

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF GARRARD	)	CASE NO.
COUNTY WATER ASSOCIATION FOR A RATE	)	2025-00396
ADJUSTMENT PURSUANT TO 807 KAR 5:076	)	

ORDER

On December 10, 2025, Garrard County Water Association, Inc. (Garrard County Water) filed its application with the Kentucky Public Service Commission (Commission) requesting an adjustment to its water service rates pursuant to 807 KAR 5:076. To comply with the requirements of 807 KAR 5:076, Section 9,<sup>1</sup> Garrard County Water used the calendar year ended December 31, 2024, as the basis for its application. Garrard County Water has not previously adjusted its base rates pursuant to the alternative rate filing procedure. Garrard County Water has adjusted its rates multiple times pursuant to KRS 278.023 or KRS 218.015.

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated December 30, 2025. Garrard County Water responded timely to two requests for information.<sup>2</sup>

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<sup>1</sup> The reasonableness of the proposed rates shall be determined using a 12-month historical test period, adjusted for known and measurable changes, that coincides with the reporting period of the applicant's annual report for the immediate past year.

<sup>2</sup> Garrard County Water's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Feb. 5, 2026); Garrard County Water's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Mar. 12, 2026).

In its application, Garrard County Water requested a total revenue requirement of \$3,264,914 to increase its annual water sales revenue by \$314,279 or 11.59 percent.<sup>3</sup> However during discovery, Garrard County Water provided corrected revenue requirement calculations which addressed errors in the original filing, reducing the requested increase to \$227,277 or 8.38 percent.<sup>4</sup>

Commission Staff (Staff) issued its report (Staff Report) on April 21, 2026,<sup>5</sup> summarizing its recommendations regarding Garrard County Water's requested rate adjustment. The Staff Report recommended that Garrard County Water's adjusted test year operations support an overall revenue requirement of \$3,306,442 and that a \$303,426, or 11.19 percent increase to pro forma present rate revenues was necessary to generate the overall revenue requirement.<sup>6</sup> In the absence of a cost of service study (COSS), Staff allocated its recommended revenue increase evenly across all customer classes to calculate its recommended water rates.

On April 28, 2026, Garrard County Water provided three comments in response to the Staff Report.<sup>7</sup> First, Garrard County Water restated Staff's recommended revenue increase of \$303,426 and requested the Commission authorize the assessment of the water rates contained in Appendix B of the Staff Report.<sup>8</sup> Second, Garrard County Water

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<sup>3</sup> Application, 5\_Revenue\_Requirement\_Calculation.

<sup>4</sup> Garrard County Water's Response to Staff's Second Request, Item 7.

<sup>5</sup> Staff Report (issued Apr. 21, 2026).

<sup>6</sup> Staff Report at 27.

<sup>7</sup> Garrard County Water's Response to Staff Report (filed April 28, 2026).

<sup>8</sup> Garrard County Water's Response to Staff Report, Item 1.

concluded with the remainder of the findings in the Staff Report.<sup>9</sup> Third, Garrard County Water waived its right to request an informal conference or hearing.<sup>10</sup> The case now stands submitted for a decision.

### LEGAL STANDARD

Alternative rate adjustment proceedings, such as this one, are governed by Commission regulation 807 KAR 5:076, which establishes a simplified process for small utilities to use to request rate adjustments, with the process designed to be less costly to the utility and the utility ratepayers. The Commission's standard of review of a utility's request for a rate increase is well established. In accordance with KRS 278.030 and case law, the utility is allowed to charge its customers "only fair, just and reasonable rates."<sup>11</sup> Further, the utility bears the burden of proof to show that the proposed rate increase is just and reasonable under KRS 278.190(3).

### BACKGROUND

Garrard County Water is a water utility organized pursuant to KRS Chapter 273 that owns and operates a distribution system through which it provides retail water service to approximately 6,161 residential customers, 83 commercial customers, 1 bulk loading station, 4 public fire protection organizations, and 8 private fire protection organizations that reside in Garrard, Lincoln, Madison and Rockcastle counties, Kentucky.<sup>12</sup>

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<sup>9</sup> Garrard County Water's Response to Staff Report, Item 2.

<sup>10</sup> Garrard County Water's Response to Staff Report, Item 3.

<sup>11</sup> *City of Covington v. Public Service Commission*, 313 S.W.2d 391 (Ky. 1958); and *Public Service Comm'n v. Dewitt Water District*, 720 S.W.2d 725 (Ky. 1986).

<sup>12</sup> *Annual Report of Garrard County Water to Public Service Commission for the Calendar year Ended December 31, 2024* (2024 Annual Report) at 12 and 49.

UNACCOUNTED FOR WATER LOSS

Over the last five years, Garrard County Water reported an average water loss of 22.3325 percent,<sup>13</sup> as shown in the following table.

Year	Water Loss Percentage
2020	21.7757%
2021	27.7554%
2022	19.0662%
2023	20.9261%
2024	22.1393%
Average	<u>22.3325%</u>

Commission regulation 807 KAR 5:066, Section 6(3), states that for ratemaking purposes, a utility's water loss shall not exceed 15 percent of total water produced and purchased, excluding water consumed by a utility in its own operations. The table below shows that the 2024 total annual cost of unaccounted-for water loss to Garrard County Water is \$302,734, while the annual cost of unaccounted for water loss in excess of 15 percent is \$97,624.

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<sup>13</sup> *Annual Report of Garrard County Water to the Public Service Commission for the Calendar year Ended December 31, 2020* (2020 Annual Report) at 57; *Annual Report of Garrard County Water to the Public Service Commission for the Calendar year Ended December 31, 2021* (2021 Annual Report) at 57 and 58; *Annual Report of Garrard County Water to the Public Service Commission for the Calendar year Ended December 31, 2022* (2022 Annual Report) at 57 and 58; *Annual Report of Garrard County Water to the Public Service Commission for the Calendar year Ended December 31, 2023* (2023 Annual Report) at 57 and 58; and 2024 Annual Report at 57 and 58.

Total Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 1,346,877	\$ 20,530	\$ 1,367,407
Water Loss Percent	22.1393%	22.1393%	22.1393%
Total Water Loss	\$ 298,189	\$ 4,545	\$ 302,734

Disallowed Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 1,346,877	\$ 20,530	\$ 1,367,407
Water Loss in Excess of 15%	7.1393%	7.1393%	7.1393%
Disallowed Water Loss	\$ 96,158	\$ 1,466	\$ 97,624

### TEST PERIOD

The calendar year ended December 31, 2024, was used as the test year to determine the reasonableness of Garrard County Water's proposed water rates as required by 807 KAR 5:076, Section 9.

