

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF GARRARD COUNTY	)	2026-00196
WATER ASSOCIATION, INC.	)	

ORDER

On July 14, 2026, Garrard County Water Association, Inc. (Garrard County Water) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.012 and 807 KAR 5:068.

LEGAL STANDARD

In accordance with KRS 278.012, when a wholesale supplier selling water to a water association increases its rates, the water association has the authority to increase its rate commensurate with the wholesale supplier. The water association must file, within the statutory and regulatory deadlines, a copy of the notice from the wholesale supplier showing the increase in the wholesale rate, and a statement of the volume of purchased water used to calculate the rate adjustment. The Commission shall approve the filing by order after the above documents are filed.

DISCUSSION AND FINDINGS

Garrard County Water purchases water from city of Lancaster (Lancaster) and city of Danville (Danville).¹ Garrard County Water also pays a pass-through fee to Kentucky

¹ Application (filed July 14, 2026).

River Authority based on its water purchases from Lancaster of \$0.28 per 1,000 gallons.² Garrard County Water does not pay the fee to the Kentucky River Authority directly, the payment is processed through Lancaster and then remitted to the Kentucky River Authority. Lancaster notified Garrard County Water that its wholesale rate would increase by \$0.3744 or 12.46 percent, from \$3.0044 per 1,000 gallons to \$3.3788 per 1,000 gallons for the first 325,000,000 gallons, and by \$0.2338 or 13.64 percent, from \$1.7138 per 1,000 gallons to \$1.9476 per 1,000 gallons for usage over 325,000,000 gallons effective July 1, 2026.³ Garrard County Water proposed to increase the water rates to its customers effective July 1, 2026, to reflect the increased cost of purchased water from Lancaster. The fee remitted to the Kentucky River Authority from Lancaster did not increase and Danville did not propose any rate changes.

The Commission notes that Garrard County Water incorrectly reported the meter sizes in the Current and Proposed Rates portion of the application and while the rates contain the correct values the overall proposed rates are incorrect.⁴ The Commission finds that the errors in meter sizes should be corrected in Garrard County Water's tariffs and in their notice to customers.

Unaccounted for Water Loss

Commission regulation 807 KAR 5:066, Section 6(3), states that for ratemaking purposes a utility's unaccounted for water loss shall not exceed 15 percent of the total

² Application.

³ TFS2025-00293 (Ky. PSC June 30, 2025); Lancaster submitted the tariff on June 30, 2025, and the tariff was accepted for filing by the Commission by letter dated July 31, 2025, with an effective date of August 1, 2025. The tariff included phase in rates with the second phase of the rate increase being effective July 1, 2026.

⁴ Application, Exhibit C, Current and Proposed Rates at 9.

water produced and purchased, excluding water consumed by a utility in its own operations. In its 2023 Annual Report filed with the Commission, Garrard County Water reported an unaccounted for water loss of 20.9261 percent.⁵ In its 2024 Annual Report filed with the Commission, Garrard County Water reported an unaccounted for water loss of 22.1393 percent.⁶ In its 2025 Annual Report filed with the Commission, Garrard County Water reported an unaccounted for water loss of 23.7603 percent.⁷ Garrard County Water's three-year unaccounted for water loss average is 22.2752%.⁸ The cost of Garrard County Water's total unaccounted for water loss using a three-year average is \$343,077.17.⁹

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission strongly encourages Garrard County Water to pursue reasonable actions to reduce its unaccounted for water loss. Failure by Garrard County Water to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

⁵ *Annual Report of Garrard County Water to the Public Service Commission for the Year Ended December 31, 2023* at 58.

⁶ *Annual Report of Garrard County Water to the Public Service Commission for the Year Ended December 31, 2024* at 58.

⁷ *Annual Report of Garrard County Water to the Public Service Commission for the Year Ended December 31, 2025* at 58.

⁸ $20.9261\% + 22.1393\% + 23.7603\% = 66.8257\% / 3 \text{ years} = 22.2752\%$.

⁹ Total water cost at new wholesale rate of \$1,540,175.48 times 22.2752% water loss equals \$343,077.17.

