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Commonwealth of Kentucky  
**Public Service Commission**  
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Gregory Coker  
Commissioner

Christopher L. Lilly  
Commissioner  
Department of Public Protection

June 14, 2005

Ms. Dorothy Jo Mastin  
108 South Walnut Street  
Cynthiana, Kentucky 41031-1538

Re: Case No. 2005-00024  
Harrison County Water Association, Inc.

Dear Ms. Mastin:

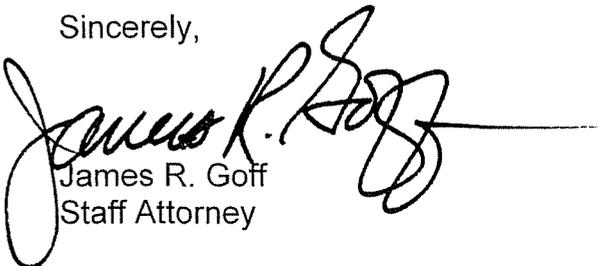
This is in response to your letter of June 9, 2005 in which you enclosed your prior filings with the Commission on April 1, 2005. The record indicates that the letter from the Commission dated April 20, 2005 was in response to that April 1 filing. The letter from the auditors does not represent an absorption test as required by 807 KAR 5:011, Section 10(2). Therefore, the filing by Harrison County Water Association, Inc. ("Harrison") remains deficient.

Even though an absorption test is a requirement of the filing, under the provision of the regulation you may request a deviation from that requirement. Any such request would require a showing of good cause.

As I explained in our telephone conversation, Staff has run an absorption test based upon the information filed by Harrison and contained in its Annual Report. Attached hereto is a form for an absorption test, which you may use as you see fit. Staff indicates that Harrison would be disqualified from obtaining a rate increase for certain non-recurring charges.

You may ask for a deviation, or you may use the absorption test prepared by Staff, or you may withdraw your application and include these revised charges in Harrison's future rate case. If you have any questions, please contact Mark Frost or me.

Sincerely,



James R. Goff  
Staff Attorney

Enclosure

Case No: 2005-00024  
 Utility: Harrison County Water Association  
 Title: Absorption Test

	Test-Period Operations	Increase Costs	Pro Forma Operations
Operating Revenues:			
Revenue - Water Sales	\$ 0	\$ 0	\$ 0
Other Water Revenue:			
Miscellaneous Service Revenues	0	0	0
Operating Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Operating Expenses:			
Operating Expenses	\$ 0	\$ 0	\$ 0
Depreciation	0	0	0
Amortization	0	0	0
Taxes Other Than Income	0	0	0
Utility Operating Expenses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Utility Operating Income	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Income & Deductions:			
Interest Income	0	0	0
Nonutility Income	0	0	0
Total Other income & Deductions	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Income Available for Debt Service	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Utility Income Available for Debt Service	0		0
Divided by: Debt Service	÷ 0		÷ 0
Debt Service Coverage	<u>\$ 0.00</u>		<u>\$ 0.00</u>
3-Year Average Debt Service	\$ 0		\$ 0
Multiplied by: Debt Service Coverage	1.2		1.2
Income From Operations	<u>\$ 0</u>		<u>\$ 0</u>
Add: Operating Expenses	0		0
Depreciation	0		0
Amortization	0		0
Taxes Other Than Income	0		0
Total Revenue Requirement	<u>\$ 0</u>		<u>\$ 0</u>
Less: Other Income & Deductions	0		0
Revenue Requirement from Operations	<u>\$ 0</u>		<u>\$ 0</u>
Less: Other Operating Revenues	0		0
Revenue Requirement from Water Sales	<u>\$ 0</u>		<u>\$ 0</u>
Less: Pro Forma Revenue - Water Sales	0		0
<b>Requested/Recommended Increase</b>	<u><u>\$ 0</u></u>		<u><u>\$ 0</u></u>