

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

**ELECTRONIC TARIFF FILING OF )**  
**THE CITY OF LANCASTER TO )**  
**INCREASE THE WHOLESALE RATE ) CASE NO. 2023-000424**  
**CHARGED TO THE GARRARD )**  
**COUNTY WATER ASSOCIATION )**

**RESPONSE OF**  
**THE CITY OF LANCASTER**  
**TO**  
**GARRARD COUNTY WATER ASSOCIATION'S**  
**REQUEST FOR INFORMATION**  
**DATED APRIL 12, 2024**

**FILED: MAY 2, 2024**

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

**ELECTRONIC TARIFF FILING OF THE CITY )  
OF LANCASTER TO INCREASE THE )  
WHOLESALE RATE CHARGED TO THE ) NO. 2023-000424  
GARRARD COUNTY WATER ASSOCIATION )**

**RESPONSE OF THE CITY OF LANCASTER  
TO GARRARD COUNTY WATER ASSOCIATION'S  
REQUEST FOR INFORMATION**

Comes the City of Lancaster (the "District") for its Response to Garrard County Water Association's Request for Information, and states as shown on the following pages.



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**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

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OF LANCASTER TO INCREASE THE )  
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GARRARD COUNTY WATER ASSOCIATION )**

**CERTIFICATION OF RESPONSE OF THE CITY OF LANCASTER  
TO GARRARD COUNTY WATER ASSOCIATION'S  
REQUEST FOR INFORMATION**

This is to certify that I have supervised the preparation of the City of Lancaster's Responses to Garrard County Water Association's Request for Information. The response submitted on behalf of the City of Lancaster is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Date: May 2 , 2024



Michael Gaffney, Mayor  
The City of Lancaster

## CERTIFICATE OF SERVICE

In accordance with the Commission's Order of July 22, 2021 in Case No. 2020-00085 (Electronic Emergency Docket Related to the Novel Coronavirus COVID-19), this is to certify that the electronic filing has been transmitted to the Commission on May 2, 2024; and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.



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Damon R. Talley

**THE CITY OF LANCASTER**

**CASE NO. 2023-000424**

**Response to Garrard County Water Association's**

**Request for Information**

**Question No. 1**

**Responding Witnesses: Robert K. Miller, Kentucky Rural Water Association**

**Q-1. Refer to the Response to Commission Staff's First Request for Information filed on January 19, 2024, Response to Question 2, which stated,**

**The wholesale analysis was computed based on recovery of Operating Expenses, Depreciation Expenses, and Debt Service Expenses. The retail analysis was also initially computed using the same method, based on recovery of Operating Expenses, Depreciation Expenses, and Debt Service Expenses. The Lancaster City Council requested an alternative for their consideration based on Operating Expenses and Debt Service Expenses only. After consideration, the Council adopted wholesale rates that included Depreciation Expenses and retail rates that excluded Depreciation Expenses. (Emphasis added) There were no other differences in the calculation methods between the retail and wholesale customers.**

- (a). Please explain why the Council believes it is reasonable to adopt wholesale rates that include Depreciation Expenses and retail rates that exclude Depreciation Expenses.**
- (b). Please provide an accounting of the current rates and the proposed rates for each of Lancaster's wholesale customers and the retail customers.**

- (c). **Please provide the total amount of water in gallons purchased by Garrard County in 2023, and using that total, provide the cost of that water in dollars for 2023, the cost of that total using the proposed rate and the increases proposed for the next three years.**
- (d). **Please provide the percentage of Lancaster’s water supply used for each wholesale customer and the retail customers for 2023.**

A-1. (a). It is my understanding that the Council believes it is reasonable to adopt wholesale rates that include Depreciation Expenses and retail rates that exclude Depreciation Expenses because:

- The City of Lancaster anticipates its water system will require investments in infrastructure replacement and rehabilitation requirements in the future; and
- The City of Lancaster expects that those infrastructure investments that benefit only its retail system will be paid from City of Lancaster funds; and
- The City of Lancaster expects that those infrastructure investments that benefit both its retail and wholesale customer will be paid proportionately from the City of Lancaster funds and depreciation funds; and

- The City of Lancaster has access to water system funds, general funds, and other funds to pay for its proportional share of infrastructure investments; and
- As a home rule-class city, the City of Lancaster has the statutory authority to set public policy for how it will pay its proportional share of water system infrastructure investments.

