


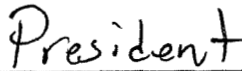
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FEB 24 2012

PUBLIC SERVICE
COMMISSION

**PURCHASED WATER ADJUSTMENT FOR
WATER DISTRICTS AND ASSOCIATIONS
(807 KAR 5:068)**

Name of Utility		BEECH GROVE WATER SYSTEM	
Date		JANUARY 30, 2012	
Address		PO BOX 118	
City, State, Zip		BEECH GROVE, KY	42322
Telephone Number		270-273-5738	
1.a. Name of all wholesale suppliers and the base (current) rate and changed rate of each. In the event the water purchased is billed by the supplier on a rate that is not a flat rate schedule, the entire rate schedule must be shown. Attach additional sheets if necessary.			
Supplier(s)		Base Rate	Changed Rate
CITY OF HENDERSON		DECLINING BLOCK	SEE ATTACHED
WEST DAVIESS COUNTY		NO CHANGE	NO CHANGE
1.b. A copy of the supplier's notice of the changed rate showing the effective date of the increase is attached as Exhibit A			
2. Twelve-month period upon which the purchased water adjustment is based. (This twelve-month period must end within 90 days of this filing).			
From	JANUARY 2011	through	DECEMBER 2011
	(month and year)		(month and year)
3. Statement of water purchases. Where water is purchased from more than one supplier, purchases from each supplier must be shown separately. If water is purchased through a declining block rate schedule, purchases for each month must be shown. Attach an additional sheet if necessary.			

Supplier(s)	Gallons Purchased during 12 month period
CITY OF HENDERSON	55,060,803
WEST DAVIESS COUNTY	1,800,000
TOTAL PURCHASES	56,860,803
4. Total gallons sold for the 12 month period	47,839,071
5. Increased water cost	\$9,235.07
The increased water cost is the cost difference between purchases at base (current rate) and purchases at new rate.	
6. Purchased water adjustment factor	\$0.20
The purchased water adjustment factor is obtained by dividing the increased cost of water by the total gallons sold.	
<p>Note: The purchased water adjustment factor is added to each thousand gallons sold. If the minimum usage is 2,000 gallons then the purchased water adjustment factor would be added to the minimum bill twice. Revised tariff sheets must be attached showing the rate to be charged by the utility and the effective date of the increased rates.</p>	
7. Proposed effective date	4-1-2012
	
Signature of Utility Officer	
	
Title	

HENDERSON WATER UTILITY

Water • Wastewater • Stormwater

MANAGED BY THE CITY OF HENDERSON WATER & SEWER COMMISSION

A. LEASON NEEL, CPA
CHIEF FINANCIAL OFFICER

January 24, 2012

General Manager
Beech Grove Water System, Inc.
P.O. Box 118
Beech Grove, Kentucky 42322

Dear Sir:

Our contract with the Beech Grove Water System requires an evaluation of our costs each year and an adjustment in the rates to the water system based on the costs of producing and distributing water from our South System. The audit for our fiscal year 2010-2011 has been completed and the new rates are shown below. The new rates will be implemented beginning with March 2012 consumption.

BEECH GROVE WATER SYSTEM RATE			
Monthly Rate Steps (Gallons)	Monthly Volume (Gallons)	Current Rate Per 1,000 Gallons	New Rate Per 1,000 Gallons
First 4,000,000	4,000,000	\$3.02	\$3.19
Next 1,000,000	5,000,000	\$2.82	\$2.98
Next 1,000,000	6,000,000	\$2.54	\$2.68
Over 6,000,000		\$2.27	\$2.40

If you have any questions concerning this adjustment, please give me a call.

