

SCHEDULE OF ADJUSTED OPERATIONS
Garrard County Water Association

	Test Year	Adjustments	Ref.	Pro Forma
<u>Operating Revenues</u>				
Retail Metered Sales	\$ 2,523,840	\$ (16,664)	A	
		61,416	B	
		141,345	C	\$ 2,709,938
Fire Protection	1,100			1,100
Total Revenue Water Sales	2,524,940	186,098		2,711,038
Other Water Revenues:				
Forfeited Discounts		34,965	D	34,965
Miscellaneous Service Revenues	105,650	(34,965)	D	
		(18,648)	E	52,037
Total Operating Revenues	2,630,590	167,450		2,798,040
<u>Operating Expenses</u>				
Operation and Maintenance				
Salaries and Wages - Employees	436,366	46,367	F	482,733
Salaries and Wages - Directors	37,500	2,100	G	39,600
Employee Pensions & Benefits:				
Employee - Health Insurance	76,221	19,727	H	95,948
Employee - Life	960			960
Employee - Other Benefits	784			784
Pensions	17,177	3,392	I	20,569
Purchased Water	1,121,957	53,645	J	
		143,665	K	
		(94,187)	L	1,225,080
Purchased Power	20,530	(1,466)	L	19,064
Materials and Supplies	118,122			118,122
Contractual Services - Acct.	36,694			36,694
Contractual Services - Legal	15,655			15,655
Contractual Services - Water Testing	9,680			9,680
Contractual Services - -Other	91,632			91,632
Transportation	23,722			23,722
Insurance - Gen. Liability	35,260			35,260
Insurance - Workers' Compensation	8,485			8,485
Insurance - Other	210			210
Bad Debt	6,316			6,316
Amort - Rate Case		3,112	M	3,112
Miscellaneous Expenses	10,577			10,577
Total Operation and Mnt. Expenses	2,067,848	176,355		2,244,203
Depreciation Expense	574,172	1,670	N	
		(53,406)	O	522,436
Taxes Other Than Income	40,792	6,576	P	47,368
Total Operating Expenses	2,682,812	131,195		2,814,007
Net Utility Operating Income	(52,222)	36,255		(15,967)
Gains (Losses) Sale of Utility Property	2,764	(2,764)		0
Total Utility Operating Income	(49,458)	33,491		(15,967)
Other Income and Deductions:				
Interest Income	219,326			219,326
Nonutility Income	37,423	18,648	E	
		(18,287)	Q	
		(13,135)	R	24,649
Miscellaneous Nonutility Expenses	(4,378)			(4,378)
Interest Expense	(73,849)			(73,849)
Net Income	\$ 129,064	\$ 20,717		\$ 149,781

REFERENCES

A. The Current Billing Analysis results in pro forma metered sales revenue of \$2,507,176. This reflects customer usage for 2024 and the tariffed water rates and indicates a decrease to Revenue from Metered Water Sales of \$16,664 is required.

B. The city of Lancaster (Lancaster) increased its wholesale rate from \$2.49 per 1,000 gallons to \$2.63 per 1,000 gallons for the first 325,000,000 gallons, and from \$1.40 per 1,000 gallons to \$1.48 per 1,000 gallons for over 325,000,000 gallons, effective September 26, 2024. In Case No. 2024-00323, Garrard County Water Association was authorized to increase its water rates to reflect the impact the wholesale rate increase had on its Purchased Water expense. Applying the rates authorized in Case No. 2024-00323 to Garrard County Water Association's billing analysis results in an increase of \$61,416 to Metered Water Sale revenues.

C. Lancaster increased its wholesale rate by \$0.3744 from \$2.63 per 1,000 gallons to \$3.0044 per 1,000 gallons for the first 325,000,000 gallons, and by \$0.2338 from \$1.48 per 1,000 gallons to \$1.7138 per 1,000 gallons over 325,000,000 gallons, effective August 1, 2025. In Case No. 2025-00263, Garrard County Water Association was authorized to increase its water rates to reflect the impact the wholesale rate increase had on its Purchased Water expense. Applying the rates authorized in Case No. 2025-00263 to Garrard County Water Association's billing analysis results in an increase of \$141,345 to Metered Water Sale revenues.

D. Garrard County Water Association recorded its forfeited discounts in the account Miscellaneous Service Revenues. To correct the misclassification error Miscellaneous Service Revenues is being decreased by \$34,965 and Forfeited Discounts is being increased by the same amount.

