

**Garrard County Water Association, Inc.**

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June 4, 2009

Public Service Commission  
Mr. Brent Kirtley  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, KY 40602

**RECEIVED**

JUN - 8 2009

PUBLIC SERVICE  
COMMISSION

RE: City of Lancaster Wholesale Water Rate Study

Dear Mr. Kirtley:

It is our understanding that the City of Lancaster has filed an amended tariff with the Commission indicating a proposed increase in wholesale water rates for potable water sold to Garrard County Water. It is further our understanding that the new rate is to become effective July 1, 2009 and was issued May 19, 2009. We thank you for supplying us with a copy of Lancaster's filing as they failed to supply a copy to our office.

Garrard Water fully intends to be responsible for its fair and equitable share of the costs incurred by Lancaster to produce potable water sold to the Association plus a reasonable margin for said production. However the Association has some concerns as to how the proposed new rates were arrived at, especially in the areas of depreciation and the amortization of debt for capital improvements that benefit the delivery of water to the Association.

At this time and with Lancaster's latest audit (July 1, 2007 – June 30, 2008) in hand, it appears that Lancaster's potable water production enterprise is quite healthy financially. The above noted audit indicates a sixteen (16) percent profit margin of \$178,475 based on revenue of \$1,104,684 with depreciation of \$213,287 funded as a cash expense.

Presently the Association wants to intervene in Lancaster's requested rate increase and asks the Commission to suspend the increase while a further investigation is undertaken as to the reasonableness of the proposed rate increase. In the meantime the Association will entertain any new information that might be forthcoming in this matter that might be helpful in resolution.

Sincerely,



Harold C. Ward  
President/Executive Director

cc: City of Lancaster, Mayor Don Rinthen