It is my further understanding that the City of Lancaster intends to deposit depreciation funds paid by its wholesale customers into a separate bank account and to requisition funds from that account only for that proportional share of infrastructure investments that benefit the wholesale customers and only after giving notice to the wholesale customers.

- (b). *See* the Charts identifying the 2024, 2025, and 2026 Wholesale Water Rates, respectively, marked as **Attachment 1-B**.
- (c). *See* the Chart identifying the total amount of water in gallons purchased by Garrard County in 2023, and using that total, the proposed cost of the water in dollars for years 2024, 2025, and 2026, respectively, marked as **Attachment 1-C**.

|      |  |                                 |
|------|--|---------------------------------|
| (d). | <b>Total Water Sales in 2023</b>                                   | <b>540,685,462 gallons</b>      |
|      | Garrard County Water Association                                   | 419,353,821 gallons<br>or 77.6% |
|      | City of Crab Orchard   | 41,350,785 gallons<br>or 7.6%   |
|      | Lancaster Retail Customers   | 79,980,856 gallons<br>or 14.8%  |
|      | <b>Total Water Production in 2023</b>                              | <b>640,703,000 gallons</b>      |
|      | Garrard County Water Association                                   | 419,353,821 gallons<br>or 65.4% |
|      | City of Crab Orchard   | 41,350,785 gallons<br>or 6.5%   |
|      | Lancaster Retail Customers   | 79,980,856 gallons<br>or 12.5%  |
|      | Water Used at Treatment Plant,<br>System Flushing, and Line Losses | 100,017,538 gallons<br>or 15.6% |



# ATTACHMENT 1-B

**EFFECTIVE JANUARY 1, 2024**

**RESIDENTIAL IN TOWN WATER RATES IN THOUSAND GALLONS**

| Previous                               |          | New                                    |          | Difference |       |
|--|----------|--|----------|------------|-------|
| Minimum Monthly Bill for 1,000 Gallons | \$ 14.30 | Minimum Monthly Bill for 1,000 Gallons | \$ 14.51 | \$ 0.21    | 1.47% |
| Next 1,000 Gallons                     | \$ 7.21  | Next 1,000 Gallons                     | \$ 7.32  | \$ 0.11    | 1.53% |
| Next 10,000 Gallons                    | \$ 6.78  | Next 10,000 Gallons                    | \$ 6.88  | \$ 0.10    | 1.47% |
| Next 14,000 Gallons                    | \$ 6.58  | Next 14,000 Gallons                    | \$ 6.68  | \$ 0.10    | 1.52% |
| Next 24,000 Gallons                    | \$ 5.82  | Next 24,000 Gallons                    | \$ 5.91  | \$ 0.09    | 1.55% |
| Next 1,000,000 Gallons                 | \$ 5.41  | Next 950,000 Gallons                   | \$ 5.49  | \$ 0.08    | 1.48% |
| All Over 10,000,000 Gallons            | \$ 3.53  | All Over 1,000,000 Gallons             | \$ 3.58  | \$ 0.05    | 1.42% |

**RESIDENTIAL OUTSIDE TOWN WATER RATES IN THOUSAND GALLONS**

| Previous                               |          | New                                    |          | Difference |       |
|--|----------|--|----------|------------|-------|
| Minimum Monthly Bill for 1,000 Gallons | \$ 21.32 | Minimum Monthly Bill for 1,000 Gallons | \$ 21.64 | \$ 0.32    | 1.50% |
| Next 1,000 Gallons                     | \$ 10.79 | Next 1,000 Gallons                     | \$ 10.95 | \$ 0.16    | 1.48% |
| Next 10,000 Gallons                    | \$ 10.17 | Next 10,000 Gallons                    | \$ 10.32 | \$ 0.15    | 1.47% |
| Next 14,000 Gallons                    | \$ 9.86  | Next 14,000 Gallons                    | \$ 10.01 | \$ 0.15    | 1.52% |
| Next 24,000 Gallons                    | \$ 8.72  | Next 24,000 Gallons                    | \$ 8.85  | \$ 0.13    | 1.49% |
| Next 1,000,000 Gallons                 | \$ 8.10  | Next 950,000 Gallons                   | \$ 8.22  | \$ 0.12    | 1.48% |
| All Over 10,000,000 Gallons            | \$ 5.30  | All Over 1,000,000 Gallons             | \$ 5.38  | \$ 0.08    | 1.51% |

