

Garrard County Water Association, Inc

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October 11, 2023

Public Service Commission

P.O. Box 615

Frankfort, Ky 40602-0615

RE: Case # 2022-00276

To Whom it May Concern:

It pains me to have to be writing this letter concerning case # 2022-00276. When I read the case file, I immediately began working on the documents that would need to be filed before the June 30, 2023 deadline.

Once the (ARF Form / RR-OR) revenue requirement form was completed, it was presented to Garrard County Water Association's Board of Directors at the May 2, 2023 Board Meeting along with the water loss mitigation. The Board reviewed the information provided and made a motion to keep Garrard Water's rates as they were with no increase.

On May 3, 2023 I contacted the Board's attorney to see about filing these documents. At this time, I was unaware that this filing was for the current case, I assumed it was for a prior case 2021-00350. Our attorney also assumed that this was the case I was referencing. I was told that the revenue form and Board minutes did not have to be filed. I even asked that our attorney double check the order because I intended on filing it. Our attorney checked and confirmed that it did not need filing. Due to the fact that a year was given to fill out and file the revenue form for case 2021-00350 it did not register with me that this filing should have been for the current 2022-00276 because these projects are currently on going. I had everything prepared before the required deadline but did not file it because of an oversight of case numbers on my behalf.

We constantly strive to do what is right and what is asked of at Garrard County Water Association and apologize for this oversight.

Sincerely,

A handwritten signature in blue ink, appearing to read "S. Smith".

Sean Smith
General Manager
Garrard County Water Association

Board Meeting
May 2, 2023

The directors of the Garrard County Water Association held their monthly meeting on May 2, 2023. The meeting was held at the Association's office and began at 7:30 p.m. Board members present were Gary Clark, Robert Ballard, Bill Oliver, Felix Reynolds, Bill Doolin, Jenny Lynn Whittaker and Sean Smith.

Bill Doolin called the meeting to order and asked that the minutes of the April 4, 2023 meeting be read. Felix Reynolds proceeded to read those and when finished Sean Smith made a motion to accept the minutes as read. Gary Clark seconded Mr. Smith's motion and the motion carried by voice vote.

The Board next reviewed the profit and loss statement for the month of April.


Sean Smith presented the Board the Association's annual revenue report which analyzes the sufficiency of the Association's revenues during the prior calendar year. After reviewing the report, the Board concluded that the current rates would be sufficient for another year. Gary Clark made a motion to keep the current rates as they are. Bill Oliver seconded Mr. Clark's motion and the motion carried by voice vote.

The Board next reviewed the water loss for the first quarter. Mr. Smith informed the Board that substantial progress was being made in lowering the water loss and that in the last year the Association's water loss had dropped from 23% to 18% and was still trending in the right direction. Mr. Smith explained the various ways the Association was combatting this loss: By replacing old troublesome areas of pipe, by placing new


additional master meters in strategic spots, and by actively walking line. Mr. Smith also suggested having Mr. Tim Blanton from the KRWA come down and assist in finding leaks which are not visible.

Other items briefly discussed were that there would be 2 tank inspections done for the Association in the month of May and those 2 tanks were the Manse Tank and the Fall Lick Tank and that the Association's System Improvement Projects were going well and on schedule.

Bill Oliver next made a motion to adjourn the meeting. Jenny Lynn Whittaker seconded Mr. Oliver's motion and the motion carried by voice vote.



Bill Doolin
President



Jenny Lynn Whittaker
Secretary/Treasurer

REVENUE REQUIREMENT CALCULATION - OPERATING RATIO METHOD

(Method commonly used by investor owned utilities and/or non-profit entities that do not have long-term debt outstanding.)

Pro forma Operating Expenses Before Income Taxes	\$2,276,000.00
Operating Ratio	0.88
Sub-Total	2,586,363.64
Less: Pro forma Operating Expenses Before Income Taxes	-2,276,000.00
Net Income Allowable	310,363.64
Add: Provision for State and Federal Income Taxes, if Applicable (see footnote)	
Interest Expense	46,695.84
Pro forma Operating Expenses Before Taxes	2,276,000.00
Cost of Natural Gas (water utilities should leave this blank)	
Total Revenue Requirement	2,633,059.48
Less: Other Operating Revenue	110,000.00
Non-operating Revenue	32,000.00
Interest Income	138,000.00
Total Revenue Required from Rates for Service	2,353,059.48
Less: Revenue from Sales at Present Rates	2,260,000.00
Required Revenue Increase	93,059.48

Required Revenue Increase stated as a Percentage of Revenue at Present Rates 4.12%

Provision for Income Taxes - Calculation of Tax Gross-Up Factor

Revenue	1
Less: 5% State Tax	-0.05
Sub-Total	0.95
Less: Federal Tax, 15% of Sub-Total	-0.1425
Percent Change in NOI	0.8075
Factor (Revenue of 1 divided by change in NOI)	1.23839
Times: Allowable Net Income	310,363.64
Net Income Before Taxes	384,351.26
Difference Equals Provision for State and Federal Income Taxes	73,987.62

Notes: (1) Natural gas utilities should deduct their cost of natural gas from pro forma operating expenses before performing the operating ratio calculation. The cost of natural gas should be added back and included in pro forma operating expenses when determining the total revenue requirement. (2) A provision for state and federal income taxes should only be included in the calculation of revenue requirements for utilities that file income tax returns and are liable for the payment of state and federal income taxes. Utilities whose income flows through to its owner's income tax returns for tax purposes should not include a provision for income taxes. (3) The conversion factor above is calculated using the minimum federal tax rate. Adjustment may be warranted where the actual federal tax rate exceeds the minimum federal tax rate.