

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)	

NOTICE OF FILING OF COMMISSION STAFF'S REPORT

Notice is hereby given that, in accordance with the Commission's Order of December 30, 2025, the attached report containing the recommendations of Commission Staff (Staff) regarding the Applicant's proposed rate adjustment has been filed in the record of the above-styled proceeding. Pursuant to the Commission's December 30, 2025 Order, Garrard County Water Association, Inc. (Garrard County Water) is required to file written comments regarding the recommendations of Staff no later than 14 days from the date of service of this report. The Commission directs Garrard County Water to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission.

 
Linda C. Bridwell, PE
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601-8294

DATED APR 21 2026

cc: Parties of Record

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

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)	

COMMISSION STAFF'S REPORT
ON GARRARD COUNTY WATER ASSOCIATION, INC.

Garrard County Water Association, Inc. (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.¹

On December 10, 2025, Garrard County Water filed its application with the 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 9,² 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

¹ *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.

² 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.

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.³

UNACCOUNTED FOR WATER LOSS

Over the last five years, Garrard County Water reported an average water loss of 22.3325 percent,⁴ 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

³ 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).

⁴ *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.

Water is \$302,734, while the annual cost of unaccounted for water loss in excess of 15 percent is \$97,624.

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

DISCUSSION

Using its pro forma test-year operations, Garrard County Water determined that a base rate revenue increase of \$314,279 or 11.59 percent, was necessary to achieve the revenue requirement as shown in the table below.⁵ Garrard County Water used the Operating Ratio method to calculate its revenue requirement.

During discovery, Garrard County Water provided corrected revenue requirement calculations to address errors in the original filing in response to Staff's Second Request, which reduced the requested increase to \$227,277 or 8.38 percent.⁶

⁵ Application, 5_Revenue_Requirement_Calculation.

⁶ Garrard County Water's Response to Staff's Second Request, Item 7.

Description	Garrard County Water	
	Association Revised	Commission Staff
Pro Forma Operating Expenses	\$ 2,814,007	\$ 2,850,552
Operating Ratio	88%	88%
Subtotal	3,197,735	3,239,263
Average Annual Interest Expense	67,179	67,179
Total Revenue Requirement	3,264,914	3,306,442
Forfeited Discounts	(34,965)	(34,965)
Miscellaneous Service Revenues	(52,037)	(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	2,938,315	3,014,464
Normalized Revenue From Water Sales ()	(2,711,038)	(2,711,038)
Required Revenue Increase / (Decrease)	\$ 227,277	\$ 303,426
Percentage Increase / (Decrease)	8.38%	11.19%

To determine the reasonableness of the rates requested by Garrard County Water, Staff performed a limited financial review of Garrard County Water's test-year operations. The scope of Staff's review was limited to determining whether operations reported for the test year were representative of normal operations. Known and measurable⁷ changes to test-year operations were identified, and adjustments were made when their effects

⁷ Commission regulation 807 KAR 5:076, Section 9, sets the standard for the determination of the reasonableness of proposed rates and states, in pertinent part, that the test period shall be "adjusted for known and measurable changes." See also Case No. 2001-00211, *Application of Hardin County Water District No. 1 for (1) Issuance of Certificate of Public Convenience and Necessity; (2) Authorization to Borrow Funds and to Issue its Evidence of Indebtedness Therefore; (3) Authority to Adjust Rates; and (4) Approval to Revise and Adjust Tariff* (Ky. PSC Mar. 1, 2002); Case No. 2002-00105, *Application of Northern Kentucky Water District for (A) an Adjustment of Rates; (B) a Certificate of Public Convenience and Necessity for Improvements to Water Facilities if Necessary; and (C) Issuance of Bonds* (Ky. PSC June 25, 2003); and Case No. 2017-00417, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of Lebanon Water Works* (Ky. PSC July 12, 2018).

were deemed material. Insignificant and immaterial discrepancies were not necessarily pursued or addressed.

Staff's recommendations are summarized in this report. Vinay Raj Raju reviewed the calculation of Garrard County Water's Overall Revenue Requirement, and Elizabeth Stefanski reviewed Garrard County Water's reported revenues and rate design.

