

Case 2005-00072

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FEB 09 2005

PUBLIC SERVICE
COMMISSION

Application For Rate Increase

**Henderson County Water District
P. O. Box 655
Henderson, KY 42419
270-826-9802**

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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

IN THE MATTER OF:

FEB 09 2005

PUBLIC SERVICE COMMISSION

THE APPLICATION OF THE HENDERSON
COUNTY WATER DISTRICT FOR APPROVAL
OF A PROPOSED INCREASE IN RATES FOR
WATER SERVICE

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)CASE NO. 2005- 00072
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STATEMENT AND NOTICE

Henderson County Water District ("Henderson"), hereby petitions the Commission for approval of a proposed increase in its water rates and charges. In support of its application, Henderson respectfully states as follows:

1. Henderson is a non-profit water district organized under KRS Chapter 74 and has no separate articles of incorporation or by-laws. Henderson's principal office, place of business and mailing address is P.O. Box 655, Henderson, Kentucky 42419.

2. Henderson is engaged in the distribution and sale of water. It currently provides water service to approximately 5,992 retail customers. Henderson does not provide service to any wholesale customers.

3. The proposed increase in rates and charges is necessary for Henderson to meet its operating expenses, to maintain financial viability, to cover its debt service, and to continue to provide adequate service.

4. For the purpose of justifying the reasonableness of the proposed increase, Henderson has utilized a historical test period consisting of the twelve (12) consecutive calendar months ending December 31, 2003.

5. Henderson's annual reports, including the annual report for 2003, are on file with the Public Service Commission as required by 807 KAR 5:006, Section 3(1).

6. Henderson has determined that it requires an increase in water rates of 29 percent. In order to minimize the impact this increase will have on its customers, Henderson requests that it be allowed to phase-in the increase in three stages. Henderson proposes to fund 50 percent of its depreciation expense upon approval by the Commission. Two years from the effective date of this increase, Henderson proposes to increase its rates to fund 80 percent of depreciation expense. Finally, two years from the date of that increase, Henderson proposes to increase its rates to fully fund depreciation expense.

7. Henderson hereby gives notice to the Public Service Commission of the adjustment of its rates to those rates set forth in Exhibit No. 1 in the filing requirements. The rates set out in the first tariff sheet will result recover 50 percent of depreciation and will result in an increase of \$357,764 or 19 percent over test year revenue of \$1,899,738. The second tariff sheet will recover 80 percent of depreciation expense and will increase revenue by \$120,306 or 5 percent. The third tariff sheet will recover 100 percent of depreciation expense and increase revenue by \$80,204 or 3 percent. The proposed rates will become effective upon Commission approval, and will result in an increase in annual revenues of \$558,273 normalized revenues of \$1,899,738.

8. The proposed tariff (Exhibit No. 1) is shown in comparative form on the same sheets, side by side, and those comparative sheets are identified as Exhibit No. 2 in the filing requirements.

9. Henderson will receive an increase from its supplier, the Henderson Water and Sewer Commission effective for water purchased on and after March 1, 2005. Henderson requests that the rates proposed in this filing be allowed to become effective by April 30, 2005, in order that it can recover the increase in purchased water costs in a somewhat timely manner, and so that its customers will not receive two rate increases in a short time period. In the event that the Commission cannot expedite this filing and approve the proposed rates by the end of April, Henderson will file a purchased water adjustment and update this filing accordingly.

10. In order to expedite this filing, Henderson requests any staff assistance that might be available to it and additionally requests that if the Commission or the Office of the Attorney General has questions regarding this filing that an informal conference be held to resolve any issues as quickly as possible.

11. Henderson has complied with 807 KAR 5:011, Section 9,(2) and 807 KAR 5:001, Section 10,(3) and (4) by delivering to newspapers of general circulation in its service area a copy of the Notice identified as Exhibit 3 in the filing requirements, for publishing once a week for three consecutive weeks in a prominent manner, the first of said publications to be made no later than seven (7) days after the date the application is filed with the Public Service Commission.

12. Henderson requests a deviation from 807 KAR 5:001, Section 10(2) and 807 KAR 5:011, Section 8(1) which requires it to give 4 weeks notice of its intent to file a rate application to both the Public Service Commission and to the Office of the Attorney General, Utility Intervention and Rate Division. Henderson is not requesting adjustments outside year ending 2003 with the exception of the increase in purchased

water costs, a minor adjustment to depreciation and a decrease in its debt expense from that shown on the annual report and audit reports. Henderson understands that it could make adjustments to its test year expenses and receive additional revenue. However, at this time due to the impact of the requested increase, Henderson requests that the proposed rates be approved by the Commission with no further adjustments. For this reason, Henderson respectfully requests it be granted a deviation from this filing requirement.

13. A copy of this filing has been mailed to the Utility Intervention and Rate Division of the Attorney General's office of the Commonwealth of Kentucky.

14. As required by 807 KAR 5:001, Section 10, (4), (f), Henderson will post a copy of its Customer Notice at its place of business on the same day the application is filed with the Public Service Commission, and it will remain posted until the Public Service Commission has determined Henderson's rates.