### SUMMARY OF REVENUE AND EXPENSES

Description	Test Year	Total Adjustments	Commission Staff's Pro Forma
Total Operating Revenues	\$ 2,630,590	\$ 132,829	\$ 2,763,419
Total Operating Expenses ( )	(2,682,812)	(167,740)	(2,850,552)
Net Operating Income	(52,222)	(34,911)	(87,133)
Gains / (Losses) Sales of Utility Property	2,764	(2,764)	0
Interest Income	219,326	0	219,326
Non-utility Income	37,423	(12,774)	24,649
Miscellaneous Non-utility Expenses	(4,378)	0	(4,378)
Interest Expense	(73,849)	0	(73,849)
Income Available to Debt	\$ 129,064	\$ (50,449)	\$ 78,615

### REVIEW OF STAFF'S RECOMMENDATIONS

Garrard County Water proposed adjustments to its revenues and expenses to reflect current and expected operating conditions. In the Staff Report, Staff

recommended additional adjustments. The Commission accepts the recommendations contained in the Staff Report with no further modifications. The following is the Commission's complete pro forma:

Description	Test Year	Total Adjustments	Commission Staff's Pro Forma	Commission Approved Adjustments	Commission Approved Pro Forma
Operating Revenues					
Retail Metered Sales	\$ 2,523,840	\$ (16,664)		-	
		61,416		-	
		141,345	\$ 2,709,938	-	
Fire Protection	1,100	-	1,100	-	
Total Revenue Water Sales	2,524,940	186,098	2,711,038	-	\$ 2,711,038
Other Revenues:					
Forfeited Discounts		34,965	34,965	-	34,965
Miscellaneous Service Revenues	105,650	(34,965)		-	
		(18,648)		-	
		(34,621)	17,416	-	17,416
Total Operating Revenues	2,630,590	132,829	2,763,419	-	2,763,419
Operating Expense					
Operation and Maintenance					
Salaries and Wages - Employees	436,366	46,367	482,733	-	482,733
Salaries and Wages - Directors	37,500	2,100	39,600	-	39,600
Employee Benefits - Pensions & Benefits					
Employee - Health Insurance	76,221	19,779	96,000	-	96,000
Employee - Life	960	-	960	-	960
Employee - Other Benefits	784	-	784	-	784
Pensions	17,177	3,392	20,569	-	20,569
Purchased Water	1,121,957	53,645		-	
		143,665		-	
		27,610		-	
		(96,158)	1,250,719	-	1,250,719
Purchased Power	20,530	(1,466)	19,064	-	19,064
Materials and Supplies	118,122	-	118,122	-	118,122
Contractual Services - Acct.	36,694	-	36,694	-	36,694
Contractual Services - Legal	15,655	-	15,655	-	15,655
Contractual Services - Water Testing	9,680	-	9,680	-	9,680
Contractual Services - Other	91,632	-	91,632	-	91,632
Transportation	23,722	-	23,722	-	23,722
Insurance - Gen. Liability	35,260	4,578	39,838	-	39,838
Insurance - Workers' Compensation	8,485	2,264	10,749	-	10,749
Insurance - Other	210	-	210	-	210
Bad Debt	6,316	-	6,316	-	6,316
Amort - Rate Case		3,112	3,112	-	3,112
Miscellaneous Expenses	10,577	(2,195)	8,382	-	8,382
Total Operation and Mnt. Expense	2,067,848	206,693	2,274,541	-	2,274,541
Depreciation Expense	574,172				
		(45,529)	528,643	-	528,643
Taxes Other Than Income	40,792	6,576	47,368	-	47,368
Total Operating Expenses	2,682,812	167,740	2,850,552	-	2,850,552
Net Utility Operating Income	(52,222)	(34,911)	(87,133)	-	(87,133)
Gains (Losses) Sales of Utility Property	2,764	(2,764)	-	-	
Total Utility Operating Income	(49,458)	(37,675)	(87,133)	-	(87,133)
Other Income and Deductions:					
Interest Income	219,326	-	219,326	-	219,326
Non-utility income	37,423	18,648		-	
		(18,287)		-	
		(13,135)	24,649	-	24,649
Miscellaneous Non-utility Expenses	(4,378)	-	(4,378)	-	(4,378)
Interest Expense	(73,849)	-	(73,849)	-	(73,849)
Income Available to Service Debt	\$ 129,064	\$ (50,449)	\$ 78,615	-	\$ 78,615

Metered Retail Sales. Garrard County Water proposed three separate adjustments to retail sales in its application.<sup>14</sup> Garrard County Water proposed a decrease of \$16,664 to retail metered sales and provided a billing analysis listing the water usage and water sales revenue for the 12-month test year of 2024.<sup>15</sup> An adjustment to increase retail metered sales by \$61,416<sup>16</sup> was proposed by Garrard County Water to reflect the difference between the water service rates at the beginning of the test year of 2024 and rates approved by the Commission on November 8, 2024 through a purchased water adjustment (PWA) filing in Case No. 2024-00323.<sup>17</sup> Garrard County Water's third adjustment proposed an increase of \$141,345<sup>18</sup> to reflect the difference between the November 8, 2024 rates and separate rates approved by the Commission on September 5, 2025 through a PWA filing in Case No. 2025-00132.<sup>19</sup> Staff verified the billing analysis and recommended that the Commission accept all the adjustments because the ratemaking criteria of being known and measurable is satisfied.<sup>20</sup>

The Commission finds that Garrard County Water's three proposed adjustments should be accepted. Garrard County Water's retail metered sales should be decreased

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<sup>14</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations, References A - C.

<sup>15</sup> Garrard County Water's Response to Staff's First Request, Item 4a\_Billing\_Analysis\_Current\_Proposed.xlsx, Tab BA Existing Rates.

<sup>16</sup> Garrard County Water's Response to Staff's First Request, Item 4a\_Billing\_Analysis\_Current\_Proposed.xlsx, Tab BA PWA CN 2024-00263.

<sup>17</sup> See Case No. 2024-00323, *Electronic Purchased Water Adjustment Filing of Garrard County Water Association, Inc.* (Ky. PSC Nov. 8, 2024).

<sup>18</sup> Garrard County Water's Response to Staff's First Request, Item 4a\_Billing\_Analysis\_Current\_Proposed.xlsx, Tab BA PWA CN 2025-00326.

<sup>19</sup> See Case No. 2025-00263, *Electronic Purchased Water Adjustment Filing of Garrard County Water Association, Inc.* (Ky. PSC Sep. 5, 2025).

<sup>20</sup> Staff Report at 10–11.

by \$16,664, increased by \$61,416, and also increased by \$141,345 respectively, for a total increase to metered retail sales of \$186,097. The adjustments are known and measurable changes based on a thorough review of Garrard County Water's billing analysis. The adjustments reflect verifiable usage patterns and revenue data that were evaluated and normalized using the information provided in the record. The Commission finds that the methodology used to determine the adjustments is reasonable and consistent with regulatory principles.

Forfeited Discounts. Garrard County Water proposed a reclassification of \$34,965 from Miscellaneous Service Revenue to Forfeited Discounts, explaining in its application that \$34,965 of forfeited discount revenue was incorrectly applied to Miscellaneous Service Revenue.<sup>21</sup> Staff recommended that the Commission accept Garrard County Water's proposal to decrease Miscellaneous Service Revenue by \$34,965 and to increase Forfeited Discounts by \$34,965 to reclassify the amount as prescribed in Uniform System of Accounts (USoA).<sup>22</sup>

The Commission finds that Garrard County Water's proposed reclassification is reasonable to properly record Forfeited Discounts in accordance with the USoA and should be accepted.