SUMMARY OF FINDINGS

1. Overall Revenue Requirement and Required Revenue Increase. By applying the Operating Ratio method, as generally accepted by the Commission, Staff found that Garrard County Water's required revenue from water sales is \$3,014,464 to meet the Overall Revenue Requirement of \$3,306,442 and that a \$303,426, or 11.19 percent, increase to revenue from sales at present rates is necessary to generate the Overall Revenue Requirement.

2. Monthly Water Service Rates. As part of its revised calculations, Garrard County Water proposed to increase all of its monthly retail water service rates by 8.38 percent.⁸ Garrard County Water stated that it did not file a cost-of-service study (COSS) at this time.⁹ 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 COSS if material changes to the system were to occur.¹⁰ Garrard County Water stated that it was unable to locate a copy of the most recent COSS

⁸ Garrard County Water's Application, 3_Comparison_Existing_and_Proposed_Rates and Garrard County Water's Response to Staff's Second Request, Item 7.

⁹ Garrard County Water's Response to Staff's First Request, Item 18(a).

¹⁰ Garrard County Water's Response to Staff's First Request, Item 18(b).

performed.¹¹ 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.¹² 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 recommended in Appendix B to this report are based upon the revenue requirement, as calculated by Staff, and will produce sufficient revenues from water sales to recover the \$3,014,464 revenue required from rates, an approximate 11.19 percent increase. The monthly water bill for a typical residential customer using 4,366 gallons¹³ will increase by \$3.95 from \$35.38 to \$39.33, or approximately 11.17 percent.

3. Nonrecurring Charges and Meter Connection Charges. Following the Commission's previous decisions identifying issues with the calculation of Nonrecurring Charges,¹⁴ Staff reviewed Garrard County Water's Nonrecurring Charges. Since utility personnel are already compensated for labor performed during regular business hours,

¹¹ Garrard County Water's Response to Staff's First Request, Item 18(d).

¹² 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).

¹³ Application, 1_Customer_Notice.pdf.

¹⁴ 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).

estimated labor costs representing periods occurring during regular business hours, which were previously included in determining Nonrecurring Charges expense, should be eliminated from the charges. District personnel are currently paid during normal business hours, and their salaries and wages are an expense recovered in rates, thus there is no additional employee compensation nominal expense incurred to provide a nonrecurring charge service provided during regular business hours. Garrard County Water provided updated cost justification information, which included estimated regular business hours labor costs for most of the Nonrecurring Charges.¹⁵ Garrard County Water's current tariff lists an annual Fire Hydrant fee per hydrant,¹⁶ 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.¹⁷ Because it did not provide the cost justification form to support this charge, Staff recommends removing the delinquent account field collection charge from Garrard County Water's Tariff. Should Garrard County Water wish to keep the charge it should provide the cost justification form to support this charge. Staff reviewed the cost justification information provided by Garrard County Water and adjusted the charges by removing Field Labor Costs and Office/Clerical Labor Costs that occur during regular business hours from those charges. The cost justification information shown in Appendix A was provided by Garrard County Water and supports the adjustments. The table below shows the current and revised nonrecurring charges.

¹⁵ Garrard County Water's Response to Staff's First Request, Item 21_NRC_Cost_Justification_Sheets.pdf.

¹⁶ Tariff 10th Revised Sheet No. 2 and Original Sheet No. 20-21.

¹⁷ Garrard County Water's Response to Staff's Second Request, Item 10.

The adjustments to the Nonrecurring Charges result in a decrease in Other Water Revenues of \$33,919.

Description	Occurrences	Current Charge	Revised Charge	Adjustments	Pro Forma Revenue
Meter Turn-On (Service Charges)	435	\$60.00	\$20.00	\$ (17,407)	\$ 8,700
Reconnection Charges	308	\$78.00	\$27.00	(15,673)	8,316
Meter Test Charge	0	\$70.00	\$33.50	-	-
Return Check fee	50	\$25.00	\$8.00	(839)	400
Meter Move and Reset Charge		Actual	Actual	-	-
Fire Hydrants (per year each)		\$50.00	\$50.00	-	-
Pro Forma				<u>\$ (33,919)</u>	17,416
Test Year ()					<u>(51,335)</u>
Total					<u>\$ (33,919)</u>

Garrard County Water provided cost justification sheets for its 5/8 x 3/4-inch Meter Connection Charge¹⁸ and its 1-inch Meter Connection Charge.¹⁹ Staff reviewed the information provided by Garrard County Water and does not recommend any changes to the Meter Connection charges because the documentation supports the current tariff fees.