**COMMERCIAL WATER RATES IN THOUSAND GALLONS**

| Previous                               |          | New                                    |          | Difference |       |
|--|----------|--|----------|------------|-------|
| Minimum Monthly Bill for 1,000 Gallons | \$ 14.12 | Minimum Monthly Bill for 1,000 Gallons | \$ 14.51 | \$ 0.39    | 2.76% |
| Next 1,000 Gallons                     | \$ 7.12  | Next 1,000 Gallons                     | \$ 7.32  | \$ 0.20    | 2.81% |
| Next 10,000 Gallons                    | \$ 6.70  | Next 10,000 Gallons                    | \$ 6.88  | \$ 0.18    | 2.69% |
| Next 14,000 Gallons                    | \$ 6.50  | Next 14,000 Gallons                    | \$ 6.68  | \$ 0.18    | 2.77% |
| Next 24,000 Gallons                    | \$ 5.75  | Next 24,000 Gallons                    | \$ 5.91  | \$ 0.16    | 2.78% |
| Next 1,000,000 Gallons                 | \$ 5.34  | Next 950,000 Gallons                   | \$ 5.49  | \$ 0.15    | 2.81% |
| All Over 10,000,000 Gallons            | \$ 3.49  | All Over 1,000,000 Gallons             | \$ 3.58  | \$ 0.09    | 2.58% |

**WHOLESALE WATER RATES IN THOUSAND GALLONS**

| Previous  |         | New   |         | Difference |        |
|---|---------|---|---------|------------|--------|
| First 325,000,000 Gallons Minimum Annual Purchase | \$ 2.49 | First 325,000,000 Gallons Minimum Annual Purchase | \$ 2.91 | \$ 0.42    | 16.87% |
| All Over 325,000,000 Gallons Annual Purchase      | \$ 1.40 | All Over 325,000,000 Gallons Annual Purchase      | \$ 1.64 | \$ 0.24    | 17.14% |

**SEWER RATES IN THOUSAND GALLONS**

| Previous  |          | New       |          | Difference |        |
|-----------|----------|-----------|----------|------------|--------|
| All Usage | \$ 10.31 | All Usage | \$ 11.39 | \$ 1.08    | 10.48% |

**EFFECTIVE JANUARY 1, 2025**

**RESIDENTIAL IN TOWN WATER RATES IN THOUSAND GALLONS**

| Previous                               |          | New                                    |          | Difference |       |
|--|----------|--|----------|------------|-------|
| Minimum Monthly Bill for 1,000 Gallons | \$ 14.51 | Minimum Monthly Bill for 1,000 Gallons | \$ 14.73 | \$ 0.22    | 1.52% |
| Next 1,000 Gallons                     | \$ 7.32  | Next 1,000 Gallons                     | \$ 7.43  | \$ 0.11    | 1.50% |
| Next 10,000 Gallons                    | \$ 6.88  | Next 10,000 Gallons                    | \$ 6.98  | \$ 0.10    | 1.45% |
| Next 14,000 Gallons                    | \$ 6.68  | Next 14,000 Gallons                    | \$ 6.78  | \$ 0.10    | 1.50% |
| Next 24,000 Gallons                    | \$ 5.91  | Next 24,000 Gallons                    | \$ 6.00  | \$ 0.09    | 1.52% |
| Next 950,000 Gallons                   | \$ 5.49  | Next 950,000 Gallons                   | \$ 5.57  | \$ 0.08    | 1.46% |
| All Over 1,000,000 Gallons             | \$ 3.58  | All Over 1,000,000 Gallons             | \$ 3.63  | \$ 0.05    | 1.40% |

**RESIDENTIAL OUTSIDE TOWN WATER RATES IN THOUSAND GALLONS**

| Previous                               |          | New                                    |          | Difference |       |
|--|----------|--|----------|------------|-------|
| Minimum Monthly Bill for 1,000 Gallons | \$ 21.64 | Minimum Monthly Bill for 1,000 Gallons | \$ 21.96 | \$ 0.32    | 1.48% |
| Next 1,000 Gallons                     | \$ 10.95 | Next 1,000 Gallons                     | \$ 11.11 | \$ 0.16    | 1.46% |
| Next 10,000 Gallons                    | \$ 10.32 | Next 10,000 Gallons                    | \$ 10.47 | \$ 0.15    | 1.45% |
| Next 14,000 Gallons                    | \$ 10.01 | Next 14,000 Gallons                    | \$ 10.16 | \$ 0.15    | 1.50% |
| Next 24,000 Gallons                    | \$ 8.85  | Next 24,000 Gallons                    | \$ 8.98  | \$ 0.13    | 1.47% |
| Next 950,000 Gallons                   | \$ 8.22  | Next 950,000 Gallons                   | \$ 8.34  | \$ 0.12    | 1.46% |
| All Over 1,000,000 Gallons             | \$ 5.38  | All Over 1,000,000 Gallons             | \$ 5.46  | \$ 0.08    | 1.49% |

