

DORSEY, KING, GRAY, NORMENT & HOPGOOD

ATTORNEYS-AT-LAW

318 SECOND STREET

HENDERSON, KENTUCKY 42420

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March 6, 2012

RECEIVED

MAR 9 2012

PUBLIC SERVICE
COMMISSION

Mr. Jeff DeRouen
Executive Director
Public Service Commission of Kentucky
Post Office Box 615
Frankfort, Kentucky 40602

Re: Henderson County Water District
Application for Purchased Water Adjustment

Dear Mr. DeRouen

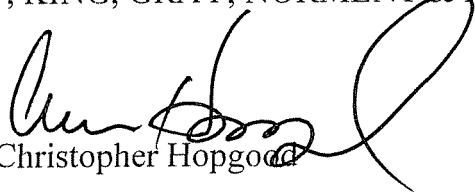
Enclosed please find an original and 10 copies of an application for a purchased water rate adjustment for Henderson County Water District, to be effective April 1, 2012. We request notification that this application meets minimum filing requirements and has been assigned a case number.

Your assistance in this matter is appreciated.

Very truly yours,

DORSEY, KING, GRAY, NORMENT & HOPGOOD

By


J. Christopher Hopgood

JCH/cds

Encls.

COPY/w/encls.: Henderson County Water District
Attorney General, Office of Rate Intervention

RECEIVED

MAR 9 2012

PUBLIC SERVICE
COMMISSION

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

Name of Utility	Henderson County Water District	
Date	March 6, 2012	
Address	Post Office Box 655 655 South Main Street	
City, State, Zip	Henderson, KY	42419
Telephone Number	(270) 826-9802	



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
Henderson Water Utility (North)	1.9618 per 1,000 gallons	2.2118 per 1,000 gallons
Henderson Water Utility (South)	2.0506 per 1,000 gallons	3.0668 per 1,000 gallons

1.b. A copy of the supplier's notice of the changed rate showing the effective date of the increase is attached as Exhibit 1.

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	April 2012	through	March 2013
	(month and year)		(month and year)

Supplier(s)	Gallons Purchased during 12 month period
Henderson Water Utility (North)	482,616,080
Henderson Water Utility (South)	8,863,800
TOTAL PURCHASES	491,479,880
4. Total gallons sold for the 12 month period	384,359,512
5. Increased water cost	\$129,661.41
The increased water cost is the cost difference between purchases at base (current rate) and purchases at new rate.	
6. Purchased water adjustment factor	.34
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	April 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

Mr. David Moore
Henderson County Water District
655 South Main Street
P.O. Box 655
Henderson, Kentucky 42419

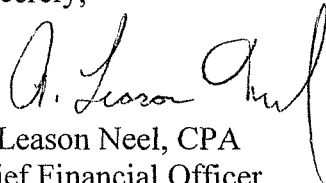
Dear Mr. Moore:

In accordance with the contract between the Henderson Water and Sewer Commission and the Henderson County Water District, the costs of providing water services based on our 2010-2011 fiscal year audit have been calculated by our auditors, McElroy, Mitchell & Associates, LLP for our North and South Water Systems. Enclosed is a copy of each individual letter highlighting their calculations. The following table summarizes the current versus the new rates:

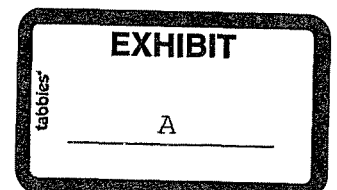
Henderson County Water District		
	Current Rate Per 1,000 Gallons	New Rate Per 1,000 Gallons
North	\$1.9618	\$2.2118
South	\$2.7630	\$3.0668

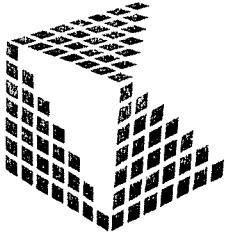
These revised rates are to go into effect on the first billing after March 31, 2012. We appreciate the opportunity to serve the Henderson County Water District. If you have questions concerning this letter please contact me.

Sincerely,



A. Leason Neel, CPA
Chief Financial Officer





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

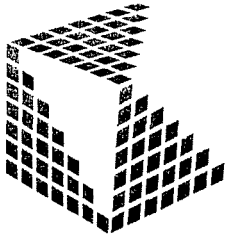
Robert E. Mitchell, CPA, CVA

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><u>\$ 1,843,580</u></u>

Henderson County Water District

SUPPLIER	NEW RATE (per 1,000)		OLD RATE (per 1,000)
Henderson North	\$2.2118		\$1.9618
Henderson South	\$3.0668	2.763	\$2.0506

TWELVE MONTH TEST PERIOD: January 2009 thru December 2009

SUPPLIER	GALLONS PURCHASED DURING TEST PERIOD
Henderson North	482,616,080
Henderson South	8,863,800
TOTAL	491,479,880

