COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF WESTERN ROCKCASTLE WATER ASSOCIATION, INC. FOR A RATE ADJUSTMENT PURSUANT TO 807 KAR 5:076	))))	Case. No. 2025-00001

RESPONSE OF WESTERN ROCKCASTLE WATER ASSOCIATION, INC.

TO THE COMMMISSION STAFF'S SECOND REQUEST

FOR INFORMATION DATED APRIL 15, 2025

Western Rockcastle Association Water Association, Inc.
Case No. 2025-00001
Commission Staff's Second Request
for Information Dated April 15, 2024

Witness: Paula Deborde

1. Refer to Western Rockcastle Water's Response to Commission Staff's First Request for Information (Staff's First Request), Item 10a. In Item 10a, the total gallons purchased during the test year is reported as 311,850,433, while the 2023 Annual Report on page 52 reports a total of 13,296,000. Explain the 298,554,433 difference and confirm the correct gallons purchased by Western Rockcastle Water in the test year.

Original Response: Per the calendar year 2023 Monthly Water Loss reports (See file 6_Calendar_Year_2023_Monthly Water Reports) the amount of water purchased in 2023 was 298,776,155 and the annual water loss was 12.46 percent.

Revised Response: SK Lee CPAs, PSC (SK Lee Firm) prepared page 57 of our 2023 Annual Report. The accountant that was responsible for preparing the Annual Report is no longer employed by the SK Lee Firm. The source of the gallons purchased in the 2023 Annual Report is unknown. Western Rockcastle Association requested and was provided the gallons purchased from its wholesale providers. Those schedules showed that Western Rockcastle purchased 313,975,833 in calendar year 2023.

See files: Broadhead_Water_Purchases_2023_&_2024
Mt_Vernon_Water_Purchases_2023_&_2024
SMWD_Water_Purchases_2023_&_2024
3_WRWA_Rate _Model_Revised; Tab: Excess Water Loss

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2. Refer to Western Rockcastle Water's 2022 Annual Report at 57. Also, refer to Western Rockcastle Water's Response to Staff's First Request, Item 10a. Identify and explain the increased water use or loss that justifies the increase in the purchased gallons from the 2022 Annual Report's 226,910,0002 to the amount reported in Item 10a of 311,850,433.:

Response: SK Lee CPAs, PSC (SK Lee Firm) prepared page 57 of our 2023 Annual Report. The accountant that was responsible for preparing the Annual Report is no longer employed by the SK Lee Firm. The 2023 Monthly Water Loss Reports shows that in 2023 Western Rockcastle Association actually purchased 298,776,155 Gallons. See file: 6_Calendar_Year_2023_Monthly Water Reports.

Revised Response: Refer to Western Rockcastle Association's response to Item 1.

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3. Refer to the 2023 Annual Report at 57. The 2023 Annual Report shows that zero water was used for internal use. Confirm that Western Rockcastle Water used zero water for internal use. If not confirmed, provide the number of gallons used for internal use in 2023.

Response: The 2023 water loss reports shows that Wester Rockcastle Association used 305,500 Gallons for its internal use, but the revised form prepared by the SK Lee Firm does not include any internal usage.

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4. Refer to Western Rockcastle Water's 2021 Annual Report at 49. Also refer to Western Rockcastle Water's 2022 Annual Report at 49. Neither the 2021 Annual Report nor the 2022 Annual Report identified the number of Western Rockcastle Water customers. Provide the number of customers, in each class, Western Rockcastle Water had in 2021 and 2022.

Response: The approximate number of customers Western Rockcastle Association served in 2022 and 2023 was 4,358.

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Witness: Paula Deborde

5. Refer to Western Rockcastle Water's 2022 Annual Report at 57, which indicates a Total Water Loss of 5,296,000 gallons. Provide the monthly water loss reports for 2022. If Western Rockcastle Water believes the 2022 monthly water loss reports will not fully explain and justify this amount, in addition to the reports, provide any additional document and information necessary to address this request.

Response: See file: 5_Calendar_Year_2022_Monthly Water Reports
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6. Refer to Western Rockcastle Water's 2023 Annual Report at 57. The Total Water Loss is listed as 10,100,000 gallons. Provide the monthly water loss reports to explain and justify this amount. If Western Rockcastle Water believes the 2023 monthly. water loss reports will not fully explain and justify this amount, in addition to the reports, provide any additional document and information necessary to address this request.

