

Reasons for Application

Western Rockcastle Water Association, Inc., (Western Rockcastle) is filing this application in accordance with the Public Service Commission's Final Order in Case No. 2023-00334 dated November 22, 2023. Western Rockcastle's revenue requirement calculation supports an increase in water rates of 12.44 percent and will generate approximately \$281,290 in additional annual revenue from water sales.

Western Rockcastle notes that the Commission historically has used either the Debt Service Coverage (DSC) or the Operating Ratio methodology to calculate the revenue requirement for water districts and associations. Given that the DSC methodology does not produce a sufficient working capital allowance, Western Rockcastle used the Operating Ratio methodology to calculate its revenue requirement. The Operating Ratio produces a working capital allowance sufficient to allow Western Rockcastle:

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 Western Rockcastle to a sound financial condition; and
4. To enable Western Rockcastle to enhance its financial capacity so it can continue to operate in compliance with the federal Safe Drinking Water Act, as amended in 1996, and KRS Chapter 151