Financial Condition and Rates

Garrard County Water's financial snapshot for 2021 through 2025 is presented below. Based on a review of Commission records, Garrard County Water last sought a base rate adjustment in Case No. 2025-00396, using 2024 as its test year, which became final on June 9, 2026, and reflected an increase of \$303,426 or 11.19 percent.¹⁰ Rate-based income (adjusted net income minus debt service) was negative from 2021 to 2022 but was positive all other years. Cash basis income (rate-based income plus depreciation) was positive in all five years.

¹⁰ Case No. 2025-00396, *Electronic Application of Garrard County Water Association for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC June 9, 2026), final Order.

Description / Year	Audited 2021	Audited 2022	Audited 2023	Audited 2024	Audited 2025
<i>Adjusted Net Income</i>					
Net Income / (Loss)	\$ 107,405	\$ 192,528	\$ 1,400,937	\$ 199,279	\$ 209,219
Other Non-recurring Items ()	(18,158)	(133,939)	(983,344)	3,670	-
Tap Fees ()	(76,966)	(88,024)	(103,915)	(76,649)	(90,887)
Interest Expense	6,063	-	20,632	73,849	75,751
Adjusted Net Income / (Loss)	18,344	(29,435)	334,310	200,149	194,083
Interest Expense ()	(6,063)	-	(20,632)	(73,849)	(75,751)
Principal Payments ()	(88,177)	-	-	(71,607)	(99,256)
Subtract: Total Debt Service ()	(94,240)	-	(20,632)	(145,456)	(175,007)
Rate-Based Income (Excludes Working Capital of 20%)	(75,896)	(29,435)	313,678	54,693	19,076
Add: Depreciation Expense	430,630	434,782	462,975	574,172	583,125
Cash Basis Income	\$ 354,734	\$ 405,347	\$ 776,653	\$ 628,865	\$ 602,201
Rate Based Income as Percent of Water Sales	-4%	-1%	13%	2%	1%
Cash Basis Income as Percent of Depreciation	82%	93%	168%	110%	103%
Capital Spending	\$ 222,747	\$ 682,844	\$ 3,945,034	\$ 851,205	\$ 222,282
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 3,777,283	\$ 4,182,112	\$ 4,859,544	\$ 5,194,555	\$ 5,677,899
Restricted Funds	0	2,000	2,000	1,500	63,225
Adjusted Cash Balances	\$ 3,777,283	\$ 4,184,112	\$ 4,861,544	\$ 5,196,055	\$ 5,741,124
Net Increase (Decrease) in Cash	\$ 2,370,860	\$ 406,829	\$ 677,432	\$ 334,511	\$ 545,069
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Customer Count	6,008	6,081	6,201	6,257	6,363
Gallons Purchased	428,919	416,429	436,016	458,248	467,053
Gallons Sold	299,251	319,030	324,647	343,748	341,588
Gallons Used for Internal Use	10,620	18,002	20,128	13,047	14,522
Water Loss Gallons	119,048	79,397	91,241	101,453	110,973
System Use Percentage	2.4760%	4.3229%	4.6163%	2.8471%	3.1093%
Water Loss Percentage	27.7554%	19.0662%	20.9261%	22.1393%	23.7603%
Gallons Sold Per Customer Per Month	4,151	4,372	4,363	4,578	4,474
Revenues from the Sale of Water	\$ 2,088,842	\$ 2,248,759	\$ 2,440,033	\$ 2,523,686	\$ 2,639,555
Purchased Water Expense	1,079,697	1,119,807	1,056,335	1,121,957	1,284,057
Purchased Water Expense Over 15% Water Loss	137,719	45,533	62,599	80,100	112,487
Water Loss Expense Over 15% as Percentage of Water Revenue	6.59%	2.02%	2.57%	3.17%	4.26%

Given this information, the Commission finds that Garrard County Water should continue to monitor its operating performance annually to determine whether a rate adjustment application should be submitted. Future rate cases should be filed every three to five years depending on financial performance, to ensure that its revenue is sufficient to support adequate and reliable service.

Purchased Water Adjustment Factor

In its application, Garrard County Water proposed a purchased water adjustment factor of \$0.44 per 1,000 gallons. During the 12 months ended May 31, 2026, Garrard County Water purchased 451,089,500 gallons of water from Lancaster and 27,252,123 gallons of water from Danville and sold 345,493,258 gallons of water to its customers.¹¹ The increase in the cost of purchased water from Lancaster is \$151,159.73, resulting in a purchased water adjustment factor of \$0.44 per 1,000 gallons. No rate changes occurred from Danville.

