

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ALTERNATIVE RATE ADJUSTMENT FILING	)	CASE NO.
OF EAST LOGAN WATER DISTRICT	)	2025-00265

RESPONSE OF EAST LOGAN WATER DISTRICT
TO THE COMMISSION STAFF'S REQUEST FOR
INFORMATION DATED OCTOBER 28, 2025

East Logan Water District
Case No. 2025-00265
Commission Staff's First Request for Information

1. Refer to East Logan District's Motion to Accept Analysis of Revenues and Rates, Rate Analysis Excel Document, AvgDebt Tab. Also refer to East Logan District's 2024 Audited financial statements that were filed with the Commission on March 31, 2025. The balance sheet on page 7 reflects current portion of long-term debt of \$34,000 and long-term debt of \$158,000 for a total debt of \$192,000. Note D on pages 15 and 16 also reflect total debt of \$192,000. Commission Staff did not identify any other debt instruments. Both documents referenced above indicate interest payments of \$55,358 for 2025 and total interest payments of \$309,996 for the period 2025 through 2031 on total principal payments of \$192,000. The income statement on page 8 reflects lesser amounts with 2023 and 2024 interest expense being reported at \$10,422 and \$7,712, respectively.

a. Provide an explanation for the difference between the stated interest payments in the rate analysis, the footnotes to the 2024 audited financial statements, and the approximately \$7,920 amount calculated for 2025 interest expense based on the information.

Response: East Logan District held discussions with its auditor about the discrepancies between the debt interest amounts on page 8 and page 16 of the audit report. East Logan District's auditor stated the interest amounts recorded on page 8 were the actual interest amounts realized and paid by the district. The auditor further stated that the amounts stated on page 16 were based on the original amortization schedule of the debt instrument when it was issued. They stated that they

do not re-create a new amortization schedule each year, based on prior years activities. Additionally, East Logan District's auditor stated that there have been multiple years where East Logan District has paid additional amounts on its USDA Rural Development (RD) bonds principal which has reduced its actual debt interest amounts in subsequent years. Specifically, a large amount was reduced because of a refunding to reduce its total debt service payments, in which the auditor referred to page 16 of their 2021 Audit Report. East Logan District is including that Audit Report in its responses to this filing. The consultant assisting East Logan District with its rate review, Rural Community Assistance Partnership (RCAP), also relied on the original debt amortization schedule in its calculation of East Logan District's average annual debt payments, which were presented on the "AvgDebt" Tab of the Excel worksheet initially filed. East Logan District is supplying the debt instrument with its amortization schedule in this filing also.

See file: ELWD_2021_Audit_Report

b. Confirm that all amounts reported as debt service are correct. If unable to confirm, identify any and all amounts utilized for debt service which were incorrect in the rate analysis file or the revenue requirement, provide the correct amounts and provide revised calculations.

Response: See response to 1.a.

Additionally, East Logan District has contacted USDA Rural Development about obtaining a revised amortization schedule that incorporates the amounts of additional principle that has been paid in the past. As a result of the Federal Government shut down, they are not able to provide that information currently but they stated they could supply it if/when the Federal Government re-opens. East Logan District will file that documentation as soon as possible.

c. Explain whether the future interest amounts stated in note D are correct, and if so, provide supporting documentation and calculations. If incorrect, provide corrected future interest amounts along with corresponding supporting documentation and calculations.

Response: See responses to 1.a. and b.

2. Refer to East Logan District's motion to accept analysis of revenues and rates, Attachment A, Schedule of Adjusted Operations (SAO), Depreciation Expense, which reflects a test year depreciation amount of \$435,765 and an adjustment of \$(101,914). Also refer the Rate Analysis Workpapers, Dep Tab which reflects Current Depreciation of \$320,946.84.

a. Provide a revised Depreciation Schedule, Dep Tab, that reflects each item that when reconciled resulted in SAO Depreciation of \$435,765 rather than the \$320,946.84 that is reported in the Dep Tab. Include any applicable adjustments for NARUC depreciation lives for each of the items.

Response: East Logan District is supplying as a response, its original depreciation schedule which shows the calculation of the \$435,765 depreciation expense. No adjustments were made to that schedule.

See file: ELWD_2024_Depreciation_Schedule

b. State whether the adjustments to the Dep Tab result in a change in the adjustment for NARUC depreciation of \$(101,914). If either or both of the items above result in modifications to East Logan District's original filing, provide the following:

- (1). Revised SAO.
- (2). Revised Revenue Requirement.
- (3). Any revised schedules that reflect calculation modifications.

(4). A statement describing whether the impact of the adjustments results in a modification to East Logan District's motion and identifying all modifications.

Response: East Logan District made adjustments to asset lives, attempting to incorporate lives consistent with NARUC depreciation, that the Kentucky Public Service Commission (PSC) frequently makes in water district rate cases. East Logan District has no further changes to its depreciation adjustment.

