

Henderson Water Utility
PSC Case #2021-00067
Appendix B Requested Information

1. *Provide in written verified form the direct testimony of each witness that Henderson Water intends to rely on in this matter.*

Response

Witness Testimony List

Tom Williams	HWU General Manager
Todd Bowley	HWU CFO
Kevin Roberts	HWU Director of Operations
Kevin Sturgill	HWU GIS Manager
Connie Galloway	City Director of Human Resources
Karla Beckgerd	City Human Resources Specialist

2. *Provide the independent auditor's reports for Henderson Water for the fiscal years ending in 2018, 2019, and 2020.*

Response

Refer to enclosed pdf files:
#2 HWU Audit Report 2018
#2 HWU Audit Report 2019
#2 HWU Audit Report 2020

3. *Confirm the fiscal year ending June 30, 2020 (Fiscal Year 2020) is the 12- month test year upon which Henderson Water bases its proposed rate adjustment and explain why this test year was chosen.*

Response

The fiscal year ending June 30, 2020 is the 12-month (July 2019 to June 2020) period which HWU based its proposed rate adjustment.

That period was used because HWU's audited fiscal year is the period designated by the individual long-term contracts with the Henderson County Water District and Beech Grove Water System for the annual adjustment to the rates.

4. *Provide Henderson Water’s general ledgers for the Fiscal Year 2020 test year. The general ledger shall include all check registers and spreadsheets used to record and track financial transactions. If available, provide a copy of the requested general ledgers in Excel spreadsheet format with all formulas unprotected and all rows and columns fully accessible.*

Response

Refer to enclosed Excel files:

- #4 General Ledger Assets Accts Util Clearing & AR No Subledger Detail
- #4 General Ledger Assets with Subledger Detail Except Util Clearing & AR
- #4 General Ledger Liabilities Equity Accts
- #4 General Ledger Revenue Accts
- #4 General Ledger Expense Accts

Due to report size and Excel conversion row limitations, could not provide full Excel detail with subledger detail for the Utility Clearing and Accounts Receivable accounts. These accounts detail by line individual customer billings and payments. There Excel files are shown with daily activity only. Refer to the enclosed searchable pdf files of those accounts with subledger detail:

- #4 General Ledger AR Account with Subledger Detail
- #4 General Ledger Utility Clearing Account with Subledger Detail

5. *Provide an adjusted trial balance and audit adjustments for the Fiscal Year 2020 test year. The trial balance shall be traced and referenced directly to the general ledger requested in Item 4.*

Response

Refer to enclosed Excel file:

- #5 FY2020 Trial Balance

This is same trial balance file provided to our auditors, Riney Hancock CPAs PSC. No audit adjustments exist for the 2020 test year.

6. *For each outstanding revenue bond issuance related to Henderson Water’s operations, provide:*
- a. *The bond ordinance or resolution authorizing its issuance;*
 - b. *An amortization schedule;*
 - c. *A detailed explanation of why the debt was incurred; and*
 - d. *A calculation of the annual debt service payment, including all required payments to debt service reserve accounts or funds, for each of the next three years.*

Response

The Henderson Water Utility has no outstanding bonded debt issued in its name. The entirety of the HWU’s debt consists of notes payables to the City of Henderson for the proceeds of General Obligation bonds issued in the City’s name and one equipment note with a local financial

institution. These proceeds were used for various capital needs throughout the Utility or refunding Utility debt. Summary of the outstanding debt consisting of notes payable to City is as follows:

In 2010, the City of Henderson issued General Obligation Bonds Series 2010B. The City's General Obligation Bonds, Tax-Exempt Series 2010B, were issued to refund various debt issues of the City of Henderson and the Utility. The City of Henderson designated in the bond ordinance that \$1,591,251 of the 2010B issue, which totaled \$3,605,000, be used to refund the Utility's Kentucky Council of Area Development District 2002 Series 065 debt. The Utility is to fully reimburse the City for its pro-rata share of the debt service payments on the 2010B issue.