PRO FORMA OPERATING STATEMENT

Garrard County Water's Pro Forma Operating Statement for the test year ended December 31, 2024, as determined by Staff appears in the table below.

¹⁸ Garrard County Water's Response to Staff's Second Request, Item 1_Tap-on_Cost_Just_Sheet_3-4_Inch_Meter.pdf.

¹⁹ Garrard County Water's Response to Staff's Second Request, Item 1_Tap-on_Cost_Just_Sheet_1_Inch_Meter.pdf.

Description	Test Year	Garrard County Water Association		Commission Staff Adjustments	Total Adjustments	(Ref)	Pro Forma
		Proposed Adjustments					
Operating Revenues							
Retail Metered Sales	\$ 2,523,840	\$ (16,664)	0	\$ (16,664)	A		
		61,416	0	61,416	A		
		141,345	0	141,345	A	\$ 2,709,938	
Fire Protection	1,100			0			1,100
Total Revenue Water Sales	2,524,940	186,098	-	186,098			2,711,038
Other Revenues:							
Forfeited Discounts		34,965	0	34,965	B		34,965
Miscellaneous Service Revenues	105,650	(34,965)	0	(34,965)	C		
		(18,648)	0	(18,648)	C		
			(34,621)	(34,621)	C		17,416
Total Operating Revenues	2,630,590	167,450	(34,621)	132,829			2,763,419
Operating Expense							
Operation and Maintenance							
Salaries and Wages - Employees	436,366	46,367	0	46,367	D		482,733
Salaries and Wages - Directors	37,500	2,100	0	2,100	E		39,600
Employee Benefits - Pensions & Benefits							
Employee - Health Insurance	76,221	19,727	52	19,779	F		96,000
Employee - Life	960			0			960
Employee - Other Benefits	784			0			784
Pensions	17,177	3,392	0	3,392	G		20,569
Purchased Water	1,121,957	53,645	0	53,645	H		
		143,665	0	143,665	H		
			27,610	27,610	H		
		(94,187)	(1,971)	(96,158)	I	1,250,719	
Purchased Power	20,530	(1,466)	0	(1,466)	I		19,064
Materials and Supplies	118,122			0			118,122
Contractual Services - Acct.	36,694			0			36,694
Contractual Services - Legal	15,655			0			15,655
Contractual Services - Water Testing	9,680			0			9,680
Contractual Services - Other	91,632			0			91,632
Transportation	23,722			0			23,722
Insurance - Gen. Liability	35,260	0	4,578	4,578	J		39,838
Insurance - Workers' Compensation	8,485	0	2,264	2,264	K		10,749
Insurance - Other	210			0			210
Bad Debt	6,316			0			6,316
Amort - Rate Case		3,112	0	3,112	L		3,112
Miscellaneous Expenses	10,577		(2,195)	(2,195)	M		8,382
Total Operation and Mnt. Expense	2,067,848	176,355	30,338	206,693			2,274,541
Depreciation Expense	574,172	1,670	0		N		
		(53,406)	6,207	(45,529)	N	528,643	
Taxes Other Than Income	40,792	6,576	0	6,576	O		47,368
Total Operating Expenses	2,682,812	131,195	36,545	167,740			2,850,552
Net Utility Operating Income	(52,222)	36,255	(71,166)	(34,911)			(87,133)
Gains (Losses) Sales of Utility Property	2,764	(2,764)		(2,764)	P		0
Total Utility Operating Income	(49,458)	33,491	(71,166)	(37,675)			(87,133)
Other Income and Deductions:							
Interest Income	219,326			0			219,326
Non-utility income	37,423	18,648	0	18,648	C		
		(18,287)	0	(18,287)	Q		
		(13,135)	0	(13,135)	Q		24,649
Miscellaneous Non-utility Expenses	(4,378)			0			(4,378)
Interest Expense	(73,849)			0			(73,849)
Net Income	129,064	20,717	(71,166)	(50,449)			78,615
Income Available to Service Debt	\$ 79,606	\$ 54,208	\$ (142,332)	\$ (88,124)			\$ (8,518)