**COMMERCIAL WATER RATES IN THOUSAND GALLONS**

| Previous                               |          | New                                    |          | Difference |       |
|--|----------|--|----------|------------|-------|
| Minimum Monthly Bill for 1,000 Gallons | \$ 14.51 | Minimum Monthly Bill for 1,000 Gallons | \$ 14.73 | \$ 0.22    | 1.52% |
| Next 1,000 Gallons                     | \$ 7.32  | Next 1,000 Gallons                     | \$ 7.43  | \$ 0.11    | 1.50% |
| Next 10,000 Gallons                    | \$ 6.88  | Next 10,000 Gallons                    | \$ 6.98  | \$ 0.10    | 1.45% |
| Next 14,000 Gallons                    | \$ 6.68  | Next 14,000 Gallons                    | \$ 6.78  | \$ 0.10    | 1.50% |
| Next 24,000 Gallons                    | \$ 5.91  | Next 24,000 Gallons                    | \$ 6.00  | \$ 0.09    | 1.52% |
| Next 950,000 Gallons                   | \$ 5.49  | Next 950,000 Gallons                   | \$ 5.57  | \$ 0.08    | 1.46% |
| All Over 1,000,000 Gallons             | \$ 3.58  | All Over 1,000,000 Gallons             | \$ 3.63  | \$ 0.05    | 1.40% |

**WHOLESALE WATER RATES IN THOUSAND GALLONS**

| Previous  |         | New   |         | Difference |        |
|---|---------|---|---------|------------|--------|
| First 325,000,000 Gallons Minimum Annual Purchase | \$ 2.91 | First 325,000,000 Gallons Minimum Annual Purchase | \$ 3.40 | \$ 0.49    | 16.84% |
| All Over 325,000,000 Gallons Annual Purchase      | \$ 1.64 | All Over 325,000,000 Gallons Annual Purchase      | \$ 1.92 | \$ 0.28    | 17.07% |

**SEWER RATES IN THOUSAND GALLONS**

| Previous  |          | New       |          | Difference |        |
|-----------|----------|-----------|----------|------------|--------|
| All Usage | \$ 11.39 | All Usage | \$ 12.58 | \$ 1.19    | 10.45% |

**EFFECTIVE JANUARY 1, 2026**

**RESIDENTIAL IN TOWN WATER RATES IN THOUSAND GALLONS**

| Previous                               |          | New                                    |          | Difference |       |
|--|----------|--|----------|------------|-------|
| Minimum Monthly Bill for 1,000 Gallons | \$ 14.73 | Minimum Monthly Bill for 1,000 Gallons | \$ 14.95 | \$ 0.22    | 1.49% |
| Next 1,000 Gallons                     | \$ 7.43  | Next 1,000 Gallons                     | \$ 7.54  | \$ 0.11    | 1.48% |
| Next 10,000 Gallons                    | \$ 6.98  | Next 10,000 Gallons                    | \$ 7.08  | \$ 0.10    | 1.43% |
| Next 14,000 Gallons                    | \$ 6.78  | Next 14,000 Gallons                    | \$ 6.88  | \$ 0.10    | 1.47% |
| Next 24,000 Gallons                    | \$ 6.00  | Next 24,000 Gallons                    | \$ 6.09  | \$ 0.09    | 1.50% |
| Next 950,000 Gallons                   | \$ 5.57  | Next 950,000 Gallons                   | \$ 5.65  | \$ 0.08    | 1.44% |
| All Over 1,000,000 Gallons             | \$ 3.63  | All Over 1,000,000 Gallons             | \$ 3.68  | \$ 0.05    | 1.38% |