In 2012, the City of Henderson issued General Obligation Bond Series 2012A. The City's General Obligation Bonds, Tax- Exempt Series 2012A, were issued to continue construction of the Canoe Creek Phase Two Project and begin construction on the new North Wastewater Plant Head Works Project. The City of Henderson designated in the bond ordinance that the proceeds of \$9,995,000 were solely for the benefit of the Utility. The Utility is to fully reimburse the City annually for all required debt service payments until the bonds are retired.

In 2013, the City of Henderson issued General Obligation Bond Series 2013A. The City's General Obligation Bonds, Tax-Exempt Series 2013A, were used to complete construction of the Canoe Creek Phase Two Project and continue construction on the North Wastewater Plant Head Works Project. The City of Henderson designated in the bond ordinance that the proceeds of \$9,730,000 were solely for the benefit of the Utility. The Utility is to fully reimburse the City annually for all required debt service payments until the bonds are retired.

In 2014, the City of Henderson issued General Obligation Bond Series 2014A. The City's General Obligation Bonds, Tax- Exempt Series 2014A, were issued to complete projects in the North and South water systems. The City of Henderson designated in the bond ordinance that the proceeds of \$8,000,000 were solely for the benefit of the Utility. The Utility is to fully reimburse the City annually for all required debt service payments until the bonds are retired.

In 2015, the City of Henderson issued General Obligation Bond Series 2015B. The City's General Obligation Bonds, Tax- Exempt Series 2015B, were issued to refund the Utility's Kentucky Infrastructure Authority loan from 1996. The City of Henderson designated in the bond ordinance that the proceeds of \$1,870,000 were solely for the benefit of the Utility. The Utility is to fully reimburse the City annually for all required debt service payments until the bonds are retired. The economic gain resulting from this refunding was \$448,239 (based upon NPV from delivery date.) The difference in cash flow requirements to service the old debt of \$2,034,088 and the cash flows to service the new debt of \$1,870,000 is \$507,465.

In 2015 the City of Henderson issued General Obligation Bond Series 2015C. The City's General Obligation Bonds, Tax- Exempt Series 2015C, were issued to refund the Utility's Kentucky Area Development District loan of 2005. The City of Henderson designated in the bond ordinance that the proceeds of \$1,700,000 were solely for the benefit of the Utility. The Utility is to fully reimburse the City annually for all required debt service payments until the bonds are retired. The economic gain resulting from this refunding was \$319,945 (based upon

NPV from delivery date.) The difference in cash flow requirements to service the old debt of \$1,828,888 and the cash flows to service the new debt of \$1,700,000 is \$376,224.

In 2016, the City of Henderson issued General Obligation Bond Series 2016B. The City's General Obligation Bonds, Tax- Exempt Series 2016B, were issued to refund the City's Series 2010A Build America Bonds that were loaned to the Utility for the Downtown Sewer Separation Project. The City of Henderson designated in the bond ordinance that the proceeds of \$8,015,000 were solely for the benefit of the Utility. The Utility is to fully reimburse the City annually for all required debt service payments until the bonds are retired. The economic gain resulting from this refunding was \$880,146 (based upon NPV from delivery date.) The difference in cash flow requirements to service the old debt of \$8,430,000 and the cash flows to service the new debt of \$8,015,000 is \$1,035,529.

In 2017, the City of Henderson issued General Obligation Bond Series 2017B. The City's General Obligation Bonds, Tax- Exempt Series 2017B, were issued to refund the Utility's Water and Sewer Revenue Bonds Series 2006A that were issued to fund the Downtown Sewer Separation Project. The City of Henderson designated in the bond ordinance that the proceeds of \$2,390,000 were solely for the benefit of the Utility. The Utility is to fully reimburse the City annually for all required debt service payments until the bonds are retired. The economic gain resulting from this refunding was \$224,213 (based upon NPV from delivery date and after application of reserve funds of \$450,597.) The difference in cash flow requirements to service the old debt of \$3,110,000 and the cash flows to service the new debt of \$2,390,000 is \$751,566.