Sincerely,

A. Leason Neel, CPA
Chief Financial Officer

FOR All territory served
Community, Town or City

P.S.C. KY. NO. _____

SHEET NO. _____

CANCELLING P.S.C. KY. NO. _____

SHEET NO. _____

Beech Grove Water System
(Name of Utility)

Monthly Water Rates

5/8" x 3/4" Meter:

First	2,000	gallons	\$18.02	Minimum Bill
Next	98,000	gallons	5.82	per 1,000 gallons
All Over	100,000	gallons	4.92	per 1,000 gallons

Bulk Loading Station \$2.75 per 1,000 gallons

DATE OF ISSUE _____

Month / Date / Year

DATE EFFECTIVE 4-1-2012

Month / Date / Year

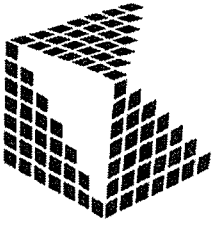
ISSUED BY [Signature] President

(Signature of Officer)

TITLE President

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____



McElroy, Mitchell & Associates, LLP

Certified Public Accountants • Business Consultants

Robert E. Mitchell, CPA
S. Martin McElroy, Jr., CPA

January 23, 2012

Mr. Bruce Shipley
General Manager
City of Henderson, Kentucky
Henderson Water Utility - Water and Sewer Commission
111 Fifth Street
Henderson, KY 42420

RE: Water Rate Calculation - Henderson County Water District

Dear Mr. Shipley:

We have examined and reviewed both the costs and records of treating water at the North Plant of the Henderson Water Utility - Water and Sewer Commission for the period from July 1, 2010 through June 30, 2011. These figures are taken from the audited financial statements issued by our firm or from other audited information.

The purpose of these reviews was to determine whether cost increased during this period which would justify a rate increase to the Henderson County Water District. The tabulations of expenses for the North Water Treatment Plant are attached as part of this report.

Based on our review, we have determined that allowable expenses were \$ 4,227,153 and the gallons of water distributed amounted to 2,388,961,817 gallon units.

Therefore, the cost per 1,000 gallons is:

$$\frac{\$ 4,227,153}{2,388,961,817} = \$ 1.7695 \text{ per 1,000 gallons}$$

The cost indicated above, plus the markup of 25%, as allowed in the contract with the Henderson County Water District, would indicate that a rate of \$ 2.2118 per 1,000 gallons should be charged to the Henderson County Water District for the treatment of water for the period beginning March 1, 2012.

Should you have any questions regarding this report, please contact our office.

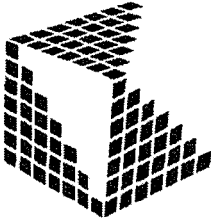
Sincerely,
McElroy, Mitchell & Associates, LLP

Robert E. Mitchell, CPA, CVA

Robert E. Mitchell, CPA, CVA
Partner

**Henderson Water Utility - Water and Sewer Commission
North Water Treatment Plant
Calculation of Water Treatment Cost per Contract**

Total operating cost of North Water Treatment Plant, including depreciation	\$ 4,270,272
Amortization expense	9,060
Interest expense	<u>157,471</u>
Total cost	4,436,803
Less: Meter reading, billing and collection cost allocable to North Water Treatment Plant	<u>(209,650)</u>
Net expenses applicable to Henderson County Water District rate calculation	<u>\$ 4,227,153</u>



McElroy, Mitchell & Associates, LLP

Certified Public Accountants • Business Consultants

Robert E. Mitchell, CPA
S. Martin McElroy, Jr., CPA

January 23, 2012

Mr. Bruce Shipley
General Manager
City of Henderson, Kentucky
Henderson Water Utility - Water and Sewer Commission
111 Fifth Street
Henderson, KY 42420

RE: Water Rate Calculation - Henderson County Water District

Dear Mr. Shipley:

We have examined and reviewed both the costs and records of treating water at the South Plant of the Henderson Water Utility - Water and Sewer Commission for the period from July 1, 2010 through June 30, 2011. These figures are taken from the audited financial statements issued by our firm or from other audited information.

The purpose of these reviews was to determine whether cost increased during this period which would justify a rate increase to the Henderson County Water District. The tabulations of expenses for the South Water Treatment Plant are attached as part of this report.

Based on our review, we have determined that allowable expenses were \$ 1,794,123 and the gallons of water distributed net of Henderson Water Utility consumption (796,243,000 gallons distributed less 44,819,536 gallons consumed by Henderson Water Utility) amounted to 751,423,464 gallon units.