**RESIDENTIAL OUTSIDE TOWN WATER RATES IN THOUSAND GALLONS**

| Previous                               |          | New                                    |          | Difference |       |
|--|----------|--|----------|------------|-------|
| Minimum Monthly Bill for 1,000 Gallons | \$ 21.96 | Minimum Monthly Bill for 1,000 Gallons | \$ 22.29 | \$ 0.33    | 1.50% |
| Next 1,000 Gallons                     | \$ 11.11 | Next 1,000 Gallons                     | \$ 11.28 | \$ 0.17    | 1.53% |
| Next 10,000 Gallons                    | \$ 10.47 | Next 10,000 Gallons                    | \$ 10.63 | \$ 0.16    | 1.53% |
| Next 14,000 Gallons                    | \$ 10.16 | Next 14,000 Gallons                    | \$ 10.31 | \$ 0.15    | 1.48% |
| Next 24,000 Gallons                    | \$ 8.98  | Next 24,000 Gallons                    | \$ 9.11  | \$ 0.13    | 1.45% |
| Next 950,000 Gallons                   | \$ 8.34  | Next 950,000 Gallons                   | \$ 8.47  | \$ 0.13    | 1.56% |
| All Over 1,000,000 Gallons             | \$ 5.46  | All Over 1,000,000 Gallons             | \$ 5.54  | \$ 0.08    | 1.47% |

**COMMERCIAL WATER RATES IN THOUSAND GALLONS**

| Previous                               |          | New                                    |          | Difference |       |
|--|----------|--|----------|------------|-------|
| Minimum Monthly Bill for 1,000 Gallons | \$ 14.73 | Minimum Monthly Bill for 1,000 Gallons | \$ 14.95 | \$ 0.22    | 1.49% |
| Next 1,000 Gallons                     | \$ 7.43  | Next 1,000 Gallons                     | \$ 7.54  | \$ 0.11    | 1.48% |
| Next 10,000 Gallons                    | \$ 6.98  | Next 10,000 Gallons                    | \$ 7.08  | \$ 0.10    | 1.43% |
| Next 14,000 Gallons                    | \$ 6.78  | Next 14,000 Gallons                    | \$ 6.88  | \$ 0.10    | 1.47% |
| Next 24,000 Gallons                    | \$ 6.00  | Next 24,000 Gallons                    | \$ 6.09  | \$ 0.09    | 1.50% |
| Next 950,000 Gallons                   | \$ 5.57  | Next 950,000 Gallons                   | \$ 5.65  | \$ 0.08    | 1.44% |
| All Over 1,000,000 Gallons             | \$ 3.63  | All Over 1,000,000 Gallons             | \$ 3.68  | \$ 0.05    | 1.38% |

**WHOLESALE WATER RATES IN THOUSAND GALLONS**

| Previous  |         | New   |         | Difference |        |
|---|---------|---|---------|------------|--------|
| First 325,000,000 Gallons Minimum Annual Purchase | \$ 3.40 | First 325,000,000 Gallons Minimum Annual Purchase | \$ 3.97 | \$ 0.57    | 16.76% |
| All Over 325,000,000 Gallons Annual Purchase      | \$ 1.92 | All Over 325,000,000 Gallons Annual Purchase      | \$ 2.24 | \$ 0.32    | 16.67% |

**SEWER RATES IN THOUSAND GALLONS**

| Previous  |          | New       |          | Difference |        |
|-----------|----------|-----------|----------|------------|--------|
| All Usage | \$ 12.58 | All Usage | \$ 13.89 | \$ 1.31    | 10.41% |

# ATTACHMENT 1-C

|                     | <b>Usage in<br/>Thousand Gallons</b> | <b>2023 Rate per<br/>Thousand Gallons</b>              | <b>2023 Total Bill</b>              |
|---------------------|--------------------------------------|--|-------------------------------------|
| Minimum Usage       | 325,000.000                          | \$ 2.49  | \$ 809,250.00                       |
| Above Minimum Usage | 94,353.821                           | \$ 1.40  | \$ 132,095.35                       |
|                     | 419,353.821                          |  | \$ 941,345.35                       |
|                     | <b>Usage in<br/>Thousand Gallons</b> | <b>Proposed 2024<br/>Rate per<br/>Thousand Gallons</b> | <b>Proposed 2024<br/>Total Bill</b> |
| Minimum Usage       | 325,000.000                          | \$ 2.91  | \$ 945,750.00                       |
| Above Minimum Usage | 94,353.821                           | \$ 1.64  | \$ 154,740.27                       |
|                     | 419,353.821                          |  | \$ 1,100,490.27                     |
|                     | <b>Usage in<br/>Thousand Gallons</b> | <b>Proposed 2025<br/>Rate per<br/>Thousand Gallons</b> | <b>Proposed 2024<br/>Total Bill</b> |
| Minimum Usage       | 325,000.000                          | \$ 3.40  | \$ 1,105,000.00                     |
| Above Minimum Usage | 94,353.821                           | \$ 1.92  | \$ 181,159.34                       |
|                     | 419,353.821                          |  | \$ 1,286,159.34                     |
|                     | <b>Usage in<br/>Thousand Gallons</b> | <b>Proposed 2026<br/>Rate per<br/>Thousand Gallons</b> | <b>Proposed 2024<br/>Total Bill</b> |
| Minimum Usage       | 325,000.000                          | \$ 3.97  | \$ 1,290,250.00                     |
| Above Minimum Usage | 94,353.821                           | \$ 2.24  | \$ 211,352.56                       |
|                     | 419,353.821                          |  | \$ 1,501,602.56                     |