All the above noted City bonds are secured by a pledge of, and are payable from, the gross revenues derived from the operation of the Utility. But as stated, no bonded debt is in the name of the Utility.

Refer to enclosed is Excel file for debt service schedule as requested in item #6d:
#6 Debt Schedule HWU

- 7. List all persons on Henderson Water's payroll during Fiscal Year 2020. For each employee, state their job duties, total wages paid during the fiscal year, current salary or wage rate, and the percentage of work hours spent performing duties for each city division (e.g., water, sewer, police department, public works) during the fiscal year. If Henderson Water's records do not permit the allocation of an employee's work hours among city divisions, provide an estimate for each employee and explain how Henderson Water derived the estimate.*

Response

Refer to enclosed files:

#7 HWU Employees FY2020	(Excel file)
#7 HWU Job Descriptions	(pdf file)

8. *For each employee listed in Item 7 above, describe how Henderson Water allocated their payroll and payroll overhead charges to each city division for the proposed test year. This response shall include a detailed explanation of all allocation procedures. Payroll overhead charges include payroll taxes, health insurance premiums, pension costs, and any other employee benefit costs.*

Response

Henderson Water Utility is a single proprietary fund operation. All payroll costs and associated benefit costs (included tax, insurance etc) are directly coded based on the associated individual employees assigned division (i.e. North Water, North Wastewater, South Water, South Wastewater, Administration or System Operation Center (SOC)). No individual employee costs are split between divisions, meaning no employee is assigned to more than one division.

Annually, costs associated with the Utility's participation in the County Employer Retirement System (CERS) are allocated to each division based on that divisions percentage of contributions to total contributions of Utility.

Per our contractual agreements, with both Henderson County Water District and Beech Grove Water System and others, all costs (not just payroll and related benefits) of the Administration and SOC divisions are allocated annually based on percentage of hours worked by SOC operations personnel as tracked annually in our work and asset management software, CityWorks.

Refer to enclosed files for allocation calculations for the fiscal year ending June 30, 2020, which correspond to the allocated costs per the adjusted trial balance provided in item #5:

#8 HWU Cost Allocations 6-30-2020	(Excel file)
#8 Overhead Allocation FY2020	(pdf file)

9. *Using a table format, provide the following actual full-year salary information for each employee listed in Item 7 above, identified by employee number and job title, for the fiscal years 2016-2020 (in gross dollars—not hourly or monthly rates). The employee salary information for each year shall be provided in a separate table. Provide the requested tables in an Excel spreadsheet format with all columns and rows unprotected and accessible.*
- a. *Regular salary or pay.*
 - b. *Overtime pay.*
 - c. *Vacation payout.*
 - d. *Standby/Dispatch pay.*
 - e. *Bonus pay.*
 - f. *Other amounts paid and reported on the employees' W-2 (specify).*

Response

Refer to enclosed Excel file:
#9 Historical Payroll Costs

- 10.** *Using a table format, provide the regular hours and overtime hours for each employee listed in Item 7 above, for the fiscal years 2016-2020. The employee time information for each year shall be provided in a separate table. Provide the requested table(s) in an Excel spreadsheet format with all formulas unprotected and all rows and columns fully accessible.*