Response: See file: 6_Calendar_Year_2023_Monthly Water Reports.

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Witness: Paula Deborde

7. Refer to Western Rockcastle Water's Response to Staff's First Request, Item 1b, 1.b_2023_Trial_Balance.pdf, at 5, Account 5119 Bad Debt Expense. Also refer to Western Rockcastle Water's Response to Staff's First Request, Item 1c, 1.c_2023_Trial_Balance_Annual_Report _Recon.pdf. Also refer to Western Rockcastle Water's Response to Staff's First Request, Item 4, 4_Revised_SAO_With_Attachments.pdf. In the Trial Balance Account, 5119 Bad Debt Expense reflects an expense of $20,701. However, in the Reconciliation, Bad Debt Expense is not shown to be reconciled to any expense category, nor is Bad Debt Expense shown in the Schedule of Adjusted Operations (SAO). Identify the expense category where Account 5119 Bad Debt Expense is recorded in both the Reconciliation and in the SAO.

Response: Bad debt expense of $20,700.82 was inadvertently included in miscellaneous expense.

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Witness: Paula Deborde

8. Refer to Western Rockcastle Water's Response to Staff's First Request, Item 1c, 1.c_2023_Trial_Balance_Annual_Report _Recon.pdf. In the reconciliation, the Taxes other than Income and Miscellaneous Expense categories are not reconciled.

a. Explain why the Miscellaneous Expense and Taxes other than Income are not reconciled in Item 1c.

Response: SK Lee Firm prepared the 2023 Trial Balance and Annual Report. How the separate revenue and expense accounts were combined and reported in the 2023 Annual Report was the responsibility of the SK Lee Firm. The accountant responsible for preparing Western Rockcastle Association's 2023 Annual Report is no longer employed by the SK Lee Firm. The accountants at the SK Lee Firm were occupied with income taxes and Audits and were unable to respond to Western Rockcastle Association's requests. Therefore, Western Rockcastle Association was unable to reconcile these two accounts.
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b. If possible, reconcile these expense categories. If not possible, explain why not.

Response: See file: 8.b_Taxes_&_Misc._Expense_Reconciliation

c. Provide the origins, components, or calculations for the 2023 Annual Report's Miscellaneous Expense and Taxes other than Income amounts.

Response: Refer to Western Rockcastle Association's response to Item 8.b.

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Witness: Mark Frost

9. Refer to Western Rockcastle Water's Response to Staff's First Request, Item 4, 4_Revised_SAO_With_Attachments.pdf, Revenue Requirement Table. Also refer to Western Rockcastle Water's Response to Staff's First Request, Item 3, 3_WRWA_Rate_Model.xlsx, SAO Op Ratio Tab. The Revenue Required from Rates of $2,541,670 does not appear to include the Nonutility Income – Gain on Sale of Equipment. Confirm Western Rockcastle Water did not intend to include the Nonutility Income in the Revenue Requirement calculation. If not confirmed, provide an updated revenue requirement calculation.

Response: Below is an updated revenue requirement:

REVENUE REQUIREMENTS		
Pro Forma Operating Expenses	$	2,173,198
Divide by: Operating Ratio		88%
Subtotal		2,469,543
Add: Average Annual Interest Expense		83,804
Total Revenue Requirement		2,553,347
Less: Other Operating Revenue		(8,969)
Interest Income		(2,708)
Nonutility Income		(22,000)
Revenue Required from Rates		2,519,670
Les Normalized Revenues from Water Sales		(2,260,380)
Required Revenue Increase	$	259,290
Percentage Increase		11.47%

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10. Refer to Western Rockcastle Water's response to Staff's First Request, Item 1a, 1a_General_Ledger_2023.xls, Materials and Supplies. Also refer to the chart below..

Account No.	Date	Number	Name	Amount
12753	09/05/23	461622	C&C Supply Co	5,153
15255	11/09/23	461828	Hayes Pipe & Supply	2,765

a. Provide copies of each invoice for the items listed in the chart..

Response: See file: 10.a_Requested_Invoices

Describe each purchase listed in the chart and state whether the item should have been capitalized.

Response: The items listed in the invoices were used to install meters or to repair water leaks.

b. If Western Rockcastle Water believes its classification of each purchase listed in the chart as an expense is proper, explain the reasoning.