Miscellaneous Service Revenue. As discussed in the Forfeited Discount section above, Garrard County Water proposed decreasing Miscellaneous Service Revenue by \$34,965 to reclassify this amount to Forfeited Discounts. An additional decrease to miscellaneous service revenues in the amount of \$18,648 was also proposed by Garrard

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<sup>21</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_\_operations.pdf, References, Reference D.

<sup>22</sup> Staff Report at 11 and Uniform System of Accounts – Account No. 470 Forfeited Discounts.

County Water, comprised of \$17,298 in 911 Processing Fees and \$1,350 in Other Non-utility Income, with the explanation that this amount should be classified as Non-utility Income.<sup>23</sup> In the Staff's Report, the recommendation to the Commission from Staff, was that the proposed adjustment be accepted as known and measurable.<sup>24</sup> In addition, Staff calculated a third adjustment decrease to Miscellaneous Service Revenue of \$34,621, based on the number of occurrences in the test period as provided by Garrard County Water<sup>25</sup> and Staff's recommended NRC fees.<sup>26</sup> The pro forma revenue amount is \$17,416, as shown in the table below:

Description	Test Year	Garrard County Water Association Proposed Adjustments	Commission Staff Adjustments	Total Adjustments	Pro Forma
Forfeited Discounts	\$ 34,965	\$ (34,965)	\$ -	\$ (34,965)	\$ -
Labor Charge	675	(675)		(675)	0
Machine Hire (Backhoe)	675	(675)		(675)	0
Miscellaneous Income	702		(702)	(702)	0
911 Processing Fee	17,298	(17,298)		(17,298)	0
<i>Non Recurring Charges</i>					
Service Charges	26,107		(17,407)	(17,407)	8,700
Reconnects	23,989		(15,673)	(15,673)	8,316
Return Check fee	1,239		(839)	(839)	400
Total NRCs	51,334	0	(33,919)	(33,919)	17,416
Total	\$ 105,650	\$ (53,613)	\$ (34,621)	\$ (88,234)	\$ 17,416

<sup>23</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations.pdf, References, Reference E.

<sup>24</sup> Staff Report at 12.

<sup>25</sup> Garrard County Water's Response to Staff's First Request, Item 20.

<sup>26</sup> Staff Report at 12-13.

The Commission finds that Staff's recommendation to decrease Miscellaneous Service Revenue in the amount of \$34,621 is known and measurable and should be accepted.

Salaries and Wages - Employees. During the test year, Garrard County Water reported \$436,366 in Salaries and Wages – Employees expense. Garrard County Water proposed one adjustment, an increase of \$46,367 to reflect a ten percent increase in wages, which was approved by the utility's Board of Directors,<sup>27</sup> and to normalize employee regular hours to 2,080.<sup>28</sup> Garrard County Water provided the test year employee list,<sup>29</sup> test year total hours worked,<sup>30</sup> current wage rate<sup>31</sup> and current employee list.<sup>32</sup> Garrard County Water currently has nine full time employees and five part time employees (Meter Readers).<sup>33</sup> Garrard County Water stated that full-time employees are scheduled to work 2,080 hours annually,<sup>34</sup> and that part time employees' (Meter Readers) pay is based upon the number of meters that each part time employee reads.<sup>35</sup> Staff

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<sup>27</sup> Garrard County Water's Response to Staff's First Request, Item 13a, 13\_2025\_GCWA\_Board\_of\_Directors\_Minutes, December 2025.

<sup>28</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations, References, Reference F.

<sup>29</sup> Garrard County Water's Response to Staff's First Request, Item 6, Employee\_Salaries\_and\_Wages.

<sup>30</sup> Garrard County Water's Response to Staff's First Request, Item 6, Employee\_Salaries\_and\_Wages.

<sup>31</sup> Garrard County Water's Response to Staff's First Request, Item 3, GCWA\_Rate\_Model. Employee salaries and wages tab.

<sup>32</sup> Garrard County Water's Response to Staff's First Request, Item 3, GCWA\_Rate\_Model. Employee salaries and wages tab.

<sup>33</sup> Garrard County Water's Response to Staff's First Request, Item 6b.

<sup>34</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations, References, Reference F.

<sup>35</sup> Garrard County Water's Response to Staff's First Request, Item 6c.

reviewed Garrard County Water's calculation and recommended that the Commission accept Garrard County Water's proposed adjustment because it is known and measurable.<sup>36</sup>

The Commission finds that Garrard County Water's recommendation is reasonable and approves the adjustment because the amount meets the ratemaking criteria of being known and measurable.

Salaries and Wages - Directors. Garrard County Water reported \$37,500 of expenses related to Salaries and Wages – Directors and proposed an adjustment to increase those expenses by \$2,100.<sup>37</sup> Garrard County Water's Board of Directors consists of seven members,<sup>38</sup> who are paid an initial monthly fee of \$300 each, which increases to \$500 when a member completes the training requirement.<sup>39</sup> The Board of Directors are nominated and voted on by members/customers; the compensation is voted on by the Board members.<sup>40</sup> Training records were provided for all Board Members in response to Staff's First Request.<sup>41</sup> Staff reviewed Garrard County Water's calculation and recommended the Commission accept Garrard County Water's proposed adjustment because it is known and measurable.<sup>42</sup>

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<sup>36</sup> Staff Report at 13 and 14.

<sup>37</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations, References, Reference G.

<sup>38</sup> Garrard County Water's Response to Staff's First Request, Item 14.

<sup>39</sup> Garrard County Water's Response to Staff's First Request, Item 14a.

<sup>40</sup> Garrard County Water's Response to Staff's First Request, Item 14b.

<sup>41</sup> Garrard County Water's Response to Staff's First Request, Item 14c\_2023\_Certificates\_GCWA, 14c\_2024\_Certificates\_GCWA, 14c\_2025\_Certificates\_GCWA.

<sup>42</sup> Staff Report at 14.

The Commission finds that Garrard County Water’s recommended adjustment is reasonable and should be accepted because it is known and measurable.

Commissioners	Pro Forma Salaries
Jenn Lynn Whittaker	\$ 6,000
Bill Doolin	6,000
Robert Ballard	6,000
Gary Clark	6,000
Bill Oliver	6,000
Sean Smith	6,000
Jessica Fyfe	3,600
Total Salaries and Wages - Officers	\$ 39,600
Test Year Salaries and Wages - Officers Expense ( )	(37,500)
Garrard County Water's Adjustment	(2,100)
Difference Between Garrard County Water's and Commission Staff's Adjustments	\$ -

Employee Benefits – Health Insurance. Garrard County Water reported \$76,221 of expenses related to Employee Health Insurance and proposed an adjustment to increase its expenses by \$19,727.<sup>43</sup> It stated that it provides Health, Life and AD&D coverages to its employees.<sup>44</sup> The amounts discussed in this section only relate to the Health Insurance for Garrard County Water’s employees, the Life and AD&D coverages were included as separate line items in the Pro Forma SAO. Staff reviewed the test year general ledger<sup>45</sup> and the invoices<sup>46</sup> provided by Garrard County Water and calculated a \$52 increase to Garrard County Water’s adjustment resulting in a pro forma expense of

<sup>43</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations, References, Reference H.