Response

Refer to enclosed Excel file:
#10 Historical Payroll Hours

- 11.** *Using a table format, provide the following actual full-year benefit information for each employee listed in Item 7 above, identified by employee number and job title, for the fiscal years 2016-2020. The employee's benefit information for each year shall be provided in a separate table. Provide the requested tables in an Excel spreadsheet format with all formulas unprotected and all rows and columns fully accessible.*
- a. Health care benefit cost for each employee.
(1) Amount paid by Henderson Water.
(2) Amount paid by each employee.*
 - b. Dental benefits cost for each employee.
(1) Amount paid by Henderson Water.
(2) Amount paid by each employee.*
 - c. Vision benefits cost for each employee.
(1) Amount paid by Henderson Water.
(2) Amount paid by each employee.*
 - d. Life insurance cost for each employee.
(1) Amount paid by Henderson Water.
(2) Amount paid by each employee.*
 - e. Accidental death and disability benefits for each employee.
(1) Amount paid by Henderson Water.
(2) Amount paid by each employee.*
 - f. Defined Contribution - 401 (k) or similar plan cost for each employee. Provide the amount paid by Henderson Water.*
 - g. Defined Benefit Retirement cost for each employee.
(1) Amount paid by Henderson Water.
(2) Amount paid by each employee.*
 - h. Cost of any other benefit available to an employee (specify).*

Response

Refer to enclosed Excel file:
#11 Historical Benefit Costs

- 12.** *Provide a listing of all health care plan categories available to Henderson Water's employees, i.e., single, married no dependents, single parent with dependents, family, etc. For each employee listed in Item 7 above, identify the type of health insurance coverage the employees are provided.*

Response

Refer to enclosed files:
#12 Health Care Category (Excel file)
#12 Benefit Summary 2020 (pdf file)

- 13.** *a. List all joint or shared costs that Henderson Water incurred during the Fiscal Year 2020. For each cost, list the vendor, total expense amount, amounts allocated per division, and the basis for allocation.*
b. Describe the procedures to allocate joint and shared costs among divisions for Fiscal Year 2020.

Response

Henderson Water Utility is a single proprietary fund operation. All costs are directly coded based on the associated division where work is performed if readily and specifically identifiable (i.e. North Water, North Wastewater, Stormwater, South Water, South Wastewater, Administration or System Operation Center (SOC)).

Per our contractual agreements, with both Henderson County Water District and Beech Grove Water System and others, all costs of the Administration and SOC divisions are allocated annually based on percentage of hours worked by SOC operations personnel as tracked annually in our work and asset management software, CityWorks.

The Administrative division includes payroll and benefit cost of Admin office personnel, general IT/technology expenses, insurance, professional and accounting fees, and administrative expense paid to City (for billing/collections and other services rendered). The SOC division includes all field and maintenance personnel and other positions (locators, GIS, etc) that work throughout the system. Division also includes general repairs and maintenance cost for vehicles and equipment, tools, inventory, etc. Work hours are tracked in software and allocated at year end based on split between other divisions (north/south, water/wastewater/stormwater, tanks/pumps/distribution, etc).

There have been no changes in this methodology, as the contract terms have not changed. After allocation of all Admin and SOC costs, total costs of remaining five divisions (North Water, North

Wastewater, Stormwater, South Water, South Wastewater) are reported as supplementary information in HWU's audit report and used for the basis in contract rate calculations.

As requested in item #14 documentation of the allocation calculations for Admin and SOC expenses the fiscal year ending June 30, 2020. These schedules correspond to the allocated costs per the adjusted trial balance provided in item #5.

- 14.** *Provide all internal memorandums, policy statements, correspondence, and documents related to the allocation of joint and shared costs.*

Response

Refer to enclosed files:

- #14 HWU Cost Allocations 6-30-2020 (Excel file)
- #14 Overhead Allocation FY2020 (pdf file)

- 15.** *Provide depreciation schedules for the water division. A separate schedule shall be provided for each division.*

Response

Refer to enclosed Excel file:

- #15 HWU Depreciation Schedule

This is same depreciation schedule file provided to our auditors, Riney Hancock CPAs PSC.

- 16.** *Provide the "Enterprise Funds Uniform Financial Information Report" that Henderson Water submitted to the Kentucky Department of Local Government for the fiscal years ending in 2018, 2019, and 2020.*

Response

Henderson Water Utility (HWU) does not meet the definition of a Special Purpose Government Entity (SPGE) as defined in House Bill 1 and codified into KRS 65A. As such, HWU does not and is not required to submit an annual Enterprise Fund Uniform Financial Report (UFIR).