(A) Metered Retail Sales. In Case No. 2023-00424, city of Lancaster (Lancaster) was approved to increase its wholesale rate to Garrard County Water in three phases.²⁰ On November 8, 2024, Garrard County Water was approved by the Commission to increase its service rates through a purchased water adjustment filing (PWA), to account for the first phased in rates.²¹ Additionally, on September 5, 2025, Garrard County Water was approved by the Commission to increase its service rates through a separate PWA to account for the second phased in rates.²² In its application, Garrard County Water proposed an increase of \$61,416 to reflect the difference between the water service rates at the beginning of the test year and rates approved on November 8, 2024.²³ Garrard County Water also proposed an increase of \$141,345 to reflect the difference between the water service rates approved on November 8, 2024 and rates approved on September 5, 2025.²⁴ The evidence in the case demonstrates that the \$61,416 increase from Case No. 2024-00323 and the \$141,345 increase from Case No. 2025-00132 are known and measurable adjustments.

Staff recommends the Commission accept the increase of \$61,416, which represents the adjustment for the rates approved in Case No. 2024-00323, and the increase of \$141,345, which represents the adjustment for the rates approved in Case

²⁰ See Case No. 2023-00424, *Electronic Tariff Filing of The City of Lancaster to Increase the Wholesale Rate Charged to Garrard County Water Association*. (Ky. PSC Sept. 26, 2024).

²¹ See Case No. 2024-00323, *Electronic Purchased Water Adjustment Filing of Garrard County Water Association, Inc.* (Ky. PSC Nov. 8, 2024).

²² See Case No. 2025-00263, *Electronic Purchased Water Adjustment Filing of Garrard County Water Association, Inc.* (Ky. PSC Sept. 5, 2025).

²³ Garrard County Water's Response to Staff's First Request, Item 4a_Billing_Analysis_Current_Proposed.xlsx, Tab BA PWA CN 2024-00263.

²⁴ Garrard County Water's Response to Staff's First Request, Item 4a_Billing_Analysis_Current_Proposed.xlsx, Tab BA PWA CN 2025-00326.

No. 2025-00263. 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, with total metered water sales revenue calculated as \$2,709,938.²⁵ Staff recommends accepting Garrard County Water's proposed decrease of \$16,664 to water sales to adjust water service revenues to the amounts indicated in its billing analysis.²⁶

(B) 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.²⁷ Staff recommends 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).²⁸

(C) Miscellaneous Service Revenues. Garrard County Water reported Other Water Revenue of \$105,650 in the test year, comprised of \$34,965 in Forfeited Discounts, \$51,334 in Nonrecurring Charges, and \$19,350 in Non-utility Income.²⁹ As discussed above in Adjustment B, Forfeited Discounts has been removed from Miscellaneous Service Revenues. Garrard County Water proposed decreasing Miscellaneous Service

²⁵ Application, 4_(SAO)_Statement_of_Adjusted_Operations.

²⁶ Garrard County Water's Response to Staff's First Request, Item 4a_Billing_Analysis_Current_Proposed.xlsx, Tab BA Existing Rates.

²⁷ Application, 4_(SAO)_Statement_of_Adjusted_operations.pdf.

²⁸ Uniform System of Accounts – Account No. 470 Forfeited Discounts.

²⁹ Garrard County Water's Response to Staff's First Request, Item 5.

Revenue by \$18,648, comprised of \$17,298 in 911 Processing Fees and \$1,350 in Other Non-utility Income, explaining that this amount should be classified as Non-utility Income.³⁰ Staff recommends the Commission accept Garrard County Water’s proposal to decrease Miscellaneous Service Revenue by \$18,648 as the amount is known and measurable. Further, Garrard County Water provided information about the number of occurrences for each Nonrecurring Charge listed in its tariff.³¹ Based on the number of occurrences during the test period and Staff’s recommended Nonrecurring Charge amounts, Staff calculated a pro forma revenue amount for Nonrecurring Charges of \$17,416, or a reduction to the test period nonrecurring charge income of \$34,621, 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	(648)	(27)	(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

³⁰ Application, 4_(SAO)_Statement_of_Adjusted_operations.pdf.