<sup>44</sup> Garrard County Water’s Response to Staff’s First Request, Item 7.

<sup>45</sup> Garrard County Water’s Response to Staff’s First Request, Item 2a\_GCWA\_2024\_General\_Ledger.

<sup>46</sup> Garrard County Water’s Response to Staff’s First Request, Item 7a\_Employee\_Benefit\_Invoices\_2024\_Redacted and 7c\_Employee\_Benefit\_Invoices\_2026\_Redacted.

\$96,000. Staff recommended the Commission accept Staff's adjustment because it is known and measurable.<sup>47</sup>

Type of Premium	Number of Employees	Total Cost
Medical Insurance - Employee Only	2	\$ 899
Medical Insurance - Employee Only	1	689
Medical Insurance - Employee Only	1	549
Medical Insurance - Employee + Child	2	2,838
Medical Insurance - Family	1	1,527
Medical Insurance - Family	1	1,499
Total Medical Insurance	8	8,000
Total Monthly Pro Forma Premium		8,000
Multiplied by: 12 Months		12
Total Annual Gross Health Insurance Cost		\$ 96,000
Test Year Net Insurance Cost ( )		(76,221)
Garrard County Water Adjustment ( )		(19,727)
Commission Staff's Adjustment		\$ 52

The Commission finds that Staff's recommended adjustment is reasonable and should be accepted because it is known and measurable.

Employee Benefits – Pension. Garrard County Water reported \$17,177 of expenses related to Employee Benefits - Pension and proposed an adjustment to increase those expenses by \$3,392.<sup>48</sup> Garrard County Water provides pension benefits to its eligible employees through a 401(k) plan,<sup>49</sup> in which employee elective contributions are matched by Garrard County Water Association up to five percent of employee compensation.<sup>50</sup> In 2025, eight of Garrard County Water's employees participated in the

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<sup>47</sup> Staff Report at 15.

<sup>48</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations.

<sup>49</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations, References, Reference I.

<sup>50</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations, References, Reference I.

401(k) plan.<sup>51</sup> Staff reviewed Garrard County Water's calculation and recommended the Commission accept Garrard County Water's adjustment because it is known and measurable.<sup>52</sup>

The Commission finds that Garrard County Water's recommended adjustments are reasonable and should be accepted because it is known and measurable.

Purchased Water. In its Application, Garrard County Water reported \$1,121,957 of expenses related to Purchased Water and proposed two adjustments to increase its expenses by \$53,645 and \$143,665 to reflect the wholesale water purchases from the city of Lancaster, Kentucky (Lancaster).<sup>53</sup> Garrard County Water purchases water from Lancaster, the Cities of Berea, Kentucky (Berea) and Danville, Kentucky (Danville).<sup>54</sup> Garrard County Water proposed two adjustments: (1) \$53,645 of increased cost due to Lancaster's 2024 wholesale rate increase,<sup>55</sup> and (2) \$143,665 of increased cost due to Lancaster's 2025 wholesale rate increase,<sup>56</sup> for a total proposed increase of \$197,310. During the test year, Garrard County Water purchased 426,805,239 gallons of water from Lancaster and 31,442,635 gallons of water from Danville.<sup>57</sup> Staff applied Lancaster's current tariff wholesale rate to the test year. Garrard County Water also pays the

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<sup>51</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations, References, Reference I.

<sup>52</sup> Staff Report at 16.

<sup>53</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations.

<sup>54</sup> 2024 Annual Report at 54.

<sup>55</sup> See Case No. 2024-00323, *Electronic Purchased Water Adjustment Filing of Garrard County Water Association, Inc.*, (Ky. PSC Nov. 8, 2024).final Order

<sup>56</sup> See Case No. 2025-00263, *Electronic Purchased Water Adjustment Filing of Garrard County Water Association, Inc.*, (Ky. PSC Sept. 5, 2025). final Order

<sup>57</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations, References, Reference J.

Kentucky River Authority Withdrawal Fee (KRA Fee) on purchases from Lancaster of \$0.280 per 1000 gallons. Staff calculated the KRA fee of \$119,505 based on the test year gallons purchased from Lancaster of 426,805,239. Based on test year purchases of 458,247,874 gallons, Staff calculated a total pro forma increase in Purchased Water Expense of \$224,920, which is \$27,610 greater than Garrard County Water's proposed adjustment of \$197,310. Staff recommended the Commission accept Staff's adjustment because it is known and measurable.<sup>58</sup>

Description	Lancaster	Danville	Total
First 325,000 Gallons	325,000,000	31,442,635	458,247,874
Current Purchase Rate	\$ 3.0044	\$ 2.4320	\$ 2.9392
Total	\$ 976,430		
Over 325,000Gallons	101,805,239		
Current Purchase Rate	\$ 1.7138		
	\$ 174,474		
Total Gallons	426,805,239		
KRA Fee	\$ 119,505		
Pro Forma Cost	\$ 1,270,409	\$ 76,468	\$ 1,346,877
Test Year Purchase Cost ( )			(1,121,957)
Increase			\$ 224,920

The Commission finds that Staff's recommended adjustments are reasonable and should be accepted because it is known and measurable.

Excess Water Loss. In its application, Garrard County Water proposed an adjustment to decrease Purchased Water Expense by \$94,187 and Purchased Power Expense by \$1,466<sup>59</sup> to reflect the disallowance of water loss expense in excess of 15 percent. During the test year, Garrard County Water reported a water loss of 22.1393

<sup>58</sup> Staff Report at 17.

<sup>59</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations.

percent.<sup>60</sup> Commission regulations state that, for ratemaking purposes, recovery for the expenses related to unaccounted for water loss in excess of 15 percent is not permissible.<sup>61</sup> Garrard County Water's test year indicated \$1,121,957 in Purchased Water Expenses and \$20,530 in Purchased Power Expenses.<sup>62</sup> In the table below, Staff adjusted Garrard County Water's Purchased Water Expense to correlate to the current wholesale rates. Staff calculated a disallowed Purchased Water Expense of \$96,158 using the adjusted cost of \$1,346,877 which is a \$1,971 increase from Garrard County Water's proposed adjustment of \$94,187. Staff agreed with Garrard County Water's adjustment to reduce Purchased Power expense by \$1,466.<sup>63</sup> The table below summarizes the disallowed Purchased Water and Purchased Power expenses for Garrard County Water. Staff recommended the Commission accept Staff's adjustment, since the amounts reflect the limit to costs related to excess water loss of 15 percent.<sup>64</sup>

The Commission finds Staff's adjustments are reasonable and approves the adjustments because they are supported by the evidence of purchase water and purchase power provided in the case record exceeding the 15 percent water loss threshold for recovery in rates.

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<sup>60</sup> 2024 Annual Report at 57 and 58.

<sup>61</sup> 807 KAR 5:066 (Water), Section 6(3) (Water Supply Management).

<sup>62</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations.

<sup>63</sup> Staff Report at 19.

<sup>64</sup> Staff Report at 18 and 19.

