

## Reasons for Application

In its February 18, 2022 Order the Commission required Morgan County Water District (District) to file an application for an adjustment in base rates by February 18, 2025, to ensure that its rates are sufficient. Upon review of its current financial condition, the District determined that it requires an increase in its base water rates. The District is requesting a 41 percent rate increase for all of its water customers. The rate increase will generate approximately \$767,513 in additional annual revenue from water sales.

The District has four long-term debt issuances outstanding. Basing the District's revenue requirement on Debt Service Coverage produces a working capital allowance sufficient to allow the District:

1. To pay its annual principal payments on its existing long-term debt from water revenues rather than from depreciation reserves;
2. To meet the requirements set forth in its existing debt instruments;
3. To restore the District to a sound financial condition; and
4. To enable the District to enhance its financial capacity so it can continue to operate its system in compliance with the federal Safe Drinking Water Act, as amended in 1996, and KRS Chapter 151.