

REASONS FOR APPLICATION

(In the space below list all reasons why the Applicant requires a rate adjustment. Describe any event or occurrence of significance that may affect the Applicant's present or future financial condition, including but not limited to excessive water line losses, regulatory changes, major repairs, planned construction, and increases in wholesale water costs.)

Harrison County Water Association, Inc., ("HCWA") pursuant to an application request for a pass through rate increase, by Order of the Kentucky Public Service Commission (KY PSC), in Case No. 2022-00354, ordered HCWA to either file a general rate adjustment, an alternative rate adjustment or a detailed explanation of financial analysis of its income and expenses with an analysis and reason why a rate increase is not necessary, within six (6) months of 11-22-22.

HCWA, in accordance with the directive of KY PSC and in analysis of its most recent annual audit and annual report filed with KY PSC (in March 2023 for year of 2022), recognizes that the increased expenses as noted on the 2022 audit, with requests for adjustments for known and measurable increases and/or decreases, either by KY PSC mandate (i.e. reduce fully paid health insurance, reduce purchased power and purchased water by water loss ratio exceeding 15%) or by actions of the Board for salary increases that have not actualized for a full year (i.e. initiated during year of 2022), increased contractual services, and recognizing all expenses as cash flow expenses as opposed to only accounting for some of those expenses as depreciation expenses, and for inflationary increases in materials, and to ensure adequate supply of inventory for replacement meters, created a large increase of future anticipated expenses that would necessitate a rate increase to cover the projected and proposed projected increased costs and/or expenses, so that HCWA does not have to utilize cash reserves and/or operate on a negative operation loss.

This reason justification is a synopsis only, and a true detailed explanation of the expenses and requests for modifications are stated in the attachments, noted as Exhibits to the justifications for adjustments and/or modifications to the 2022 test year for known and measurable projected future expenses.