Disallowed Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 1,346,877	\$ 20,530	\$ 1,367,407
Water Loss in Excess of 15%	7.1393%	7.1393%	7.1393%
Disallowed Water Loss	<u>\$ 96,158</u>	<u>\$ 1,466</u>	<u>\$ 97,624</u>

Insurance – General Liability. Garrard County Water reported \$35,260 of expenses related to Insurance – General Liability and proposed no adjustments.<sup>65</sup> Staff reviewed Garrard County Water’s general ledger,<sup>66</sup> submitted invoices<sup>67</sup> and recalculated the expense based on the submitted invoices and recommends an increase of \$4,578 to the test year amounts to match the most recent invoices. Staff recommended the Commission accept Staff’s proposed adjustment because it is known and measurable.<sup>68</sup>

The Commission finds Staff’s recommended adjustments are reasonable and should be accepted as the amounts are known and measurable because they are based on reliable information in the case record and reflect values that have either already occurred or can be determined with reasonable certainty.

Insurance Workers Compensation. Garrard County Water reported \$8,485 of expenses related to Insurance Workers Compensation and proposed no adjustments.<sup>69</sup>

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<sup>65</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations.

<sup>66</sup> Garrard County Water’s Response to Staff’s First Request, Item 2a\_GCWA\_2024\_General\_Ledger.

<sup>67</sup> Garrard County Water’s Response to Staff’s First Request, Item 11\_Insurance\_Invoices.

<sup>68</sup> Staff Report at 19.

<sup>69</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations.

Staff reviewed Garrard County Water's general ledger,<sup>70</sup> submitted invoices<sup>71</sup> and recalculated the expense based on the submitted invoices and recommended an increase of \$2,264 to the test year amounts to match the most recent invoices. Staff recommended the Commission accept Staff's proposed adjustment because it is known and measurable.<sup>72</sup>

The Commission finds Staff's recommended adjustment is reasonable and should be accepted as the amounts are known and measurable because they are based on information in the case record and reflect values that have either already occurred or can be determined with reasonable certainty.

Rate Case Amortization. In its application, Garrard County Water did not report any test year expense related to rate case amortization but proposed an adjustment to increase Rate Case Amortization by \$3,112.<sup>73</sup> Garrard County Water provided a copy of a Kentucky Rural Water Association quote for the preparation of the rate case that is not to exceed \$9,335<sup>74</sup> and an invoice related to the rate case expenses.<sup>75</sup> Garrard County Water then amortized the rate case expense over three years. Staff agreed with Garrard County Water's methodology because utilities are expected to file for a rate case every

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<sup>70</sup> Garrard County Water's Response to Staff's First Request, Item 2a\_GCWA\_2024\_General\_Ledger.

<sup>71</sup> Garrard County Water's Response to Staff's Second Request, Item 5, 5\_2025\_Workers\_Comp\_Invoice.

<sup>72</sup> Staff Report at 19 and 20.

<sup>73</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations.

<sup>74</sup> Garrard County Water's Response to Staff's First Request, Item 15a, 15\_Rate\_Study\_Proposal.

<sup>75</sup> Garrard County Water's Response to Staff's Second Request, Item 11, 11\_KRWA\_Rate\_Case\_Invoice.

three to five years. Staff recommended the Commission accept Garrard County Water’s proposed adjustment because it is known and measurable.<sup>76</sup>

Description	Amount
Kentucky Rural Water Association	\$ 9,335
Amortization Years	3
Annual Rate Case Expense	<u>\$ 3,112</u>

The Commission finds Garrard County Water’s adjustment is reasonable and should be accepted because the amounts are supported by known and measurable information in the case record.

Miscellaneous Expenses. Garrard County Water reported \$10,577 in Miscellaneous Expenses during the test year.<sup>77</sup> Staff identified expenses totaling \$2,195, shown in the table below, in Garrard County Water’s test year general ledger that it recommends for removal from the revenue requirement. Staff recommended removing expenses related to the Christmas dinner<sup>78</sup> and employee gift cards for Christmas<sup>79</sup> because these costs are not directly related to Garrard County Water’s ability to provide service to its customers and therefore should not be recovered through rates. Staff noted that, while the expenses were approved by the Board of Directors,<sup>80</sup> Garrard County Water provided insufficient evidence that such expenses are governed by a formal policy

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<sup>76</sup> Staff Report at 20.

<sup>77</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations.

<sup>78</sup> Garrard County Water’s Response to Staff’s Second Request, Item 6b.

<sup>79</sup> Garrard County Water’s Response to Staff’s Second Request, Item 6a, 6\_Back\_Porch\_and\_Elan\_Financial\_Invoices.pdf.

<sup>80</sup> Garrard County Water’s Response to Staff’s First Request, Item 13, 13\_2024\_GCWA\_Board\_of\_Directors\_Minutes.

or are necessary for the provision of utility service. The adjustments result in a total reduction of \$2,195, as shown in the table below.

Miscellaneous			
Date	Reference	Description	Amount
12/10/2024	40370	Back Porch Clubhouse	\$ 1,195
12/26/2024	40384	Elan Financial	1,000
Total			\$ 2,195

Staff recommended the Commission accept Staff’s adjustment to reduce Miscellaneous Expenses by \$2,195, as the amounts are known and measurable and reflect the removal of expenses not directly related to Garrard County Water’s ability to provide service to its customers.<sup>81</sup>

The Commission finds Staff’s recommended adjustment is reasonable and should be accepted because the amounts are supported by known and measurable information in the record.

Depreciation. In its application, Garrard County Water reported \$574,172 of expenses related to Depreciation and proposed two adjustments.<sup>82</sup> Garrard County Water proposed an increase of \$1,670 to reflect the 2025 depreciation schedule and a decrease of \$53,406 to bring asset lives to the midpoint of the NARUC recommended ranges in its publication “Depreciation for Small Utilities”.<sup>83</sup> To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the same NARUC study. When no evidence exists to support a

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<sup>81</sup> Staff Report at 21.

<sup>82</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations.

<sup>83</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations.

specific life that is outside NARUC ranges, the Commission has historically used the midpoint of the NARUC ranges to depreciate the utility plant. Staff reviewed and agreed with Garrard County Water’s proposed adjustment of \$1,670 to reflect the 2025 depreciation schedule; however, Staff recalculated the depreciation schedule provided by Garrard County Water using NARUC’s midpoint ranges, as shown in the table below, and recommended a decrease of \$47,199 which is \$6,207 less than Garrard County Water’s proposed adjustment. Staff recommended the Commission accept Staff’s adjustment to Depreciation Expense because the amount is known and measurable.<sup>84</sup>

The Commission finds Staff’s adjustment is reasonable and should be accepted as the adjustment was based on the NARUC study discussed above and because the amounts that comprise the adjustment are known and measurable.