HWU is reported as a component unit of the City of Henderson and falls under its reporting requirements.

- 17.** *a. Identify all persons or entities to which Henderson Water provides wholesale water service.
b. For each customer listed above, provide for each of the previous 24 months its monthly water usage and the amount that Henderson Water charged it for service.*

Response

Wholesale Water Customers

City of Sebree, KY	PO Box 245, Sebree, KY 42455
Beech Grove Water System	445 St Rt 56 N, Calhoun, KY 42327
Henderson County Water District	PO Box 655, Henderson, KY 42419

Refer to enclosed Excel files for the requested wholesale customer data:
#17b Sebree- Water Usage and Billings
#17b Beech Grove- Water Usage and Billings
#17b HCWD- Water Usage and Billings

18. a. Complete the table below:

<i>Water Main Size</i>	<i>Total Miles of Line</i>	<i>Miles of Line Used to Serve Wholesale Customers</i>
16"		
14"		
12"		
10"		
8"		
6"		
4"		
2"		

b. Explain who pays for the water main(s) that Henderson Water uses to deliver water to Henderson Water's wholesale customer(s).

Response

<u>18a- Complete Table</u>		
<u>Water Main Size</u>	<u>Total Miles of Line</u>	<u>Miles of Line Used to Serve Wholesale Customers</u>
<u>16"</u>	<u>3.5</u>	<u>3.25</u>
<u>14"</u>	<u>0.4</u>	<u>0.3</u>
<u>12"</u>	<u>22.3</u>	<u>14.4</u>
<u>10"</u>	<u>17.9</u>	<u>11</u>

<u>8"</u>	<u>72.5</u>	<u>15.7</u>
<u>6"</u>	<u>52.7</u>	<u>1.3</u>
<u>4"</u>	<u>10</u>	<u>0</u>
<u>2"</u>	<u>13.3</u>	<u>0</u>

All mains that Henderson Water Utility (HWU) utilizes to deliver water to HWU wholesale customers are owned and maintained by HWU. HWU is responsible for the system to the point of metering.

19. Provide the maximum capacity of each Henderson Water’s water treatment plants.

a. For each of the customers listed in response to Item 17.a, state:

(1) The amount of Henderson Water’s total water treatment plant capacity currently reserved for that customer; and

(2) The minimum and maximum quantity of water (in gallons) that the customer may purchase in a month under the terms of its present water purchase contract with Henderson Water.

b. Describe the changes, if any, that Henderson Water expects within the next three years in the level of water treatment capacity reserved for each of the customers listed in Item 17.a., and state the reason(s) for Henderson Water’s expectations.

c. Identify the owner of the master meter(s) through which Henderson Water provides water to the customers listed in Item 17.a. Include the numbers of master meters that Henderson Water provides wholesale water service to each of the wholesale customers, and identify the party responsible (Henderson Water or wholesale customer) for maintaining these master meters.

Response

Maximum Capacity of HWU Plants

North Water Treatment Plant (NWTP)	12 million gallons per day
South Water Treatment Plant (SWTP)	4 million gallons per day

a. Wholesale Customer Reserves & Min/max per Month

1) HWU does not designate the amount of treatment capacity that is reserved for each customer, though the NWTP that serves HCWD averaged 52.2% capacity while the SWTP that serves both Beech Grove and HCWD averaged 79.5% capacity for calendar year 2020.

2) No minimum quantity of water customers may purchase is set in terms of wholesale customer contracts. Each contract does have provisions for aggregate quantity not to exceed thirty-day averages along with peak 24-hour period amounts. For Beech Grove, thirty-day average is 400,000 gallons with a 24-hour peak of 600,000. For HCWD, the thirty-day average is 2,500,000 gallons with a peak of 3,000,000. Additionally, Beech Grove has a 100,000 gallon storage capacity at HWU’s Four Star Tank.