Therefore, the cost per 1,000 gallons is:

$$\frac{\$ 1,843,580}{751,423,464} = \$ 2.4535 \text{ per 1,000 gallons}$$

The cost indicated above, plus the markup of 25%, as allowed in the contract with the Henderson County Water District, would indicate that a rate of \$ 3.0668 per 1,000 gallons should be charged to the Henderson County Water District for the treatment of water for the period beginning March 1, 2012.

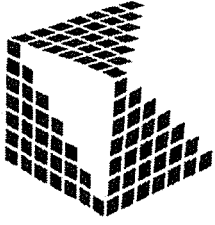
Should you have any questions regarding this report, please contact our office.

Sincerely,
McElroy, Mitchell & Associates, LLP

Robert E. Mitchell, CPA, CVA
Robert E. Mitchell, CPA, CVA
Partner

**Henderson Water Utility - Water and Sewer Commission
South Water Treatment Plant
Calculation of Water Treatment Cost per Contract**

Total operating cost of South Water Treatment Plant, including depreciation	\$ 1,849,122
Amortization expense	-
Interest expense	<u>54,358</u>
Total cost	1,903,480
Less: Meter reading, billing and collection cost allocable to South Water Treatment Plant	<u>(59,900)</u>
Net expenses applicable to Henderson County Water District rate calculation	<u>\$ 1,843,580</u>



McElroy, Mitchell & Associates, LLP

Certified Public Accountants • Business Consultants

Robert E. Mitchell, CPA
S. Martin McElroy, Jr., CPA

January 23, 2012

Mr. Bruce Shipley
General Manager
City of Henderson, Kentucky
Henderson Water Utility - Water and Sewer Commission
111 Fifth Street
Henderson, KY 42420

RE: Water Rate Calculation - Beech Grove Water Systems, Inc.

Dear Mr. Shipley:

We have examined and reviewed both the costs and records of treating water at the South Plant of the Henderson Water Utility - Water and Sewer Commission for the period from July 1, 2010 through June 30, 2011. These figures are taken from the audited financial statements issued by our firm or from other audited information.

The purpose of these reviews was to determine whether cost increased during this period which would justify a rate increase to the Beech Grove Water Systems, Inc. The tabulations of expenses for the South Water Treatment Plant are attached as part of this report.

Based on our review, we have determined that allowable expenses were \$ 1,794,123 and the gallons of water distributed net of Henderson Water Utility consumption (796,243,000 gallons distributed less 44,819,536 gallons consumed by Henderson Water Utility) amounted to 751,423,464 gallon units.

Therefore, the cost per 1,000 gallons is:

$$\frac{\$ 1,843,580}{751,423,464} = \$2.4535 \text{ per } 1,000 \text{ gallons}$$

Therefore, the cost per 1,000 gallons plus 30% markup is:

\$ 3.1895 per 1,000 gallons

The cost indicated above, plus the markup of 30%, as allowed in the contract with the Beech Grove Water System, Inc., is less than present water rates. Therefore, this would indicate that a minimum rate increase of 1% would be effective for the period beginning March 1, 2012 and cause rates to be as follows:

First 4,000,000 gallons	3.1895 per 1,000 gallon
Next 1,000,000 gallons	2.9777 per 1,000 gallon
Next 1,000,000 gallons	2.6835 per 1,000 gallon
Over 6,000,000 gallons	2.4010 per 1,000 gallon

Should you have any questions regarding this report, please contact our office.

Sincerely,

McElroy, Mitchell & Associates, LLP



Robert E. Mitchell, CPA, CVA

Partner

Henderson Water Utility - Water and Sewer Commission
South Water Treatment Plant
Calculation of Water Treatment Cost per Contract

Total operating cost of South Water Treatment Plant, including depreciation	\$ 1,849,122
Amortization expense	-
Interest expense	<u>54,358</u>
Total cost	1,903,480
Less: Meter reading, billing and collection cost allocable to South Water Treatment Plant	<u>(59,900)</u>
Net expenses applicable to Beech Grove Water Systems, Inc. rate calculation	<u>\$ 1,843,580</u>

FOR Henderson, Kentucky
Name of Municipality

P.S.C. KY. NO. 1

Original SHEET NO. 1

Henderson Municipal Water & Sewer Commission
(Name of Municipal Utility)

CANCELLING P.S.C. KY. NO. _____

SHEET NO. _____

RATES AND CHARGES

Henderson County Water District

North System	\$2.2118 per 1000 gallons
South System	\$3.0668 per 1000 gallons

Beech Grove Water System, Inc.

