

September 3, 2004

Case # 2005-00112

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

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PUBLIC SERVICE
COMMISSION

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

Dear Mr. Shipley:

We have examined the water intake, treatment, transmission, and distribution expenses (exclusive of the North Plant) for the period from July 1, 2003 through June 30, 2004. These figures are taken from financial statements as audited by our firm.

We have also reviewed the records of water pumped for the same period. The purpose of these reviews was to determine the rate increase to the Beech Grove Water Systems, Inc. The tabulations of expenses and pumping data are attached as a part of this report.

Based on this review, we have determined that allowable expenses ended for the fiscal year June 30, 2004, have increased by 1.44% when compared with the allowable expenses from the audit of the prior fiscal year.

Therefore the following rates which have been increased by 1.44% over the previous fiscal year should be charged:

1 st 4,000,000 gallons	\$2.71
next 1,000,000 gallons	\$2.53
next 1,000,000 gallons	\$2.28
over 6,000,000 gallons	\$2.04

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

Sincerely,

NEEL & COMPANY, LLP



Malcolm E. Neel, CPA
Partner

<u>South Plan Water Expense (including depreciation)</u>	<u>2002-2003</u>	<u>2003-2004</u>
Water intake and treatment	913,310	939,606
Water transmission and distribution	74,118	68,621
Interest expense	<u>74,333</u>	<u>68,409</u>
Total South Plant Water Expense	\$1,061,761	\$1,076,636
Less meter reading, billing and collection expense allocable to South Plant water operations	<u>(30,270)</u>	<u>(30,270)</u>
Net South Plant Water Expense applicable to City of Beach Grove water rate calculation	<u>\$1,031,491</u>	<u>\$1,046,366</u>
Increase		1.44%

ich Grove Water Systems
Box 118
ch Grove, Ky 42322-0118

