SOUTHEASTERN WATER ASSOCIATION
6615 HIGHWAY 914
SOMERSET, KENTUCKY 42501
606-678-5501
"This institution is an equal opportunity provider."

October 7, 2026

Brandon Bruner
Director, Division of Inspections
Kentucky Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615

Re: South Eastern Water Association
Inspection Report Dated 8/31/2026
Letter Dated 9/8/2026

Dear Mr. Bruner,

South Eastern Water Association (South Eastern) was inspected on August 27, 2026, and your letter dated September 8, 2026, indicated one deficiency was cited in the inspection. The deficiency cited is:

(1) 807 KAR 5:066, Section 6(3), Unaccounted-for water loss. For ratemaking purposes, a utility's unaccounted-for water loss shall not exceed fifteen (15) percent of total water produced and purchased, excluding water used by a utility in its own operations. Following a review of the water loss reports, the inspection determined that the 2025 water loss was 21.19 percent. However, a review of South Eastern Water Association's 2025 Annual Report indicated a water loss of 16.64 percent. Please explain the discrepancy between these figures.

You requested an explanation regarding the deficiency and an explanation of the discrepancy.

First, to clarify, to the best of my knowledge using information obtained from

the Association's general ledger and billing software, the unaccounted-for water loss for 2025 was 21.19 percent, which is the figure obtained by reviewing the monthly water loss reports. I have asked the Association's accountant, who prepared the 2025 Annual Report to the Public Service Commission, to make this correction on the 2025 Annual Report. I believe this error occurred because, like a lot of small utilities, South Eastern's accountant is not an employee of the Association with daily access to the billing system and other utility records. She is an independent contractor who must rely on information supplied to her by the Association. I believe there was a mathematical error in the water purchase and sales information provided to our accountant at the time she was preparing the 2025 Annual Report. This was, of course, unintentional. We discovered the error during the preparation of our recently filed Rate Case and upon the inspection referenced in your letter.

South Eastern Water Association is finishing a water line replacement and relocation project along U.S. 27. This project replaced a section of older PVC line with larger ductile iron water line. The Association expects that this will help to reduce water loss as the old line was original to the system and had failed repeatedly. Additionally, the Association has purchased an ultrasonic flow meter for use in locating leaks and has requested that its consulting engineers at Kenvirons begin studying the system to identify the most beneficial locations to place zone meters. The Association takes water loss very seriously and is always looking for ways to combat it.

I hope you find this response satisfactory, but should you have further questions do not hesitate to contact me.

Sincerely,



Morris Vaughn
General Manager