³¹ Garrard County Water’s Response to Staff’s First Request, Item 20.

Staff recommends the Commission accept Staff's adjustment to decrease Other Water Revenue by \$34,621 based on the adjustments to Nonrecurring Charges discussed above.

(D) Salaries and Wages - Employees. During the test year, Garrard County Water reported \$436,366 in Salaries and Wages – Employees. Garrard County Water proposed one adjustment, an increase of \$46,437 to reflect a ten percent increase in wages and to normalize employee regular hours to 2,080.³² Garrard County Water provided the test year employee list,³³ test year total hours worked,³⁴ current wage rate³⁵ and current employee list.³⁶ Garrard County Water currently has nine full time employees and five part time employees (Meter Readers).³⁷ Garrard County Water stated that the full-time employees are scheduled to work 2,080 hours annually.³⁸ Garrard County Water stated that part time employees' (Meter Readers) pay is based upon the number of meters that each part time employee reads.³⁹ The Board of Directors approved the 10 percent

³² Application, 4_(SAO)_Statement_of_Adjusted_Operations.

³³ Garrard County Water's Response to Staff's First Request, Item 6, Employee_Salaries_and_Wages.

³⁴ Garrard County Water's Response to Staff's First Request, Item 6, Employee_Salaries_and_Wages.

³⁵ Garrard County Water's Response to Staff's First Request, Item 3, GCWA_Rate_Model. Employee salaries and wages tab.

³⁶ Garrard County Water's Response to Staff's First Request, Item 3, GCWA_Rate_Model. Employee salaries and wages tab.

³⁷ Garrard County Water's Response to Staff's First Request, Item 6b.

³⁸ Application, 4_(SAO)_Statement_of_Adjusted_Operations, References, Reference F.

³⁹ Garrard County Water's Response to Staff's First Request, Item 6c.

wage increase to its employees.⁴⁰ Staff reviewed Garrard County Water's calculation and recommends that the Commission accept Garrard County Water's proposed adjustment because it is known and measurable.

(E) 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 \$2,100.⁴¹ Garrard County Water's Board of Directors consists of seven members,⁴² who are paid an initial monthly fee of \$300 each, and increased to \$500 when a member completes the training requirement.⁴³ The Board of Directors are nominated and voted on by members/customers; the compensation is voted on by the Board members.⁴⁴ Training records were provided for all of Board Members in response to Staff's First Request.⁴⁵ Staff reviewed Garrard County Water's calculation and recommends the Commission accept Garrard County Water's proposed adjustment because it is known and measurable.

⁴⁰ Garrard County Water's Response to Staff's First Request, Item 13a, 13_2025_GCWA_Board_of_Directors_Minutes, December 2025.

⁴¹ Application, 4_(SAO)_Statement_of_Adjusted_Operations.

⁴² Garrard County Water's Response to Staff's First Request, Item 14.

⁴³ Garrard County Water's Response to Staff's First Request, Item 14a.

⁴⁴ Garrard County Water's Response to Staff's First Request, Item 14b.

⁴⁵ Garrard County Water's Response to Staff's First Request, Item 14c_2023_Certificates_GCWA, 14c_2024_Certificates_GCWA, 14c_2025_Certificates_GCWA.

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	\$ -

(F) 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 \$19,727.⁴⁶ It stated that it provides Health, Life and AD&D coverages to its employees.⁴⁷ 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 General Ledger⁴⁸ and the invoices⁴⁹ provided by Garrard County Water and calculated a \$52 increase resulting in a pro forma expense of \$96,000. Staff recommends the Commission accept Staff’s adjustment because it is known and measurable.

⁴⁶ Application, 4_(SAO)_Statement_of_Adjusted_Operations.

⁴⁷ Garrard County Water’s Response to Staff’s First Request, Item 7.

⁴⁸Garrard County Water’s Response to Staff’s First Request, Item 2a_GCWA_2024_General_Ledger.

⁴⁹ Garrard County Water’s Response to Staff’s First Request, Item 7a_Employee_Benefit_Invoices_2024_Redacted and 7c_Employee_Benefit_Invoices_2026_Redacted.

