

Dorothy Jo Mastin

Attorney at Law

108 S. Walnut Street
Cynthiana, Kentucky 41031-1538

Office: 859-235-9000
Fax: 859-235-0186

March 31, 2005

Kentucky Public Service Commission
ATTENTION: Jessamyn Hilton
P. O. Box 615
Frankfort, Ky. 40602

Re: Case No. 2005-00024
Filing Deficiencies

RECEIVED

APR 01 2005

PUBLIC SERVICE
COMMISSION

Dear Ms. Hilton:

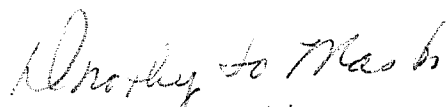
This letter is in response to the Harrison County Water Association, Inc.'s filing deficiencies for the above matter. I am enclosing ten (10) copies as Ms. Beth O'Donnell, Executive Director, requested in her letter of January 14, 2005,

1. Our Articles of Incorporation were previously filed with the PSC in a prior proceeding which can be found in Case No. 99-409, "In the Matter of: AN ADJUSTMENT OF RATES FOR THE HARRISON COUNTY WATER ASSOCIATION, INC."
2. I am enclosing a faxed copy of a letter I received this morning from our auditors, Ray, Foley, Hensley & Company, PLLC, which complies with the second paragraph of the letter dated January 14, 2005.

If you need any additional information or have any questions about this matter, please feel free to contact.

Thank you for your assistance in this matter.

Sincerely,


Dorothy Jo Mastin
Attorney at Law

DJM:sjw

Enclosures

Dennis E. Eubank, CPA
 Michael D. Foley, CPA
 Lynn B. Bager, Jr., CPA
 Jerry W. Henley, CPA
 J. Carroll Luby, CPA
 Marc T. Ray, CPA, ABV

Ray, Foley, Hensley & Company, PLLC
 Certified Public Accountants and Consultants

Dorothy Jo Maslin
 Attorney at Law
 108 S. Wallcraft Street
 Cynthiana, Kentucky 41031-1538
 Re: Harrison County Water Association

Dear Ms. Maslin:

I am responding to your letter regarding the filings with the Kentucky Public Service Commission and the Association's request for increases in the miscellaneous fees.

The regulatory provision in 807 KAR 5.011 Section 10 (2) requires the District to file in addition to other filings an "absorption test" if the additional revenue to be generated from the increases is greater than the period. The absorption test is to show the additional revenues from the increase will not result in a rate of return greater than the level of the latest rate case.

We have recently completed our audit of the Association for the year ended December 31, 2004. The financial statements of the Association report the actual revenue generated for the calendar year ended December 31, 2004 from recommendation fees as \$7,940. This consists of \$7,700 (308 @ \$25 each) in recommendation fees and \$240 (24 @ \$10 each) from field collection charges.

The estimated revenue using the proposed rates would be as follows:

Recommendation fees	308 @ \$25	\$7,700
Field collection charges	24 @ \$10	240
Total estimated revenue		\$7,940

The Association estimates the cost of these services:

Recommendations	\$50 each	\$12,500
Field collection charges	\$27 each	648
Total estimated costs		\$13,148

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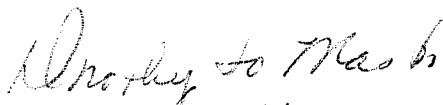
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Sincerely,


Dorothy Jo Mastin
Attorney at Law

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Marc T. Ray, CPA, ABV

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Cynthiana, Kentucky 41031-1538

Re: Harrison County Water Association

Dear Ms. Mastin:

I am responding to your letter regarding the filings with the Kentucky Public Service Commission and the Association's request for increases in the miscellaneous fees.

The regulatory provision in 807 KAR 5.011 Section 10 (2) requires the District to file in addition to other filings an "absorption test" if the additional revenue to be generated from the increases is greater than five (5) percent the total revenues provided by all miscellaneous and nonrecurring charges for a twelve month period. The absorption test is to show the additional revenues from the increase will not result in a rate of return greater than the level of the latest rate case.

We have recently completed our audit of the Association for the year ended December 31, 2004. The financial statements of the Association report the actual revenue generated for the calendar year ended December 31, 2004 from reconnection fees as \$7,940. This consists of \$7,700 (308 @ \$25 each) in reconnection fees and \$240 (24 @ \$10 each) from field collection charges.

The estimated revenue using the proposed rates would be as follows:

Reconnection fees	308 @ \$25	\$15,400
Field collection charges	24 @ \$10	600
Total estimated revenue		\$16,000
The Association estimates the cost of these services		
Reconnections	\$50 each	\$15,400
Field collection charges	\$27 each	648
Total estimated costs		\$16,048

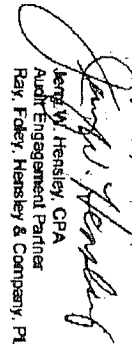
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Based upon this analysis, the Association, the propose rates will not cover the cost of the service, and therefore will not increase the rate of return.

Respectfully submitted,



Jerry W. Hensley, CPA
Audit Engagement Partner
Ray, Foley, Hensley & Company, PLLC

March 30, 2005