SUPPLIER	COST AT NEW RATE		COST AT OLD RATE		INCREASED WATER COST
Henderson North	\$1,067,450.25		\$946,796.23		
Henderson South	\$27,183.50		\$18,176.11		
TOTAL	\$1,094,633.75	-	\$964,972.33	=	\$129,661.41

TOTAL GALLONS SOLD FOR THE TEST PERIOD : 384,359,512

Increased Water Cost / (total gallons sold / 1,000) = Purchased Water Adjustment Factor

$$\begin{array}{rclclcl}
 \$129,661.41 & / & 384,359,512 & /1000 & = & 0.3373441 \\
 & & & & \text{ROUNDED} & \boxed{0.34}
 \end{array}$$

	North		South	
	Sold	Purchased	Sold	Purchased
January	-	40,519,270	-	525,200
February	-	36,435,430	-	461,800
March	-	36,970,160	-	466,300
April	-	35,024,220	-	518,500
May	-	41,527,000	-	744,900
June	-	42,498,000	-	1,773,000
July	-	44,212,000	-	712,700
August	-	46,726,000	-	762,700
September	-	39,935,000	-	694,000
October	-	41,954,000	-	673,500
November	-	37,704,000	-	772,100
December	-	39,111,000	-	759,100
TOTAL	-	482,616,080	-	8,863,800

EXHIBIT

B

FOR Henderson & Webster Counties
Community, Town or City

P.S.C. KY. NO. _____

SHEET NO. 1

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

_____ SHEET NO. _____

Henderson County Water District
(Name of Utility)

RATES and CHARGES

5/8" x 3/4" Meter

First 2,000 Gallons	\$16.13 Minimum Bill
Next 8,000 Gallons	5.70 Per 1,000 Gallons
Next 20,000 Gallons	5.37 Per 1,000 Gallons
Over 30,000 Gallons	5.16 Per 1,000 Gallons

1 Inch Meter

First 5,000 Gallons	\$33.24 Minimum Bill
Next 5,000 Gallons	5.70 Per 1,000 Gallons
Next 20,000 Gallons	5.37 Per 1,000 Gallons
Over 30,000 Gallons	5.16 Per 1,000 Gallons

2 Inch Meter

First 16,000 Gallons	\$93.13 Minimum Bill
Next 14,000 Gallons	5.41 Per 1,000 Gallons
Over 30,000 Gallons	5.16 Per 1,000 Gallons

3 Inch Meter

First 30,000 Gallons	\$166.36 Minimum Bill
Over 30,000 Gallons	5.16 Per 1,000 Gallons

4 Inch Meter

First 50,000 Gallons	\$261.79 Minimum Bill
Over 50,000 Gallons	3.69 Per 1,000 Gallons

6 Inch Meter

First 100,000 Gallons	\$446.34 Minimum Bill
Over 100,000 Gallons	3.10 Per 1,000 Gallons

Date of Issue: February 28th, 2012
Month/Date/Year

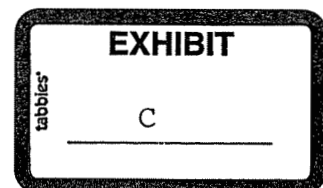
Date Effective: April 1st, 2012
Month/Date/Year

Issued by: *David W. Moon*

Title: Superintendent

BY AUTHORITY OF ORDERS OF THE PUBLIC SERVICE

COMMISSION IN CASE NO. 2012- _____ DATED _____



FOR Henderson & Webster Counties
Community, Town or City

P.S.C. KY. NO. _____

SHEET NO. 2

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

_____ SHEET NO. _____

Henderson County Water District
(Name of Utility)

RATES and CHARGES

Volunteer Fire Department (Metered Services)

Flat Rate \$16.13
Maximum Bill

The monthly charge for water usage in excess of the respective minimum water rates set out above shall be computed in increments of 10 gallons. Accordingly, a customer having a 5/8 inch meter who consumes at least 2,010 gallons of water and not more than 2,019 gallons of water in any month shall pay the amount of \$15.86 for the month (\$15.81 plus \$0.05). A customer having a 5/8 inch meter who consumes at least 2,020 gallons and not more than 2,029 gallons of water in any month shall pay the amount of \$15.91 (\$15.81 plus \$0.10).

THE BASE RATE FOR PURCHASED WATER SHALL BE:

<u>Supplier</u>	<u>Rate</u>
Henderson Water Utilities (North) PWSID#0510188	\$2.2118 per 1,000 gallons
Henderson Water Utilities (South) PWSID#0510510	\$3.0668 per 1,000 gallons

Date of Issue: February 28, 2012
Month/Date/Year

Date Effective: April 1st, 2012
Month/Date/Year

Issued by: David W. Moon

Title: Superintendent

BY AUTHORITY OF ORDERS OF THE PUBLIC SERVICE

COMMISSION IN CASE NO. 2012- DATED