**THE CITY OF LANCASTER**

**CASE NO. 2023-000424**

**Response to Garrard County Water Association's**

**Request for Information**

**Question No. 2**

**Responding Witnesses: Robert K. Miller, Kentucky Rural Water Association**

**Q-2. Describe any infrastructure or depreciated assets that are utilized by serving Garrard County, that are not utilized by serving retail customers.**

A-2. All assets utilized by serving Garrard County Water Association are also utilized by serving the City of Lancaster retail customers.

**THE CITY OF LANCASTER**

**CASE NO. 2023-000424**

**Response to Garrard County Water Association's**

**Request for Information**

**Question No. 3**

**Responding Witnesses: Robert K. Miller, Kentucky Rural Water Association**

**Q-3. Please explain whether all of assets used by retail customers have been fully depreciated.**

A-3. All assets used by retail customers have not been fully depreciated. The amount of depreciation is shown in Table B, which appears as **Attachment 3**.



# ATTACHMENT 3

**Table B**  
**ALLOCATION OF DEPRECIATION EXPENSE**  
**City of Lancaster Kentucky Water System**

|                                   | Water Plant    |                |                | Water Treatment | Transmission & Distribution | Storage Tanks | General & Administration | Customer     |
|-----------------------------------|----------------|----------------|----------------|-----------------|-----------------------------|---------------|--------------------------|--------------|
|                                   | From Audit     | Project        | Total          |                 |                             |               |                          |              |
| Source of Supply Intakes          | 39,327         | 7,143          | 46,470         | 46,470          | -                           | -             | -                        | -            |
| Plant Structures and Improvements | 61,182         | 268,528        | 329,710        | 329,710         | -                           | -             | -                        | -            |
| Water Treatment Equipment         | -              | -              | -              | -               | -                           | -             | -                        | -            |
| Distribution Reservoirs           | 25,118         | 7,143          | 32,261         | -               | -                           | 32,261        | -                        | -            |
| Tank Painting                     | -              | -              | -              | -               | -                           | -             | -                        | -            |
| Transmission Mains                | 132,485        | -              | 132,485        | -               | 132,485                     | -             | -                        | -            |
| Water Line Replacement            | -              | -              | -              | -               | -                           | -             | -                        | -            |
| Water Services                    | -              | -              | -              | -               | -                           | -             | -                        | -            |
| Meters                            | 6,192          | -              | 6,192          | -               | -                           | -             | -                        | 6,192        |
| Fire Hydrants                     | -              | -              | -              | -               | -                           | -             | -                        | -            |
| Office Furniture & Equipment      | 440            | -              | 440            | -               | -                           | -             | 66                       | 374          |
| Transportation Equipment          | 7,320          | -              | 7,320          | 3,660           | 3,660                       | -             | -                        | -            |
| Tools & Shop Equipment            | 1,179          | -              | 1,179          | -               | -                           | -             | 177                      | 1,002        |
| <b>Pro Forma Totals</b>           | <b>273,243</b> | <b>282,814</b> | <b>556,057</b> | <b>379,840</b>  | <b>136,145</b>              | <b>32,261</b> | <b>243</b>               | <b>7,567</b> |

**THE CITY OF LANCASTER**

**CASE NO. 2023-000424**

**Response to Garrard County Water Association's**

**Request for Information**

**Question No. 4**

**Responding Witnesses: Robert K. Miller, Kentucky Rural Water Association**

**Q-4. Describe the cost justification for the cost of providing water to Garrard County as compared to the cost of providing water to any other wholesale customers and the retail customers.**

A-4. The cost justification for the cost of providing water to Garrard County is the recovery of operating expenses, debt service and debt service coverage, and depreciation expenses attributable to wholesale customers as computed by a cost-of-service rate study performed by Kentucky Rural Water Association using methods consistent with the American Water Works Association M1 Manual: Principles of Water Rates, Fees, and Charges.

The rate proposed for Garrard County is identical to the rate charged to the City of Crab Orchard, which is the only other wholesale customer of the City of Lancaster.

