

## Reasons for Application

Upon review of its current financial condition, Garrard County Water Association determined that it requires an increase in its base water rates. Garrard County Water Association is requesting an 11.59 percent rate increase for all of its water customers. The rate increase will generate approximately \$314,279 in additional annual revenue from water sales.

Garrard County Water Association notes that the Commission historically has used the Operating Ratio methodology to calculate the revenue requirement for water districts and associations. Therefore, Garrard County Water Association used the Operating Ratio methodology to calculate its requested revenue requirement.

Garrard County Water Associations requested rate increase will produce a working capital allowance sufficient to allow Garrard County Water Association:

1. To pay its annual principal payments on its existing long-term debt from water revenues rather than from depreciation reserves;
2. To meet the requirements set forth in its existing debt instruments;
3. To restore the Garrard County Water Association to a sound financial condition; and
4. To enable Garrard County Water Association to enhance its financial capacity so it can continue to operate its system in compliance with the federal Safe Drinking Water Act, as amended in 1996, and KRS Chapter 151.