15. The list of the documents filed in support of Henderson's application for approval of the proposed adjustment of rates or the explanation for their absence is contained in the Filing Requirement Index.

WHEREFORE, the Applicant, Henderson County Water District requests that the Public Service Commission of Kentucky grant to the Applicant its proposal to increase its rates and charges as set forth in this Petition.

Dated at Henderson, Kentucky this 02/03/05.

HENDERSON COUNTY WATER DISTRICT

By David C. House
Chairman

COMMONWEALTH OF KENTUCKY

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COUNTY OF HENDERSON

The undersigned, being duly sworn, deposes and states he is the Chairman of the Henderson County Water District, Applicant, in the above proceedings; that he has read the foregoing Application and has noted the contents thereof; that the same is true of his own knowledge, except as to matters which are there in stated on information or belief, and as to those matters, he believes same to be true.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this 02/03/05.

David C. House
Chairman
Henderson County Water District

Subscribed and sworn to before me by David C. House, Chairman of the Henderson Water District, on this 02/03, 2005.

My Commission Expires Oct 21, 2006

Sandra K. Wilkerson
Notary Public
In and for said County and State

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 8(1)	Full name and P. O. address of applicant and reference to the particular provision of law requiring PSC approval.	Application – Page No. 1.
807 KAR 5:001 Section 8(2)	The original and 10 copies of application plus copy for anyone named as interested party.	The correct number of applications have been filed.
807 KAR 5:001 Section 10(1)(b)(1)	Reason adjustment is required.	Application – Page No. 1.
807 KAR 5:001 Section 10(1)(b)(2)	Statement that utility's annual reports, including the most recent calendar year, are filed with PSC. 807 KAR 5:006, Section 3(1)	Application – Page No. 2.
807 KAR 5:001 Section 10(1)(b)(3) & (5)	If utility is incorporated, certified copy of articles of incorporation and amendments or out of state documents of similar import. If they have already been filed with PSC refer to the style and case number of the prior proceeding and file a certificate of good standing or authorization dated within 60 days of date application filed.	Not applicable
807 KAR 5:001 Section 10(1)(b)(4) & (5)	If applicant is limited partnership, certified copy of limited partnership agreement. If agreement filed with PSC refer to style and case number of prior proceeding and file a certificate of good standing or authorization dated within 60 days of date application filed.	N/A – Henderson is not a limited partnership.
807 KAR 5:001 Section 10(1)(b)(6)	Certified copy of certificate of assumed name required by KRS 365.015 or statement that certificate not necessary.	N/A – Henderson has never used an assumed name.
807 KAR 5:001 Section 10(1)(b)(7)	Proposed tariff in form complying with 807 KAR 5:011 effective not less than 30 days from date application filed.	Exhibit No. 1.
807 KAR 5:001 Section 10(1)(b)(8)	Proposed tariff changes shown by present and proposed tariffs in comparative form or by indicating additions in italics or by underscoring and striking over deletions in current tariff.	Exhibit No. 2.
807 KAR 5:001 Section 10(1)(b)(9)	Statement that notice given, see subsections (3) and (4) of 807 KAR 5:001, Section 10 with copy.	Application – Page No. 2. Exhibit No. 3.

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Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10(2)	If gross annual revenues exceed \$1,000,000, written notice of intent filed at least 4 weeks prior to application. Notice shall state whether application will be supported by historical or fully forecasted test period.	Deviation requested on Pages 3-4 of Application.
807 KAR 5:001 Section 10 (6)(a)	Complete description and quantified explanation for proposed adjustments with support for changes in price or activity levels, and other factors affecting the adjustment.	Exhibit No. 4
807 KAR 5:001 Section 10 (6)(b) & (c)	If gross annual revenues exceed \$1,000,000, prepared testimony of each witness who will support the application. If less than \$1,000,000, prepared testimony of each witness who will support application or statement that utility does not plan to submit prepared testimony.	Henderson does not intend to submit prepared testimony.
807 KAR 5:001 Section 10 (6)(d)	Estimate of effect that new rate(s) will have on revenues including, at minimum, total revenues resulting from increase or decrease and percentage of increase or decrease.	Customer Notice – Exhibit No. 3 and application at Page 2.
807 KAR 5:001 Section 10 (6)(e)	If electric, gas, water or sewer utility effect upon the average bill for each customer classification to which change will apply.	Exhibit No. 3 (Customer notice).
807 KAR 5:001 Section 10 (6)(f)	If local exchange company, effect upon the average bill for 807 each customer class for change in basic local service.	N/A – Henderson is a Water District
807 KAR 5:001 Section 10 (6)(g)	Analysis of customers' bills in such detail that revenues from present and proposed rates can be readily determined for each customer class.	Exhibit No 5.
807 KAR 5:001 Section 10 (6)(h)	Summary of determination of revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage, or operating ratio, with supporting schedules.	Exhibit No. 4.
807 KAR 5:001 Section 10 (6)(i)	Reconciliation of rate base and capital used to determine revenue requirements.	N/A – Revenue Requirement reflects Debt Service.

