

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>ELECTRONIC APPLICATION OF</b>	<b>)</b>	
<b>SOUTH EASTERN WATER</b>	<b>)</b>	
<b>ASSOCIATION FOR A</b>	<b>)</b>	
<b>CERTIFICATE OF PUBLIC</b>	<b>)</b>	<b>CASE NO.</b>
<b>CONVENIENCE AND NECESSITY</b>	<b>)</b>	<b>2025-00375</b>
<b>AND FINANCING OF THE U.S. 27</b>	<b>)</b>	
<b>WATER LINE REPLACEMENT</b>	<b>)</b>	
<b>PROJECT PURSUANT TO THE</b>	<b>)</b>	
<b>PROVISIONS OF KRS 278.020, KRS</b>	<b>)</b>	
<b>278.300, AND KAR 5:001.</b>	<b>)</b>	

**RESPONSE TO NOTICE OF FILING DEFICIENCIES**

By and through the undersigned counsel, South Eastern Water Association, Inc. (“South Eastern” or the “Association”) responds to the filing deficiencies identified in the Executive Director’s letter dated December 2, 2025.

807 KAR 5:001, Section 12(1)(b). This requirement is not applicable to South Eastern, as South Eastern reported \$5,502,117 in total operating revenues in 2024 as reflected on page 49 of South Eastern’s 2024 Annual Report to the Commission. Because South Eastern reported over \$5,000,000 in operating revenues, South Eastern believes that it is required to provide the information set forth in 807 KAR 5:001, Section 12(1)(a) and further delineated in 807 KAR 5:001, Section 12(2).

South Eastern addressed the requirements set forth in 807 KAR 5:001, Section 12(2) in **paragraph 35** of its Application and provided exhibits containing the required information. As required by 807 KAR 5:001, Section 12(2)(d), **Exhibit 17** contained copies of all mortgages. **Exhibit 18** contained an itemized list of all of South Eastern's debt with the amount of interest paid on each note in the past fiscal year, as required by 807 KAR 5:001, Section 12(2)(f). **Exhibit 19** contained an Income Statement and Balance Sheet for the 12-month period ending on September 30, 2055, as required by 807 KAR 5001, Section 12(2)(i). South Eastern maintains that the information it provided in its Application satisfies the applicable filing requirement set forth in 807 KAR 5:001, Section 12.

807 KAR 5:001, Section 12(2)(e). The Executive Director's letter states that there were no reported bonds included in the application, but that note 7 of the 2024 Audit Report contained in Exhibit 21 indicates reported revenue bonds. The Executive Director then asks South Eastern to clarify.

As a water association, South Eastern is a private, non-profit corporation, not a governmental entity, and therefore cannot issue revenue bonds. KRS Chapter 58 limits the issuance of revenue bonds to governmental agencies. Page 16 of the 2024 audit report states:

Loans from Rural Development (RD) financed installation of distribution mains and water lines. Real estate and revenue sufficient to fund the annual debt service secure the loans. During 2015, a group of these

loans were refinanced through **Kentucky Rural Water Finance Corporation** into a 2015 Series Revenue Bonds at an interest savings. (emphasis added)

A listing of long-term debt follows the statement and characterizes a particular long-term debt having a balance of \$1,700,000 as an “interest variable revenue bond, dated March 8, 2015, payable in annual installments, including interest through February 2014.” However, this debt is a loan from Kentucky Rural Water Financing Corporation (“KRWFC”) secured by a note. This is the only KRWFC note listed on South Eastern’s **2024 Annual Report**. The note is listed on page 43 of South Eastern’s 2024 Annual Report as “KRW 2015C Regions” with a nominal date of issue of February 19, 2015, a maturity date of 2041, and a balance of \$1,700,000. The note is also listed on **Exhibit 18**, South Eastern’s Existing Long-Term Debt, as “2015C Loan” made by KRWFC on March 10, 2015, having a variable interest rate from 3.0 to 4.25%, a maturity date of January 1, 2041, and an outstanding *principal* balance of \$1,535,000. This debt instrument’s characterization as an “interest variable revenue bond” in the 2024 Audit Report is clearly an error in the audit report, as only governmental entities can issue revenue bonds. Further, the debt instrument described in the 2024 Audit Report appears in the 2024 Annual Report as a *note* with a description sufficiently similar to identify the instrument mentioned in the 2024 Audit Report.

Wherefore, the Association respectfully requests that the Executive Director reconsider the filing deficiencies cited in her letter dated December 2, 2025, and find that South Eastern's Application, which was tendered on November 25, 2025 meets the minimum filing requirements and is accepted for filing on date it was tendered. In the alternative, South Eastern respectfully requests that the Executive Director accept this Response as sufficient clarification to cure any filing deficiency and accept the Application for filing as of the date of filing of this Response.

Dated: December 2, 2025

Respectfully submitted

/s/ Tina C. Frederick

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Association*

## **CERTIFICATE OF SERVICE**

In accordance with the Commission's Order of July 22, 2021 in Case No. 2020-00085 (Electronic Emergency Docket Related to the Novel Coronavirus COVID-19), this is to certify that the electronic filing has been transmitted to the Commission on December 2, 2025; and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.

/s/ Tina C. Frederick  
Tina Frederick