Response: The materials used for meter installations were removed from Operating Expenses in Pro Forma Adjustment G. The cost of materials used for repairs are typically expensed rather than capitalized.

c. If Western Rockcastle Water believes that one or more of the transactions listed in the chart should be capitalized, provide the appropriate NARUC useful life for depreciation of each item.

Account No.	Date	Number	Name	Amount
12753	09/05/23	461622	C&C Supply Co	5,153
15255	11/09/23	461828	Hayes Pipe & Supply	2,765

Response: The items for meter installations has been removed and capitalized. The items used for repairs should not be capitalized.

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11. Refer to Western Rockcastle Water's Response to Staff's First Request, Item 1.b_2023_Trial_Balance.pdf and item 4, 4_Revised_SAO_With_Attachments.pdf. Adjustment A in the revised Schedule of Adjusted Operations (SAO) is comprised of several items including Forfeited Discounts in the amount of $6,986. The Trial Balance report at page 3 provides a list of items totaling $6,986.01 under the heading of 'Penalties', which include: Connect Fees, Partial Reconnection Fees, and other Misc. Incomes. The 'Penalties' does not include any revenues from late fees or forfeited discounts.

a. Explain the reasoning for labeling these items as "Forfeited Discounts" in the SAO.

Response: The SK Lee Firm was responsible for preparing our 2023 Trial Balance and Annual Report. How the separate revenue and expense accounts were combined and reported in the 2023 Annual Report was the responsibility of the Accounting Firm. The SK Lee Firm has terminated the employment of the accountant responsible for preparing the 2023 Annual Report in calendar year 2024. Western Rockcastle Association is unable to provide an explanation as to why these accounts were combined and reported as forfeited discounts.

b. Identify whether Western Rockcastle Water charges a late fee. If so, provide the number of occurrences and how much was collected during the test year.

Response: Yes Western Rockcastle Association charges a late fee to its customers. In the calendar year 2023 Western Rockcastle Association charged 994 customer accounts a late fee and billed late fees of $4,055.49.

c. Identify which account late fees are recorded in the Trial Balance.

Response: The Forfieted Discounts (late fees) were reported in the account Revenues from Water Sales.

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12. Refer to Western Rockcastle Water's Response to Staff's First Request, Item 14_BA_Existing_and_Proposed_Rates.xlsx and Western Rockcastle Water's current tariff. Provide test year billing analysis data for the 1 ½ -inch Meter and the 2-inch Meter or if there are no customers using those sizes, provide an explanation pertaining to the reasons there is no usage for those meter sizes. If there are no customers taking under either of those two tariff rates, provide the last date a customer utilized that rate class.

Response: Western Rockcastle Association does not currently provide water service to customers with 1 ½-inch meters or with a 2-inch meter.

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13. Explain whether Western Rockcastle Water is in communication with Kentucky American Water about the feasibility of a merger.

Response: Western Rockcastle Association has in the past talked to Kentucky-American about a possible merger. But at this time there is no interest in pursuing a merger.

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14. Explain whether Western Rockcastle District has considered a water loss surcharge to assist the district in addressing water loss.

Original Response: The 75.96 percent water loss reported in the 2023 Annual Report is incorrect. According to the monthly water loss reports the correct water loss for 2023 was 12.46 percent.

	Annual Report	Monthly Water Loss Reports
Produced & Purchased	13,296,000	298,776,155
Sold	(3,196,000)	(261,231,500)
		(305,500)
Total Water Loss	10,100,000	37,239,155
Water Loss - Gallons	10,100,000	37,239,155
Divided by: Water Purchased	13,296,000	298,776,155
Water Loss - %	75.963%	12.464%

Revised Response: Below is a comparison of the water loss reported in the 2023 Annual Report, the monthly water loss reports, and the water loss using the schedules provided by the wholesale providers.

	Annual Report	Monthly Water Loss Reports	Water Supplier Schedules
Produced & Purchased	298,388,700	298,776,155	313,975,833
Sold	(8,012,633)	(261,231,500)	(261,231,500)
		(305,500)	(305,500)
Total Water Loss	290,376,067	37,239,155	52,744,333
Water Loss - Gallons	290,376,067	37,239,155	52,744,333
Divided by: Water Purchased	298,388,700	298,776,155	313,975,833
Water Loss - %	97.315%	12.464%	16.799%