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	<u>8</u>	<u>8,000</u>
Total Monthly Pro Forma Premium		8,000
Multiplied by: 12 Months		12
Total Annual Gross Health Insurance Cost		<u>\$ 96,000</u>
Test Year Net Insurance Cost ()		(76,221)
Garrard County Water Adjustment (Ref I) ()		(19,727)
Commission Staff's Adjustment		<u>\$ 52</u>

(G) 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 \$3,392.⁵⁰ Garrard County Water provides pension benefits to its eligible employees through a 401(k) plan.⁵¹ It stated that employee elective contributions are matched by Garrard County Water Association up to five percent of employee compensation.⁵² In 2025, eight of Garrard County Water's employees participated in the 401(k) plan.⁵³ Staff reviewed Garrard County Water's calculation and recommends the Commission accept Garrard County Water's adjustment because it is known and measurable.

⁵⁰ Application, 4_(SAO)_Statement_of_Adjusted_Operations.

⁵¹ Application, 4_(SAO)_Statement_of_Adjusted_Operations, References, Reference I.

⁵² Application, 4_(SAO)_Statement_of_Adjusted_Operations, References, Reference I.

⁵³ Application, 4_(SAO)_Statement_of_Adjusted_Operations, References, Reference I.

(H) 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 Lancaster.⁵⁴ Garrard County Water purchases water from Lancaster, the Cities of Berea (Berea) and Danville (Danville).⁵⁵ Garrard County Water proposed two adjustments, (1) \$53,645 to increase cost due to Lancaster's 2024 wholesale rate increase,⁵⁶ and 2) \$143,665 to increase cost due to Lancaster's 2025 wholesale rate increase,⁵⁷ 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.⁵⁸ Staff applied Lancaster's current tariff wholesale rate to the test year. Garrard County Water also pays 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 of 426,805,239. Based on test year purchases of 426,805,239 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 recommends the Commission accept Staff's adjustment because it is known and measurable.

⁵⁴ Application, 4_(SAO)_Statement_of_Adjusted_Operations.

⁵⁵ 2024 Annual Report at 54.

⁵⁶ See Case No. 2024-00323, *Electronic Purchased Water Adjustment Filing of Garrard County Water Association, Inc.*, final Order (Nov. 8, 2024).

⁵⁷ See Case No. 2025-00263, *Electronic Purchased Water Adjustment Filing of Garrard County Water Association, Inc.*, final Order (Sept. 5, 2025).

⁵⁸ Application, 4_(SAO)_Statement_of_Adjusted_Operations, References, Reference J.

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

(l) 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 \$1,466⁵⁹ 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 percent.⁶⁰ 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.⁶¹ Garrard County Water’s test year indicated \$1,121,957 in Purchased Water Expenses and \$20,530 in Purchased Power Expenses.⁶² 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 decrease from Garrard County

⁵⁹ Application, 4_(SAO)_Statement_of_Adjusted_Operations.

⁶⁰ 2024 Annual Report at 57 and 58.

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

⁶² Application, 4_(SAO)_Statement_of_Adjusted_Operations.

Water’s proposed adjustment of \$94,187. Staff agrees with Garrard County Water’s adjustment to reduce Purchased Power expense by \$1,466. The table below summarizes the disallowed Purchased Water and Purchased Power expenses for Garrard County Water. Staff recommends the Commission accept Staff’s adjustment, since the amounts reflect the limit to costs related to excess water loss of 15 percent.

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>

(J) Insurance – General Liability. Garrard County Water reported \$35,260 of expenses related to Insurance – General Liability and proposed no adjustments.⁶³ Staff reviewed Garrard County Water’s general ledger,⁶⁴ submitted invoices⁶⁵ 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 recommends the Commission accept Staff’s proposed adjustment because it is known and measurable.

(K) Insurance Workers Compensation. Garrard County Water reported \$8,485 of expenses related to Insurance Workers Compensation and proposed no adjustments.⁶⁶ Staff reviewed Garrard County Water’s general ledger,⁶⁷ submitted

⁶³ Application, 4_(SAO)_Statement_of_Adjusted_Operations.

⁶⁴ Garrard County Water’s Response to Staff’s First Request, Item 2a_GCWA_2024_General_Ledger

⁶⁵ Garrard County Water’s Response to Staff’s First Request, Item 11_Insurance_Invoices.

⁶⁶ Application, 4_(SAO)_Statement_of_Adjusted_Operations.