b. Changes in Expected Capacity

There are no current plans for any changes that will impact the capacity of either the North or South Treatment facilities. No changes in expected consumption have been communicated from any wholesale or other customers, both facilities have available capacity in event of minor consumption variations, thus HWU has no immediate plans to increase capacity. HWU does have preliminary plans for upgrade/expansion of South facility to increase capacity in event of high volume water user to adjacent Four Star Industrial Park.

c. Master Meters

HCWD- Seven Meters owned and maintained by HCWD

<u>Account #</u>	<u>Meter #</u>
135329500	33966
135416000	15672
140720000	1426929
149344000	314460
149528000	1553914
142910500	1426926
142970000	8882149

Beech Grove- One owned and maintained by HWU

<u>Account #</u>	<u>Meter #</u>
142930000	47681101

Sebree- Three owned and maintained by HWU

<u>Meter #</u>
49289045
49254730
72535286

20. *Provide a system map showing all of Henderson Water 's facilities that are used to serve the wholesale customers listed in Item 17.a. This map shall show, at a minimum, all master meters, pumping stations, storage tanks, water transmission mains, and water distribution mains used to serve the customers listed in Item 17.a. The size of all mains shall be clearly indicated on this map.*

Response

Refer to enclosed pdf files:

- #20 System Facility Map- North System
- #20 System Facility Map- South System

21. Provide the portion, if any, of Henderson Water’s water main(s) that serve the wholesale customers listed in Item 17.a and are gravity fed.

Response

All mains shown on Maps (from item #20) that serve wholesale customers are gravity fed (under the influence of a tank).

22. a. List Henderson Water’s water sales (in gallons) for each month of the test year and for the previous 24 months for each of its wholesale customers and for its retail customers.
b. List the total amount billed by Henderson Water for water service for each month of the test year and the previous 24 months to each of its wholesale customers and to its retail customers.

Response

Refer to enclosed Excel files:
#22a HWU Wholesale Retail Sales
#22b HWU Wholesale Retail Billings

23. Provide Henderson Water’s current rate schedule for its retail customers and for each of its wholesale customers.

Response

Refer to enclosed pdf files:
#23 Retail Customer Current Rates
#23 Contract & Wholesale Customer Current Rates

24. Complete the table below:

	Gallons for	Gallons for
		Fiscal Year
<u>Henderson</u>	<u>Test</u>	<u>Ending June 30,</u>
	<u>Period</u>	<u>2020</u>
Plant Use		
Line Loss		
Retail Sales		
Sales to HCWD North		
Sales to HCWD South		
Sales to Beech Grove Water		
Sales to Other Wholesale Customers		
Total Produced and Purchased		
Total Sold		

Response

<u>24- Complete Table</u>		
<u>Henderson</u>	<u>Gallons for Test Period</u>	<u>Gallons for Fiscal Year Ending June 30, 2020</u>
Plant Use	242,403,901	242,403,901
Line Loss	431,179,935	431,179,935
Retail Sales	2,131,488,435	2,131,488,435
Sales to HCWD North	429,274,062	429,274,062
Sales to HCWD South	28,943,008	28,943,008
Sales to Beech Grove Water	81,417,217	81,417,217
Sales to Other Wholesale Customers	40,593,900	40,593,900
Total Produced	3,316,496,617	3,316,496,617
Total Sold	2,711,716,622	2,711,716,622

25. *State whether Henderson Water provides unmetered water service to any entities (e.g., service to municipal buildings, fire departments or protection services). For each type of unmetered service, estimate the percentage of the estimated unmetered gallons provided in the test year.*

Response

Henderson Water Utility does not provide any unmetered water service, outside of fire protection from hydrants. Although the City of Henderson receives water at no cost, those services are metered.

26. *Provide a copy of the cost of service study (COSS), if any, upon which the proposed rate is based in Excel spreadsheet format with all formulas unprotected and all rows and columns fully accessible.*

- Identify the person who prepared the COSS, if any, upon which the proposed rate is based.*
- Provide the preparer’s curriculum vitae.*
- List all cases before the Commission in which the preparer has submitted a COSS.*
- List all utilities (municipal or public) for which the preparer has prepared a COSS. For each utility, identify the type of utility service (water or sewer) for which the report was prepared.*

Response

Henderson Water Utility did not utilize a Cost of Service Study (COSS) to base proposed rates upon.