E. Garrard County Water Association recorded its income from several nonutility services in the revenue account Miscellaneous Service Revenues. To correct the misclassification error Miscellaneous Service Revenues is being decreased by \$18,648 and Nonutility Income account is being increased by the same amount.

F. Garrard County Water Association has nine employees and four meter readers. Assuming each full-time employee works 2,080 annual regular hours, the actual test-period overtime hours that each worked and a January 2026 10 percent pay increase, the pro forma salaries and wages expense is \$482,733 resulting in an increase of \$46,367.

G. The basic monthly Director fee paid by Garrard County Water Association is \$300 per month, which is increased to \$500 once a member of the board completes the training requirement. Currently, six members of the seven member board members qualify for the higher payment. Salaries and Wages – Directors expense is being increased by \$2,100 to reflect the current annual Directors fee of \$39,600.

	Monthly Fee	Pro Forma Salaries
Member 1	\$ 300	\$ 3,600
Member 2	500	6,000
Member 3	500	6,000
Member 4	500	6,000
Member 5	500	6,000
Member 6	500	6,000
Member 7	500	6,000
Current Annual Directors Fee		39,600
Less: Test-Year Annual Directors Fee		(37,500)
Pro Forma Adjustment		<u>\$ 2,100</u>

H. Garrard County Water Association provides health insurance coverage to its nine full-time employees. Garrard County Water Association received a letter from its insurance provider that the 2025 premiums will be increased by 2.9 percent in January 2026. The increased employee health insurance premiums results in an annual cost \$95,948 for an adjustment of \$19,927.

I. Garrard County Water Association provides pension benefits to eligible employees through a 401(k) plan. Employee elective contributions are matched by Garrard County Water Association up to 5 percent of employee compensation. In 2025 eight of Garrard County Water District's employees participate in the 401(k) plan. Based upon the pro forma salaries for the eight participating employees the annual pension expense is \$20,568, which requires an adjustment of \$3,392.

J. In the test-year, Garrard County Water Association purchased 458,247,874 Gallons of water, 426,805,239 Gallons from Lancaster and 31,442,635 Gallons from the city of Danville. Applying Lancaster's September 26, 2024 wholesale water rates to the test-year water purchases from Lancaster of 458,247,874 Gallons results in an increase to test year Purchased Water expense of \$53,645.

K. Applying Lancaster's August 1, 2025 wholesale water rates to the test-year water purchases from Lancaster of 458,247,874 Gallons results in an increase to test year Purchased Water expense of \$143,665.

L. Garrard County Water Association's test year water loss was 22.139 percent. The PSC's maximum allowable loss for rate-making purposes is 15.0 percent. Therefore, the expenses for Purchased Water and Power related to water purchased and pumped above the 15 percent limit are not allowed in the rate base and must be deducted. Cannonsburg is proposing to decrease Purchased Water expense and Purchased Power expense by \$94,187 and \$1,466, respectively.

M. Amortization Rate Case expense is being increased by \$3,112 to reflect amortizing the cost of this rate case over three-years.

N. Increasing Depreciation expense by \$1,670 to reflect the 2025 depreciation schedule.

O. The PSC requires adjustments to a water utility's depreciation expense when asset lives fall outside the ranges recommended by NARUC in its publication titled "Depreciation Practices for Small Utilities". Therefore, adjustments totaling \$53,406 are included to bring asset lives to the midpoint of the recommended ranges.

P. Applying the Federal Insurance Contributions Act (FICA) tax rate of 7.65 percent to pro forma Salaries and Wages expense subject to the withholdings of \$538,733 results in a increase of \$6,576 to test-year FICA taxes of \$34,637.

Pro Forma Emp. Salaries & Wages expense	\$	499,133
Add: Director Fees		<u>39,600</u>
Salaries & Wages subject to FICA		538,733
Multiplied by: FICA Tax Rate		<u>7.65%</u>
Pro Forma Payroll Tax		41,213
Less: Test-Year Payroll Tax (2024 Trial Balance)		<u>(34,637)</u>
Pro Forma Adjustment	\$	<u><u>6,576</u></u>

Q. In 2024, Garrard County Water Association recognized the increase in an investment account from one year to the next (interest and fair value adjustment on the investments held). Since the gain on the investment is an unrealized gain and a non-recurring event an adjustment to decrease Nonutility income by \$18,267 is being made.

R. In 2024, Garrard County Water Association recognized a gain on the sale of investments of \$13,135. Since the gain on the investment is a non-recurring event an adjustment to decrease Nonutility income by \$13,135 is being made.