The cost justification for the cost of providing water to retail customers is the recovery of operating expenses, debt service and debt service coverage, and depreciation expenses that are not allocated to wholesale customers.

The Wholesale Allocation Factors used in the rate study are shown in Table F and the Wholesale Rate Computations performed in the rate study are shown in Table G, both of which are attached as **Attachment 4**.

# ATTACHMENT 4

**Table F**  
**WHOLESALE ALLOCATION FACTORS**  
**City of Lancaster Kentucky Water System**

|   |             |            |             | <b>FACTOR</b> |
|---|-------------|------------|-------------|---------------|
| Line Loss Percentage  |             |            |             | 0.2084        |
| Plant Use Percentage  |             |            |             | 0.0087        |
| Line Loss + Plant Use   |             |            |             | 0.2171        |
| Joint Use Inch-miles  |             |            |             | 80.82         |
| Total Inch-Miles  |             |            |             | 328.50        |
| Water Sold - Wholesale  |             |            |             | 356,889,430   |
| Water Sold - Total  |             |            |             | 474,055,600   |
|   |             |            | 1           |               |
| <b>Production Multiplier</b>  |             | -----      | =           | <b>1.2773</b> |
|   |             | 1 - 0.2171 |             |               |
| <i>Factor to determine quantity that must be produced to service all sales. (For each gal sold, 1.2773 gals must be produced)</i>                                     |             |            |             |               |
|   |             | 80.82      |             |               |
| <b>Joint Use Pipeline Ratio</b>   |             | -----      | =           | <b>0.2460</b> |
|   |             | 328.50     |             |               |
| <i>Ratio of Joint Use pipes to all pipes in the system. (In-miles are used instead of miles to recognize additional first cost and maintenance for larger mains.)</i> |             |            |             |               |
| <b>Joint Share of Line Loss</b>   | 0.2084      | x          | 0.2460      | =             |
|   |             |            |             | <b>0.0513</b> |
| <i>Allocation of line loss to Joint Use mains.</i>  |             |            |             |               |
| <b>Joint Share Line Loss + Plant Use</b>  | 0.0513      | +          | 0.0087      | =             |
|   |             |            |             | <b>0.0600</b> |
| <i>Total percentage allocation of non-revenue water to Joint Use.</i>   |             |            |             |               |
|   |             |            | 1           |               |
| <b>Wholesale Production Multiplier</b>  |             | -----      | =           | <b>1.0638</b> |
|   |             | 1 - 0.0600 |             |               |
| <i>Factor to determine quantity that must be produced to service wholesale sales. For each gal sold to wholesale customers, 1.0638 gals must be produced.</i>         |             |            |             |               |
|   | 1           |            | 356,889,430 |               |
| <b>Water Production Factor</b>  | -----       | x          | -----       | =             |
|   | 1.2773      |            | 474,055,600 | <b>0.6270</b> |
| <i>Water produced for wholesale customers divided by total water produced. (Percentage of all water produced that is for wholesale water sales.)</i>                  |             |            |             |               |
|   | 356,889,430 |            |             |               |
| <b>Pipeline Transmission Factor</b>   | -----       | x          | 0.2460      | =             |
|   | 474,055,600 |            |             | <b>0.1852</b> |
| <i>Portion of Joint Use pipes allocated to wholesale customers.</i>   |             |            |             |               |
|   |             |            | 356,889,430 |               |
| <b>Use Factor</b>   |             |            | -----       | =             |
|   |             |            | 474,055,600 | <b>0.7528</b> |
| <i>Allocation for tank expenses and sometimes other costs where water losses and transmission system issues don't apply.</i>  |             |            |             |               |