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Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (6)(j):	Current chart of accounts if more detailed than the Uniform System of Accounts.	Not applicable
807 KAR 5:001 Section 10 (6)(k)	Independent auditor's annual opinion report, with any written communication from auditor, which indicates existence of material weakness in internal controls.	The 2003 and 2004 Audit Report is attached as Exhibit 6.
807 KAR 5:001 Section 10 (6)(l):	The most recent FERC or FCC audit reports.	N/A – Henderson is a Water District
807 KAR 5:001 Section 10 (6)m	The most recent FERC Form 1 (electric), FERC Form 2 (gas), or Automated Reporting Management Information System Report (telephone) and PSC Form T (telephone).	N/A – Henderson is a Water District.
807 KAR 5:001 Section 10 (6)(n)	Summary of latest depreciation study with schedules by major plant accounts, except that telecommunications utilities adopting PSC's average depreciation rates shall provide schedule identifying current and test period depreciation rates used by major plant accounts. If filed in another PSC case refer to that case's number and style.	Exhibit No. 7. The audit report and annual report show depreciation schedules. There are no other studies of depreciation available to Henderson.
807 KAR 5:00 Section 10 (6)(o)	List of all commercial or in-house computer software, programs, and models used to develop schedules and work papers associated with the filing. Include each software, program, or model; what each was used for; its supplier; brief description and specifications for the computer hardware and the operating system required to run the program.	Excel Word
807 KAR 5:001 Section 10 (6)(p)	Prospectuses of most recent stock or bond offerings.	N/A – Henderson is a Water District
807 KAR 5:001 Section 10 (6)(q)	Annual report to shareholders, or members, and statistical supplements covering 2 years prior to application filing date.	N/A – Henderson is a Water District

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Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (6)(r)	Monthly managerial reports providing financial results for 12 months in test period.	Exhibit 8
807 KAR 5:001 Section 10 (6)(s)	SEC's annual report for most recent 2 years, Form 10-Ks and any Form 8-Ks issued within past 2 years, and Form 10-Qs issued during the past 6 quarters updated as current information becomes available.	N/A – Henderson is a Water District
807 KAR 5:001 Section 10 (6)(t)	<p>If utility had any amounts charged or allocated to it by affiliate or general or home office, or paid any monies to affiliate or general or home office during test period or during previous 3 calendar years, file:</p> <ol style="list-style-type: none"> 1. Detailed description of method of calculation and amounts allocated or charged to utility by affiliate or general or home office for each charge allocation or payment; 2. Explanation of how allocator for the test period was determined; and 3. All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during test period was reasonable; 	N/A – There are no affiliate allocations.

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Filing Requirements

Filing Requirement Description

Location or Absence Reason

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (6)(u)	If gas, electric or water utility, whose annual gross revenues exceed \$5,000,000, cost of service study based on methodology generally accepted in industry and based on current and reliable data from a single time period.	Exhibit 9
807 KAR 5:001 Section 10 (6)(v)	<p>Local exchange carriers with fewer than 50,000 access lines need not file cost of service studies, except as specifically directed by PSC. Local exchange carriers with more than 50,000 access lines shall file:</p> <ol style="list-style-type: none"> 1. Jurisdictional separations study consistent with Part 36 of the FCC's rules and regulations; and 2. Service specific cost studies to support pricing of all services that generate annual revenue greater than \$1,000,000, except local exchange access: <ol style="list-style-type: none"> (a) Based on current and reliable data from a single time period; and (b) Using generally recognized fully allocated, embedded, or incremental cost principles. 	N/A – Henderson is a Water District
807 KAR 5:001 Section 10 (7)(a)	Detailed income statement and balance sheet reflecting impact of all proposed adjustments	Exhibit No. 4, annual report and audit report
807 KAR 5:001 Section 10 (7)(b)	Most recent capital construction budget containing at least period of time as proposed for any pro forma adjustment for plant additions.	NA – Henderson is not proposing any pro forma adjustment for plant additions.

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Historical Test Period Rate Case**

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (7)(c)	<p>For each proposed pro forma adjustment reflecting plant additions the following information:</p> <ol style="list-style-type: none"> 1. Starting date of the construction of each major component of plant; 2. Proposed in-service date; 3. Total estimated cost of construction at completion; 4. Amount contained in construction work in progress at end of test period; 5. Complete description of actual plant retirements and anticipated plant retirements related to the pro forma plant additions including the actual or anticipated date of retirement; 6. Original cost, cost of removal and salvage for each component of plant to be retired during the period of the proposed pro forma adjustment for plant additions; 7. Explanation of any differences in amounts contained in the capital construction budget and amounts of capital construction cost contained in the pro forma adjustment period; and 8. Impact on depreciation expense of all proposed pro forma adjustments for plant additions and retirements; 	NA – Henderson is not proposing any pro forma adjustment for plant additions.
807 KAR 5:001 Section 10 (7)(e)	Number of customers to be added to the test period – end level of customers and the related revenue requirements impact for all pro forma adjustments with complete details and supporting work papers.	Exhibit No. 10. Billing analysis for proposed rates. No new customers have been added