$147,041.85, resulting in a purchased

water adjustment factor of \$0.40 per 1,000 gallons. No rate changes occurred from Danville.

The purchased water adjustment factor of \$0.40 per 1,000 gallons, as calculated in Appendix A and the rates as set forth in Appendix B to this Order are fair, just and reasonable and should be approved for water service rendered by Garrard Water on and after August 1, 2025, because the rates are supported by evidence of the increase in rates from Garrard Water's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.012.

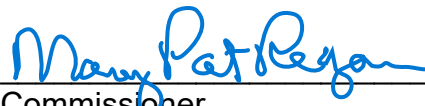
IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.40 per 1,000 gallons is approved.
2. The rates proposed by Garrard Water are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Garrard Water on and after August 1, 2025.
4. Within 20 days of the date of service of this Order, Garrard Water shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.
5. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION


Chairman


Commissioner


Commissioner

ATTEST:


Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2025-00263 DATED SEP 05 2025

	Base Rate	New Rate	Change
<u>Lancaster</u>			
Purchases in Gallons	325,000,000	325,000,000	
Rate per 1,000 Gallons	<u>\$2.63/1,000</u>	<u>\$3.0044/1,000</u>	
Subtotal	\$854,750.00	\$976,430.00	\$121,680.00
<u>Lancaster</u>			
Purchases over 350,000,000 Gallons	108,476,705	108,476,705	
Rate per 1,000 Gallons	<u>\$1.48/1,000</u>	<u>\$1.7138/1,000</u>	
Subtotal	\$160,545.52	\$185,907.38	\$25,361.86
Kentucky River Association			
Purchases in Gallons	423,878,136	423,878,136	
Rate per 1,000 Gallons	<u>\$0.28/1,000</u>	<u>\$0.28/1,000</u>	
Sub-total	\$12,570.82	\$12,570.82	\$0.00
<u>Danville</u>			
Purchases in Gallons	25,950,900	25,950,900	
Rate per 1,000 Gallons	<u>\$2.41/1,000</u>	<u>\$2.41/1,000</u>	
Sub-total	\$71,279.41	\$71,279.41	\$0.00
Total	\$1,099,145.75	\$1,246,187.61	
Increased water cost			\$147,041.86
Increased water cost		\$147,041.86	
Divided by Gallons sold/1,000		<u>376,419,142</u>	
Purchased water adjustment factor		\$0.3906	
		Per 1,000 Gallons	
		or \$ 0.00040	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2025-00263 DATED SEP 05 2025

The following rates and charges are prescribed for the customers in the area served by Garrard County Water Association, Inc.. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

5/8- x 3/4-Inch Meter

First	1,000	Gallons	\$13.42	Minimum Bill
Next	1,000	Gallons	0.00755	Per Gallon
Next	1,000	Gallons	0.00623	Per Gallon
Next	2,000	Gallons	0.00599	Per Gallon
Over	5,000	Gallons	0.00563	Per Gallon

1-Inch Meter

First	5,000	Gallons	\$39.17	Minimum Bill
Over	5,000	Gallons	0.00563	Per Gallon

1 1/2-Inch Meter

First	10,000	Gallons	\$67.32	Minimum Bill
Over	10,000	Gallons	0.00563	Per Gallon

2-Inch Meter

First	25,000	Gallons	\$151.74	Minimum Bill
Over	25,000	Gallons	0.00563	Per Gallon

Bulk Sales

			0.00678	Per Gallon
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