⁶⁷ Garrard County Water’s Response to Staff’s First Request, Item 2a_GCWA_2024_General_Ledger

invoices⁶⁸ and recalculated the expense based on the submitted invoices and recommends an increase of \$2,264 to the test year amounts to match the most recent invoices. Staff recommends the Commission accept Staff's proposed adjustment because it is known and measurable.

(L) 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 \$3,112.⁶⁹ 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 \$9,335⁷⁰ and an invoice related to the rate case expenses.⁷¹ Garrard County Water then amortized the rate case expense over three years. Staff agrees with Garrard County Water's methodology because utilities are expected to file for a rate case every three to five years. Staff recommends the Commission accept Garrard County Water's proposed adjustment because it is known and measurable.

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

⁶⁸ Garrard County Water's Response to Staff's Second Request, Item 5, 5_2025_Workers_Comp_Invoice.

⁶⁹ Application, 4_(SAO)_Statement_of_Adjusted_Operations.

⁷⁰ Garrard County Water's Response to Staff's First Request, Item 15a, 15_Rate_Study_Proposal.

⁷¹ Garrard County Water's Response to Staff's Second Request, Item 11, 11_KRWA_Rate_Case_Invoice.

(M) Miscellaneous Expenses. Garrard County Water reported \$10,577 in Miscellaneous Expenses during the test year.⁷² 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 recommends removing expenses related to the Christmas dinner⁷³ and employee gift cards for Christmas⁷⁴ 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 notes that, while the expenses was approved by the Board of Directors,⁷⁵ Garrard County Water provided insufficient evidence that such expenses are governed by a formal policy 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 recommends 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.

⁷² Application, 4_(SAO)_Statement_of_Adjusted_Operations.

⁷³ Garrard County Water’s Response to Staff’s Second Request, Item 6b.

⁷⁴ Garrard County Water’s Response to Staff’s Second Request, Item 6a, 6_Back_Porch_and_Elan_Financial_Invoices.pdf.

⁷⁵ Garrard County Water’s Response to Staff’s First Request, Item 13, 13_2024_GCWA_Board_of_Directors_Minutes.

(N) Depreciation. In its application, Garrard County Water reported \$574,172 of expenses related to Depreciation and proposed two adjustments.⁷⁶ 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”.⁷⁷ 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 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 agrees 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 recommends an decrease of \$47,199 which is \$6,207 less than Garrard County Water’s proposed adjustment. Staff recommends the Commission accept Staff’s adjustment to Depreciation Expense because the amount is known and measurable.

⁷⁶ Application, 4_(SAO)_Statement_of_Adjusted_Operations.

⁷⁷ Application, 4_(SAO)_Statement_of_Adjusted_Operations.

Asset Class	Original Cost	NARUC		Current Depreciation	Staff	Depreciation Adjustment
		Recommended Service Lives	Calculated Depreciation			
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>	

(O) 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, \$1,318 in Insurance Unemployment, \$3,959 in PSC Assessment and \$878 in Property Tax on Rental. Garrard County Water proposed one adjustment to increase its Taxes Other Than Income Expense by \$6,576.⁷⁸ Staff reviewed Garrard County Water's calculations and agrees with the proposed adjustment. Staff recommends the Commission accept Garrard County Water's adjustment because it is known and measurable.

(P) 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.⁷⁹ Staff agrees with the

⁷⁸ Application, 4_(SAO)_Statement_of_Adjusted_Operations.

⁷⁹ Application, 4_(SAO)_Statement_of_Adjusted_Operations.

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 recommends 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.

(Q) Non-utility Income. Garrard County Water reported test year Non-utility Income of \$37,423 and proposed three adjustments.⁸⁰ First, Garrard County Water proposed an increase of \$18,648 to reclassify income from Miscellaneous Service Revenues to Non-utility Income.⁸¹ 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, Miscellaneous Service Revenues was decreased by \$18,648 and Non-utility Income was increased by the same amount.⁸² Staff reviewed Garrard County Water's General Ledger and agrees that the income should be properly classified as Non-utility income.

Second, Garrard County Water proposed a decrease of \$18,287 to remove an unrealized gain associated with investments recorded during the test year.⁸³ 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.⁸⁴ Staff finds the

⁸⁰ Application, 4_(SAO)_Statement_of_Adjusted_Operations.