First 4,000,000 gallons	\$3.19 per 1000 gallons
Next 1,000,000 gallons	\$2.98 per 1000 gallons
Next 1,000,000 gallons	\$2.68 per 1000 gallons
Over 6,000,000 gallons	\$2.40 per 1000 gallons

Rates will become effective for water consumed beginning in March 2011 and for bills issued after March 31, 2011.

Water Purchase Contracts between the City of Henderson and the Henderson County Water District entered into on the 1st day of June 1989 and amended the 11th day of February 1997, and between the City of Henderson and the Beech Grove Water System, Inc. entered into on the 14th day of April 1997, are on file at the Kentucky Public Service Commission.

DATE OF ISSUE JANUARY 24, 2012
Month / Date / Year

DATE EFFECTIVE MARCH 1, 2012
Month / Date / Year

ISSUED BY *A. James Ornduff*
(Signature of Officer)

TITLE Chief Financial Officer

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. N/A DATED N/A

Month	Purchased	4,000,000	1,000,000	1,000,000	over 6
Jan	5,002,474	4,000,000	1,000,000	2,474	
Feb	4,310,126	4,000,000	310,126	-	
Mar	4,130,381	4,000,000	130,381	-	
Apr	4,452,470	4,000,000	452,470	-	
May	4,940,016	4,000,000	940,016	-	
Jun	5,755,860	4,000,000	1,000,000	755,860	
Jul	5,558,612	4,000,000	1,000,000	558,612	
Aug	5,886,984	4,000,000	1,000,000	886,984	
Sep	4,081,911	4,000,000	81,911	-	
Oct	3,803,655	3,803,655	-	-	
Nov	3,856,015	3,856,015	-	-	
Dec	3,282,299	3,282,299	-	-	

	55,060,803	46,941,969	5,914,904	2,203,930	
Current Rates		3.02	2.82	2.54	
		141,764.75	16,680.03	5,597.98	164,042.76
New Rates		3.19	2.98	2.68	
		149,744.88	17,626.41	5,906.53	173,277.83
					9,235.07
		Gallons Sold	47,839,071		0.1930445
				Round Up	\$0.20

NOTICE

Due to an increase from its water supplier, Beech Grove Water System has filed an application with the Public Service Commission to increase its rates for water service. The utility has proposed an effective date of 4-1-2012.

<u>WATER RATES:</u>	<u>CURRENT RATES</u>	<u>PROPOSED RATES</u>
First 2,000 Gallons	\$17.62 Minimum Bill	\$18.02 Minimum Bill
Next 98,000 Gallons	5.62 Per 1,000 Gallons	5.82 Per 1,000 Gallons
Over 100,000 Gallons	4.72 Per 1,000 Gallons	4.92 Per 1,000 Gallons
Bulk Loading Station	2.75 Per 1,000 Gallons	2.75 Per 1,000 Gallons

An average customer's monthly water bill that includes 5,000 gallons of usage will increase from \$34.48 to \$35.48 or 2.9%

The rates contained in this notice are the rates proposed by Beech Grove Water System. However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than the rates in this notice.

Any corporation, association, body politic or person may request to intervene, by motion within thirty (30) days after notice of the proposed rate change is given. A motion to intervene shall be in writing and submitted to the Executive Director, Public Service Commission, P.O. Box 615, Frankfort, KY 40602, and shall set forth the grounds for the motion, including the status and interest of the party movant.

Copies of the application may be obtained at no charge from the utility at 445 Highway 56 North, P.O. Box 118, Beech Grove, Kentucky, 42322; (270) 273-5738. Upon request from an intervenor, the utility shall furnish to the intervenor a copy of the application and supporting documents..