Asset Class	Original Cost	NARUC Recommended Service Lives	Current Depreciation	Staff Calculated Depreciation	Depreciation Adjustment
Building	\$ 204,026	37.5	\$ 3,982	\$ 3,645	\$ (336)
Equipment Power Operated	171,343	12.5	12,291	13,707	1,417
Equipment Shop tools ETC	13,262	17.5	805	613	(192)
Equipment Transportation	347,719	7.0	42,461	49,674	7,213
Hydrants	25,591	50.0	335	349	14
Mains & Lines	19,549,806	62.5	347,784	297,093	(50,691)
Meter Installation	683,485	45.0	18,345	15,189	(3,156)
Meters	1,745,354	20.0	70,100	70,358	258
Office Equipment, Furniture & Fix	84,558	22.5	5,009	1,113	(3,896)
Standpipes & Tanks	2,672,945	45.0	74,732	76,903	2,171
Land & easements	127,411	-	-	-	-
Total	<u>\$ 25,625,500</u>		<u>\$ 575,842</u>	<u>\$ 528,644</u>	<u>\$ (47,199)</u>
Garrard County Water's Adjustment ( )					(53,406)
Difference Between Commission Staff and Garrard County Water's Adjustment					<u>\$ (6,207)</u>

Taxes Other Than Income. During the test year, Garrard County Water recorded Taxes Other Than Income of \$40,792 which is composed of \$34,637 in Payroll Taxes,

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<sup>84</sup> Staff Report at 22.

\$1,318 in Insurance Unemployment, \$3,959 in PSC Assessment and \$878 in Property Tax on Rental. Garrard County Water proposed an adjustment to increase its Taxes Other Than Income Expense by \$6,576.<sup>85</sup> Staff reviewed Garrard County Water's calculations and agreed with the proposed adjustment. Staff recommended the Commission accept Garrard County Water's adjustment because it is known and measurable.<sup>86</sup>

The Commission finds Garrard County Water's recommended adjustment is reasonable and should be accepted as the amount is known and measurable because it is based on reliable information in the record and reflect values that have either already occurred or can be determined with reasonable certainty.

Gain (Losses) Sales of Utility Property. In its application, Garrard County Water proposed to decrease Gain (Losses) on Sale of Utility Property by \$2,764 to account for the gain on the sale of assets during the test year.<sup>87</sup> Staff agreed with the proposed adjustment since the sale of equipment is a non-recurring transaction, in the normal course of business and, therefore, should be removed from the test year. Staff recommended the Commission accept Garrard County Water's \$2,764 decrease to Gain (Losses) on sale of Utility Property since the sale of equipment will not recur and is, therefore, not representative of the normal course of business.<sup>88</sup>

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<sup>85</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations.

<sup>86</sup> Staff Report at 23.

<sup>87</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations.

<sup>88</sup> Staff Report at 23 and 24.

The Commission finds that Garrard County Water's recommended adjustment is reasonable and should be accepted because it is known and measurable.

Non-utility Income. Garrard County Water reported test year Non-utility Income of \$37,423 and proposed three adjustments.<sup>89</sup> First, Garrard County Water proposed an increase of \$18,648 to reclassify income from Miscellaneous Service Revenues to Non-utility Income.<sup>90</sup> Garrard County Water recorded income from several Non-utility services in the revenue account Miscellaneous Service Revenues. To correct this misclassification, as discussed above in Miscellaneous Service Revenues section, Miscellaneous Service Revenues was decreased by \$18,648 and Non-utility Income was increased by the same amount.<sup>91</sup> Staff reviewed Garrard County Water's General Ledger and agreed that the income should be properly classified as Non-utility income.<sup>92</sup>

Second, Garrard County Water proposed a decrease of \$18,287 to remove an unrealized gain associated with investments recorded during the test year.<sup>93</sup> The utility recognized an increase in an investment account due to interest and fair value adjustments. Because this gain represents an unrealized and non-recurring event, Garrard County Water removed the amount from Non-utility income.<sup>94</sup> Staff found the

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<sup>89</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations.

<sup>90</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations, References, Reference E.

<sup>91</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations, References, Reference E.

<sup>92</sup> Staff Report at 24.

<sup>93</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations.

<sup>94</sup> Application, 4\_(SAO)\_Statement\_of\_Adjusted\_Operations, References, Reference Q.

adjustment reasonable because unrealized investment gains are not representative of ongoing operations.<sup>95</sup>

Third, Garrard County Water proposed a decrease of \$13,135 to remove a gain on sales of investments recorded during the test year. Because the gain represents a non-recurring event, Garrard County Water removed the amount from pro forma Non-utility Income. Staff agreed that this gain should be excluded from normalized income. Staff recommended the Commission accept Garrard County Water’s total pro forma amount for Non-Utility Income because it is comprised of known and measurable adjustments.<sup>96</sup>

The Commission finds that Garrard County Water’s proposed pro forma amount is reasonable and should be accepted because it is known and measurable.

SUMMARY OF ADJUSTMENTS

Based upon the Commission’s findings discussed above, the following table summarizes Garrard County Water’s pro forma:

Description	Commission Staff Pro Forma	Commission Approved Adjustments	Commission Approved Pro Forma
Total Operating Revenues	\$ 2,763,419	-	\$ 2,763,419
Total Operating Expenses ( )	(2,850,552)	-	(2,850,552)
Net Operating Income	(87,133)	-	(87,133)
Gains (Losses) Sales of Utility Property	0	-	0
Interest Income	219,326	-	219,326
Non-utility Income	24,649	-	24,649
Miscellaneous Non-utility Expenses	(4,378)	-	(4,378)
Interest Expense	(73,849)	-	(73,849)
Income Available to Debt	<u>\$ 78,615</u>	-	<u>\$ 78,615</u>

<sup>95</sup> Staff Report at 24 and 25.

<sup>96</sup> Staff Report at 25.

OVERALL REVENUE REQUIREMENT AND  
REQUIRED REVENUE INCREASE

In the application, Garrard County Water proposed to calculate the Revenue Requirement using the Operating Ratio (OR) methodology.<sup>97</sup> The Commission has historically used an OR method to calculate the revenue requirement for water districts or associations with little to no outstanding long-term debt.<sup>98</sup> Staff reported that if the Commission used the Debt Service Coverage (DSC) method, Garrard County Water would only recover \$209,953 for the Debt Service and Additional Working Capital, as shown in the following table.<sup>99</sup>

Description	Amount
Average Annual Principal and Interest Payments	\$ 174,961
Additional Working Capital at 20%	34,992
Total Additional Working Capital	<u>\$ 209,953</u>

The OR method provides \$388,712 in additional working capital. Staff recommended that, due to Garrard County Water’s low debt service requirement, the rate increase from the DSC method would not provide Garrard County Water with sufficient working capital to operate effectively to provide adequate, efficient, and reasonable service.<sup>100</sup> Therefore, the Commission determined that the OR was more suitable than the DSC method to provide Garrard County Water sufficient working capital to maintain financial stability. Garrard County Water currently has two outstanding debts, a Kentucky

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<sup>97</sup> Application, 5\_Revenue\_Requirement\_Calculation.

<sup>98</sup> Case No. 2024-00234, *Electronic Application of North Nelson Water District for a Rate Adjustment Pursuant to 807 KAR 5:076*. Case No. *Electronic Application of Graves County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076*.

<sup>99</sup> Staff Report at 26.

<sup>100</sup> Staff Report at 26.