⁸¹ Application, 4_(SAO)_Statement_of_Adjusted_Operations, References, Reference E.

⁸² Application, 4_(SAO)_Statement_of_Adjusted_Operations, References, Reference E.

⁸³ Application, 4_(SAO)_Statement_of_Adjusted_Operations,

⁸⁴ Application, 4_(SAO)_Statement_of_Adjusted_Operations, References, Reference Q.

adjustment reasonable because unrealized investment gains are not representative of ongoing operations.

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 agrees that this gain should be excluded from normalized income.

Staff recommends the Commission accept Garrard County Water’s adjustments because each is known and measurable.

OVERALL REVENUE REQUIREMENT

In the application, Garrard County Water proposed to calculate the Revenue Requirement using the Operating Ratio methodology.⁸⁵ The Operating Ratio methodology⁸⁶ is used when there is no basis for a rate of return determination, the cost of the utility is fully or largely funded through contributions, or there is little or no outstanding long-term debt. The Operating Ratio is a method to provide the utility with the necessary working capital to operate effectively. The Commission has historically used an Operating Ratio of 88 percent to calculate the additional working capital.⁸⁷

Garrard County Water currently has two outstanding debts, a Kentucky Infrastructure Authority (KIA) loan and a United States Department of Agriculture’s

⁸⁵ Application, 5_Revenue_Requirement_Calculation.

⁸⁶ Operating Ratio is defined as the ratio of expenses, including depreciation and taxes, to gross revenues. It is illustrated by the following equation:

$$\text{Operating Ratio} = \frac{\text{Operating Expenses} + \text{Depreciation} + \text{Taxes}}{\text{Gross Revenues}}$$

⁸⁷ 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*.

(USDA) Rural Development (RD) Loan.⁸⁸ If the Commission used the Debt Service Recovery method, Garrard County Water would only recover \$209,953 for the Debt Service and Additional Working Capital, as shown in the following table.

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>

In contrast, the Operating Ratio method provides \$388,712 in additional working capital. Staff notes that, due to Garrard County Water’s low debt service requirement, the rate increase from the debt service coverage method would not provide Garrard County Water with sufficient working capital to operate effectively to provide adequate, efficient, and reasonable service.

By applying the Operating Ratio method, Staff found 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.

⁸⁸ 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 5:0001*. 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*.

Description	Garrard County Water	
	Association Revised	Commission Staff
Pro Forma Operating Expenses	\$ 2,814,007	\$ 2,850,552
Operating Ratio	88%	88%
Subtotal	3,197,735	3,239,263
Average Annual Interest Expense	67,179	67,179
Total Revenue Requirement	3,264,914	3,306,442
Forfeited Discounts	(34,965)	(34,965)
Miscellaneous Service Revenues	(52,037)	(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	2,938,315	3,014,464
Normalized Revenue From Water Sales ()	(2,711,038)	(2,711,038)
Required Revenue Increase / (Decrease)	\$ 227,277	\$ 303,426
Percentage Increase / (Decrease)	8.38%	11.19%

1. Average Annual Interest and Fees Payment. As discussed above, at the time of Staff's review, Garrard County Water had one outstanding KIA and one RD loan. Garrard County Water provided the amortization schedules for its outstanding debt.⁸⁹ 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.

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	\$ 71,381	\$ 69,323	\$ 67,222	\$ 65,078	\$ 62,889	335,893
					Five year Average	\$ 67,179

⁸⁹ Application, 10_GCWA_Long-Term_Debt_Amortization_Schedules.

Staff recommends the Commission approve Staff's inclusion of \$67,179 to the Revenue Requirement to account for the average annual interest payments, because the Operating Ratio methodology includes the recovery of Interest payments.

Signatures

Vinay Raj Raju

Prepared by: Vinay Raj Raju
Revenue Requirement Branch
Division of Financial Analysis

Elizabeth Stefanski

Prepared by: Elizabeth Stefanski
Rate Design Branch
Division of Financial Analysis

APPENDIX A

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00396 DATED APR 21 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 COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00396 DATED APR 21 2026

The following rates and charges are recommended by Commission Staff based on the adjustments in Commission Staff's Report 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.

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