

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

**In the Matter of:**

**ELECTRONIC TARIFF FILING OF )**  
**THE CITY OF LANCASTER TO ) CASE NO. 2023-00424**  
**INCREASE THE WHOLESALE )**  
**RATE CHARGED TO GARRARD )**  
**COUNTY WATER ASSOCIATION )**

**RESPONSE OF**  
**THE CITY OF LANCASTER**  
**TO**  
**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION**  
**DATED JANUARY 5, 2024**

**FILED: JANUARY 19, 2024**

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

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**RESPONSE OF THE CITY OF LANCASTER  
TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION**

Comes the City of Lancaster (the "District") for its Response to Commission Staff's First Request for Information, and states as shown on the following pages.



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**CERTIFICATION OF RESPONSE OF THE CITY OF LANCASTER  
TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION**

This is to certify that I have supervised the preparation of the City of Lancaster's Responses to Commission Staff's First 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: January 19, 2024.

  
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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 January 19, 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. 2023-00424**

**Response to Commission Staff's First Request for Information**

**Question No. 1**

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

**Q-1. Provide the most recent combined cost of service analysis for wholesale and retail customers. If a combined analysis is not available, provide the retail analysis for the same period as the wholesale analysis that was previously provided.**

A-1. The rate studies for the City of Lancaster wholesale and retail customers were prepared using these steps:

- a. The total revenue requirement was computed using a test year of fiscal year ending June 2022. Adjustments were made to the financial results to reflect known and measurable changes in expenses as incorporated in the annual budget for the fiscal year ending June 2023.
- b. The wholesale analysis was prepared using the commodity-demand cost-of-service method.
- c. The retail analysis was prepared based upon the total revenue requirement less the revenue from wholesale customers as computed in the wholesale analysis.

An Excel spreadsheet of the retail rate analysis is filed separately as **Exhibit 1** and is identified as Water Retail Rate Model.

**THE CITY OF LANCASTER**

**CASE NO. 2023-00424**

**Response to Commission Staff's First Request for Information**

**Question No. 2**

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

- Q-2. Provide a list of all differences in calculation methods between the wholesale analysis and retail analysis and describe the reasoning for the different treatment of each item.**
- A-2. 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. There were no other differences in the calculation methods between the retail and wholesale customers.