The purchased water adjustment factor of \$0.44 per 1,000 gallons, as calculated in Appendix A and the rates as set forth in Appendix B to this Order are fair, just and reasonable and should be approved for water service rendered by Garrard County Water on and after July 1, 2026, because the rates are supported by evidence of the increase in rates from Garrard County Water's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.012.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.44 per 1,000 gallons is approved.
2. The rates proposed by Garrard County Water are denied.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Garrard County Water on and after July 1, 2026.

¹¹ Application, PWA Form 1 at 2.

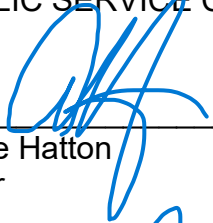
4. Within 20 days of the date of service of this Order, Garrard County Water shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

5. This case is closed and removed from the Commission's docket.

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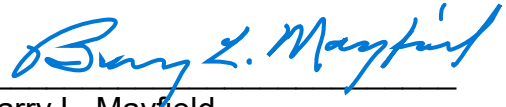
Entered on this 3rd day of August, 2026.

PUBLIC SERVICE COMMISSION



Angie Hatton
Chair

Mary Pat Regan
Vice Chair

Andrew W. Wood
Commissioner

Barry L. Mayfield
Commissioner

ATTEST:



Justin McNeil
Executive Director

Case No. 2026-00196

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00196 DATED AUG 03 2026

	Base Rate	New Rate	Change
<u>Lancaster</u>			
Purchases in Gallons	325,000,000	325,000,000	
Rate per 1,000 Gallons	<u>\$3.0044/1,000</u>	<u>\$3.3788/1,000</u>	
Subtotal	\$976,430.00	\$1,098,110.00	\$121,680.00
<u>Lancaster</u>			
Purchases over 325,000,000			
Gallons	126,089,500	126,089,500	
Rate per 1,000 Gallons	<u>\$1.7138/1,000</u>	<u>\$1.9476/1,000</u>	
Subtotal	\$216,092.19	\$245,571.91	\$29,479.73
<u>Kentucky River Authority</u>			
Purchases in Gallons	451,089,500	451,089,500	
Rate per 1,000 Gallons	<u>\$0.28/1,000</u>	<u>\$0.28/1,000</u>	
Sub-total	\$126,305.06	\$126,305.06	\$0.00
<u>Danville</u>			
Purchases in Gallons	27,252,123	27,252,123	
Rate per 1,000 Gallons	<u>\$2.41/1,000</u>	<u>\$2.41/1,000</u>	
Sub-total	\$65,677.62	\$65,677.62	\$0.00
Total	\$1,389,015.76	\$1,540,175.48	
Increased water cost			\$151,159.73
Increased water cost		\$151,159.73	
Divided by Gallons sold/1,000		<u>345,493,258</u>	
Purchased water adjustment factor		\$0.4375	per 1,000 Gallons
		or \$ 0.00044	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00196 DATED AUG 03 2026

The following rates and charges are prescribed for the customers in the area served by Garrard County Water Association, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

<u>Monthly Water Rates</u>				
<u>5/8- x 3/4-Inch Meter</u>				
First	1,000	Gallons	\$15.37	Minimum Bill
Next	1,000	Gallons	0.00883	Per Gallon
Next	1,000	Gallons	0.00737	Per Gallon
Next	2,000	Gallons	0.00709	Per Gallon
Over	5,000	Gallons	0.00670	Per Gallon
<u>1-Inch Meter</u>				
First	5,000	Gallons	\$45.76	Minimum Bill
Over	5,000	Gallons	0.00670	Per Gallon
<u>1 1/2-Inch Meter</u>				
First	10,000	Gallons	\$79.26	Minimum Bill
Over	10,000	Gallons	0.00670	Per Gallon
<u>2-Inch Meter</u>				
First	25,000	Gallons	\$179.73	Minimum Bill
Over	25,000	Gallons	0.00670	Per Gallon
<u>Bulk Sales</u>			0.00798	Per Gallon

Service List for Case 2026-00196

* Jason Pennell

Kentucky Rural Water Association

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Bowling Green, KY 42102-1424

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* Sean Smith

Registered Agent

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