Infrastructure Authority (KIA) loan and a United States Department of Agriculture’s (USDA) Rural Development (RD) Loan.<sup>101</sup>

By applying the OR method, Staff calculated Garrard County Water’s Revenue Requirement from Rates for Service to be \$3,014,464. A revenue increase of \$303,426 or 11.19 percent is necessary to generate the Overall Revenue Requirement of \$3,306,442. After reviewing the evidence provided, the Commission finds that the application of the OR method is appropriate.

Description	Commission Staff's Report	Commission Approved
Pro Forma Operating Expenses	\$ 2,850,552	\$ 2,850,552
Operating Ratio	88%	88%
Subtotal	3,239,264	3,239,264
Average Annual Interest Expense	67,179	67,179
Total Revenue Requirement	3,306,442	3,306,442
Forfeited Discounts	(34,965)	(34,965)
Miscellaneous Service Revenues	(17,416)	(17,416)
Interest Income	(219,326)	(219,326)
Non-utility Income	(24,649)	(24,649)
Miscellaneous Non-utility Expenses	4,378	4,378
Revenue Required From Rates	3,014,464	3,014,464
Normalized Revenue From Water Sales ( )	(2,711,038)	(2,711,038)
Required Revenue Increase / (Decrease)	<u>\$ 303,426</u>	<u>\$ 303,426</u>
Percentage Increase / (Decrease)	<u>11.19%</u>	<u>11.19%</u>

Average Annual Interest and Fees Payment. As discussed above, at the time of Staff’s review, Garrard County Water had one outstanding KIA loan and one RD loan.

<sup>101</sup> Case No. 2023-00128, *Electronic Application of Garrard County Water Association, Inc. for the Issuance of a Certificate of Public Convenience and Necessity to Construct a Water System Improvements Project and an Order Authorizing the Issuance of Securities Pursuant to the Provisions of KRS 278.020, KRS 278.300, and 807 KAR 5:001.* 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 Rates Pursuant to the Provisions of KRS 278.023.*

Garrard County Water provided the amortization schedules for its outstanding debt.<sup>102</sup> Using the amortization tables, Staff calculated the Average Annual Interest using a five-year average for the years 2026 through 2030. Staff calculated an average Interest Expense of \$67,179 as shown in the following table.<sup>103</sup>

Description	2026	2027	2028	2029	2030	Total
KIA	\$ 29,174	\$ 27,907	\$ 26,612	\$ 25,288	\$ 23,933	\$ 132,915
RD	42,207	41,415	40,610	39,790	38,956	202,978
Total	<u>\$ 71,381</u>	<u>\$ 69,323</u>	<u>\$ 67,222</u>	<u>\$ 65,078</u>	<u>\$ 62,889</u>	335,893
					Five year Average	<u>\$ 67,179</u>

The Commission finds Staff's calculated Average Annual Interest and Fees payments of \$67,179 should be included in Garrard County Water's Revenue Requirement because the OR methodology allows for the recovery of the Interest and fees payments.

### RATE DESIGN

In its application, Garrard County Water proposed to increase all of its monthly retail water service rates by 11.59 percent,<sup>104</sup> which it revised to 8.38 percent on March 12, 2026, by providing a corrected Revenue Requirement table.<sup>105</sup> Garrard County Water stated that it did not file a cost-of-service study (COSS) at this time.<sup>106</sup> Garrard County Water stated that it did not consider filing a COSS with the current rate application as there were no material changes in its system, and it would consider preparing a new

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<sup>102</sup> Application, 10\_GCWA\_Long-Term\_Debt\_Amortization\_Schedules.

<sup>103</sup> Staff Report at 27.

<sup>104</sup> Garrard County Water's Application, 5\_Revenue\_Requirement\_Calculation.pdf.

<sup>105</sup> Garrard County Water's Application, 3\_Comparison\_Existing\_and\_Proposed\_Rates and Garrard County Water's Response to Staff's Second Request, Item 7.

<sup>106</sup> Garrard County Water's Response to Staff's First Request, Item 18(a).

COSS if material changes to the system were to occur.<sup>107</sup> Garrard County Water also stated that it was unable to locate a copy of the most recent COSS performed.<sup>108</sup> The Commission has previously found that the allocation of a revenue adjustment evenly across the board to a utility's rate design is appropriate when there has been no evidence entered into the record demonstrating that this method is unreasonable in the absence of a COSS.<sup>109</sup> Finding no such evidence in this case, Staff allocated the \$303,426 revenue increase evenly across Garrard County Water's monthly retail water service rates. The rates set forth in Appendix B to this report are based upon the revenue requirement the Commission has found to be fair, just and reasonable, and will produce sufficient revenues from water sales to recover the \$3,014,464 of revenue required from rates, an approximate 11.19 percent increase. The monthly water bill for a typical residential customer using 4,366 gallons<sup>110</sup> will increase by \$3.95 from \$35.38 to \$39.33, or approximately 11.17 percent.

Nonrecurring Charges and Meter Connection Charges. The Commission finds that the Staff Report is consistent with recent Commission decisions identifying issues with the calculation of Nonrecurring Charges,<sup>111</sup> in which labor costs occurring during normal

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<sup>107</sup> Garrard County Water's Response to Staff's First Request, Item 18(b).

<sup>108</sup> Garrard County Water's Response to Staff's First Request, Item 18(d).

<sup>109</sup> Case No. 2024-00155, *Electronic Application of Cannonsburg Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Apr. 8, 2025); Case No. 2024-00242, *Electronic Application of Wood Creek Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 21, 2025); Case No. 2024-00068, *Electronic Application of Simpson County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 29, 2024); and Case No. 2024-00002, *Electronic Application of Nebo Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Aug. 2, 2024).

<sup>110</sup> Application, 1\_Customer\_Notice.pdf.

<sup>111</sup> Case No. 2024-00155, *Electronic Application of Cannonsburg Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Apr. 8, 2025); Case No. 2024-00242, *Electronic Application of Wood Creek Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 21, 2025); Case No. 2024-00068, *Electronic Application of Simpson County Water District for a Rate*

working hours are excluded from nonrecurring charges. To be considered reasonable, the Commission has found that nonrecurring charges be directly related to the actual cost incurred to provide the service. Only the marginal cost related to the service should be recovered through a special nonrecurring charge for service provided during normal working hours. District personnel are currently paid for work performed during normal business hours, and their salaries and wages are an expense recovered in rates, thus, without specific evidence proving otherwise, there is no additional nominal employee compensation expense incurred to provide a nonrecurring charge service provided during regular business hours. For the reasons discussed above, the estimated labor expenses previously included in determining the amount of nonrecurring charges performed during regular business hours should be eliminated from the charges, as proposed by Staff.

Garrard County Water provided updated cost justification information, which included estimated regular business hours labor costs for most of the Nonrecurring Charges.<sup>112</sup> Garrard County Water's current tariff lists an annual Fire Hydrant fee per hydrant,<sup>113</sup> which is listed in the table below as unchanged. Garrard County Water did not provide a cost justification form for delinquent account field collection charge and stated in response to Staff's inquiry that there were no occurrences during the test period.<sup>114</sup> Staff recommended removing the delinquent account field collection charge

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*Adjustment Pursuant to 807 KAR 5:076 (Ky. PSC Oct. 29, 2024); and Case No. 2024-00002, Electronic Application of Nebo Water District for a Rate Adjustment Pursuant to 807 KAR 5:076 (Ky. PSC Aug. 2, 2024).*

<sup>112</sup> Garrard County Water's Response to Staff's First Request, Item 21\_NRC\_Cost\_Justification\_Sheets.pdf.