**Table G**  
**WHOLESALE RATE COMPUTATION**  
**City of Lancaster Kentucky Water System**

|  | Total            | Allocation Factors |        | Wholesale        | Retail           |
|--|------------------|--------------------|--------|------------------|------------------|
|  |                  | Type               | Factor | Allocation       | Allocation       |
| <b>Salaries and Wages</b>                                      |                  |                    |        |                  |                  |
| Water Production   | \$ 215,000       | WPF                | 0.6270 | \$ 134,806       | \$ 80,194        |
| Trans./Distribution  | 145,000          | PTF                | 0.1852 | 26,857           | 118,143          |
| <b>Employee Benefits</b>                                       |                  |                    |        |                  |                  |
| Water Production   | \$ 99,100        | WPF                | 0.6270 | 62,136           | 36,964           |
| Trans./Distribution  | 97,900           | PTF                | 0.1852 | 18,133           | 79,767           |
| <b>Maintenance Contracts</b>                                   |                  |                    |        |                  |                  |
| Water Production   | \$ 44,000        | WPF                | 0.6270 | 27,588           | 16,412           |
| Trans./Distribution  | 49,000           | PTF                | 0.1852 | 9,076            | 39,924           |
| Purchased Power  | 365,000          | WPF                | 0.6270 | 228,857          | 136,143          |
| Chemicals  | 260,000          | WPF                | 0.6270 | 163,022          | 96,978           |
| <b>Operating Supplies</b>                                      |                  |                    |        |                  |                  |
| Water Production   | \$ 34,000        | WPF                | 0.6270 | 21,318           | 12,682           |
| Trans./Distribution  | 30,000           | PTF                | 0.1852 | 5,557            | 24,443           |
| <b>Insurance</b>   |                  |                    |        |                  |                  |
| Water Production   | \$ 46,250        | WPF                | 0.6270 | 28,999           | 17,251           |
| Trans./Distribution  | 18,750           | PTF                | 0.1852 | 3,473            | 15,277           |
| Laboratory   | 12,000           | WPF                | 0.6270 | 7,524            | 4,476            |
| <b>Miscellaneous</b>   |                  |                    |        |                  |                  |
| Water Production   | \$ -             | WPF                | 0.6270 | -                | -                |
| Trans./Distribution  | -                | PTF                | 0.1852 | -                | -                |
| Kentucky River Fee   | \$ -             | WPF                | 0.6270 | -                | -                |
| <b>Transportation</b>  |                  |                    |        |                  |                  |
| Water Production   | \$ 3,250         | WPF                | 0.6270 | 2,038            | 1,212            |
| Trans./Distribution  | 21,500           | PTF                | 0.1852 | 3,982            | 17,518           |
| <b>General Expenses</b>  |                  |                    |        |                  |                  |
| Admin & General  | \$ 2,500         | PTF                | 0.1852 | 463              | 2,037            |
| Customer   | 2,500            | -                  | -      | -                | 2,500            |
| <b>Total Operating Expenses</b>                                | <b>1,445,750</b> |                    |        | <b>743,829</b>   | <b>701,921</b>   |
| <b>Depreciation Expense</b>                                    |                  |                    |        |                  |                  |
| Water Production   | 379,840          | WPF                | 0.6270 | 238,162          | 141,678          |
| Trans. / Distribution  | 136,145          | PTF                | 0.1852 | 25,217           | 110,928          |
| Storage Tanks  | 32,261           | UF                 | 0.7528 | 24,287           | 7,974            |
| Admin & General  | 243              | PTF                | 0.1852 | 45               | 198              |
| Customer   | 7,567            | -                  | -      | -                | 7,567            |
| <b>Debt Service &amp; Coverage</b>                             |                  |                    |        |                  |                  |
| Water Production   | 336,276          | WPF                | 0.6270 | 210,847          | 125,429          |
| Trans. / Distribution  | 242,545          | PTF                | 0.1852 | 44,924           | 197,621          |
| Storage Tanks  | -                | UF                 | 0.7528 | -                | -                |
| <b>Total Revenue Required</b>                                  | <b>2,580,628</b> |                    |        | <b>1,287,312</b> | <b>1,293,315</b> |
| Wholesale Gallons Sold Minimum Purchase Amount (x 1,000)       |                  |                    |        | 325,000          |                  |
| Wholesale Gallons Sold Above Minimum Purchase Amount (x 1,000) |                  |                    |        | 31,889           |                  |
| <b>Computed Wholesale Rate for Minimum Purchase</b>            |                  |                    |        | <b>\$ 3.75</b>   |                  |
| <b>Computed Wholesale Rate above Minimum Purchase</b>          |                  |                    |        | <b>\$ 2.11</b>   |                  |
| <b>Current Wholesale Rate for Minimum Purchase</b>             |                  |                    |        | <b>\$ 2.49</b>   |                  |
| <b>Current Wholesale Rate above Minimum Purchase</b>           |                  |                    |        | <b>\$ 1.40</b>   |                  |
| <b>Increase for Minimum Purchase</b>                           |                  |                    |        | <b>\$ 1.26</b>   | <b>50.60%</b>    |
| <b>Increase above Minimum Purchase</b>                         |                  |                    |        | <b>\$ 0.71</b>   | <b>50.71%</b>    |