<sup>113</sup> Tariff 10<sup>th</sup> Revised Sheet No. 2 and Original Sheet No. 20–21.

<sup>114</sup> Garrard County Water's Response to Staff's Second Request, Item 10.

from Garrard County Water’s tariff,<sup>115</sup> because of the lack of a cost justification form supporting the charge. The cost justification information shown in Appendix A was provided by Garrard County Water and supports the adjustments. Staff’s calculated nonrecurring charges are listed below.

Nonrecurring Charge	Current Charge	Revised Charge
Meter Turn-On (Service Charge)	\$60.00	\$20.00
Reconnection Charge	78.00	\$27.00
Return Check Charge	25.00	\$8.00
Meter Test Charge	70.00	\$33.50
Meter Move and Reset Charge	Actual	no change

Garrard County Water provided cost justification sheets for its 5/8- x 3/4-inch Meter Connection Charge<sup>116</sup> and its 1-inch Meter Connection Charge.<sup>117</sup> Staff reviewed the information provided by Garrard County Water and did not recommend any changes to the Meter Connection charges because the documentation supports the current tariff fees.<sup>118</sup>

The Commission accepts Staff’s recommendations because the amounts are reasonable as well as known, and measurable and finds that the nonrecurring charges should be approved.

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<sup>115</sup> Staff’s Report at 7–8.

<sup>116</sup> Garrard County Water’s Response to Staff’s Second Request, Item 1\_Tap-on\_\_Cost\_Just\_Sheet\_3-4\_Inch\_Meter.pdf.

<sup>117</sup> Garrard County Water’s Response to Staff’s Second Request, Item 1\_Tap-on\_\_Cost\_Just\_Sheet\_1\_Inch\_Meter.pdf.

<sup>118</sup> Staff Report at 7 and 8.

## SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that the recommendations contained in the Staff Report are supported by the evidence of record and are reasonable. Applying the OR method to Garrard County Water's pro forma operations results in an Overall Revenue Requirement of \$3,306,442, and that a \$303,426, or 11.19 percent, revenue increase to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.

IT IS THEREFORE ORDERED that:

1. The recommendations contained in the Staff Report are adopted and incorporated by reference into this Order as if fully set out herein.
2. The water service rates proposed by Garrard County Water are denied.
3. The water service rates set forth in Appendix B to this Order are approved for service rendered by Garrard County Water on or after the date of this Order.
4. Within 20 days of the date of service of this Order, Garrard County Water shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and their effective date, and stating that the rates and charges were authorized by this Order.
5. This case is closed and removed from the Commission's docket.

Entered on this 9th day of June, 2026.

PUBLIC SERVICE COMMISSION




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Angie Hatton  
Chair



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Mary Pat Regan  
Commissioner



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Andrew W. Wood  
Commissioner



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Barry L. Mayfield  
Commissioner

ATTEST:



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Linda C. Bridwell, PE  
Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2025-00396 DATED JUN 9 2026

\* Denotes Rounding

Nonrecurring Charges Adjustments		
	Meter Turn-On Charge (Service Charge)	
	Utility Revised Charge	Staff Revised Charge*
Field Materials		
Field Labor (\$35 at 1 hours)	\$35.00	
Office Supplies	\$3.00	\$3.00
Office Labor	\$5.00	
Transportation	\$17.00	\$17.00
Misc.		
Total Revised Charge	<u>\$60.00</u>	<u>\$20.00</u>
Current Rate	\$60.00	
Reconnection Charge		
	Utility Revised Charge	Staff Revised Charge*
Field Materials		
Field Labor (\$30 at 1.5 hours)	\$45.00	
Office Supplies	\$2.00	\$2.00
Office Labor	\$6.00	
Transportation	\$25.00	\$25.00
Misc.		
Total Revised Charge	<u>\$78.00</u>	<u>\$27.00</u>
Current Rate	\$78.00	
Return Check Charge		
	Utility Revised Charge	Staff Revised Charge*
Field Materials		
Field Labor (\$23.33 at 1.5 hours)		
Office Supplies	\$3.00	\$3.00
Office Labor	\$17.00	
Transportation		
Bank charge	\$5.00	\$5.00
Total Revised Charge	<u>\$25.00</u>	<u>\$8.00</u>
Current Rate	\$25.00	

	Meter Test Charge Utility Revised Charge	Staff Revised Charge
Field Materials		
Field Labor (\$30.00 at 1.0 hours)	\$30.00	
Office Supplies	\$2.00	\$2.00
Office Labor	\$6.50	
Transportation	\$12.50	\$12.50
Other: Shipping cost	\$10.00	\$10.00
Other: Meter test charge	\$9.00	\$9.00
Total Revised Charge	<u>\$70.00</u>	<u>\$33.50</u>
Current Rate	\$70.00	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2025-00396 DATED JUN 9 2026

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	\$14.93	Minimum Bill
Next	1,000	Gallons	\$0.00839	Per Gallon
Next	1,000	Gallons	\$0.00693	Per Gallon
Next	2,000	Gallons	\$0.00665	Per Gallon
Over	5,000	Gallons	\$0.00626	Per Gallon

1-Inch Meter

First	5,000	Gallons	\$43.56	Minimum Bill
Over	5,000	Gallons	\$0.00626	Per Gallon

1 1/2-Inch Meter

First	10,000	Gallons	\$74.86	Minimum Bill
Over	10,000	Gallons	\$0.00626	Per Gallon

2-Inch Meter

First	25,000	Gallons	\$168.73	Minimum Bill
Over	25,000	Gallons	\$0.00626	Per Gallon

Bulk Sales

\$0.00754 Per Gallon

Nonrecurring Charges

Meter Turn-On (Service Charge)	\$20.00
Reconnection Charge	\$27.00
Return Check Charge	\$8.00
Meter Test Charge	\$33.50
Meter Move and Reset Charge	Actual Cost

Fire Hydrants (per year per hydrant) \$50.00

Meter Connection Charges

5/8- x 3/4-Inch Water Tap On	\$934.75
1- Inch Water Tap On	\$1,092.75
1 1/2-Inch Water Tap On	Actual Cost
2-Inch Water Tap On	Actual Cost

## Service List for 2025-00396

\* Robert K. Miller  
Straightline Kentucky LLC  
113 North Birchwood Ave.  
Louisville, KY 40206

\* Mark Frost  
110 Woodford Place  
#1  
Harrodsburg, KY 40330

\* Garrard County Water Association, Inc.  
315 Lexington Road  
P. O. Box 670  
Lancaster, KY 40444

\* Sean Smith  
Registered Agent  
Garrard County Water Association, Inc.  
315 Lexington Road  
P. O. Box 670  
Lancaster, KY 40444