27. *If the proposed rate is not based upon a COSS, describe how Henderson Water determined the proposed wholesale rate and state who participated in the determination. Provide all supporting documentation for the proposed rate.*

Response

HWU calculates the proposed rates for HCWD and Beech Grove annually based on the Contract terms with HCWD, last amended in 1997, and Beech Grove, from 2014.

28. *Provide the ordinance or resolution of the city council or similar governing body in which the proposed rate adjustment was approved.*

Response

Henderson Water Utility does not approve the proposed contractually based rate adjustment via ordinance or resolution. Proposed rates to wholesale customers, since based on set contract terms, are not approved in Board meeting. Contracts which rates are calculated from were originally approved by HWU Board at time of execution.

Rate adjustments are calculated annually by CFO after conclusion and presentation of audited financials to Board. Calculations are then examined by HWU auditors who provide an Independent Accountant's Report on the calculations. Proposed rates and copies of calculations and auditor's reports are then provided to the contract customers and PSC filings are prepared.

29. *Provide the minutes of each city council meeting in calendar years 2018- 2020 in which a proposed rate adjustment to Henderson Water's wholesale customers was discussed.*

Response

Henderson Water Utility does not approve the proposed contractually based rate adjustment via ordinance or resolution. Proposed rates to wholesale customers, since based on set contract terms, are not approved in Board meeting.

Rate adjustments are calculated annually by CFO after conclusion and presentation of audited financials to Board. Calculations are then examined by HWU auditors who provide an Independent Accountant's Report on the calculations. Proposed rates and copies of calculations and auditor's reports are then provided to the contract customers and PSC filings are prepared.

- 30.** *Provide a copy of all correspondence, electronic mail messages, or other written communications between Henderson Water and its wholesale customers since January 1, 2020, regarding revisions to Henderson Water's wholesale rates.*

Response

Refer to enclosed pdf file:
#30 Correspondence To Wholesale Customers

- 31.** *Provide all contracts and amendments, if any, for water service between Henderson Water, Henderson District and Beech Grove that have not been filed with the Commission.*

Response

No contracts or amendments exist between HWU, HCWD and Beech Grove that have not previously been filed with the PSC and are of record and available on the PSC website.

HWU's original agreement with HCWD from June 1989 and the February 1997 amendment, along with Beech Grove's agreement from October 2014 are all disclosed in the PSC Tariff Library and are the current agreements that all parties work under and rates are calculated from.

Copies are included for convenience. Refer to enclosed pdf files:
#31 HCWD_WATER_CONTRACT Feb 1997 Amend
#31 HCWD_WATER_CONTRACT June 1989
#31 Signed Beech Grove Contract- Effective 1 Oct 2014

- 32.** *State the annual effect of the proposed rate adjustment on Henderson Water's revenues from wholesale water service to each of its wholesale water service customers. Show all calculations made and state all assumptions used to derive this response. Provide this in Excel spreadsheet format with all formulas unprotected and all rows and columns fully accessible.*

Response

Refer to enclosed Excel file for annual effect of proposed rate adjustment on wholesale customers (based on FY2020 consumption amounts):
#32 Rate Adjustment Effect on Wholesale

33. Refer to the Calculation of South Water Cost per Contract of Henderson Water for the year ended June 30, 2020.

- a. *In its calculation of Beech Grove’s wholesale rate, Henderson Water used operating expenses and interest expenses of \$2,493,588 and \$47,037, respectively. Provide an itemized analysis showing how Henderson Water’s actual costs incurred in the fiscal year 2020 related to the South Water Treatment Plant and Distribution System are allocated to the calculation of Beech Grove Water’s wholesale rate. Include copies of all workpapers, assumptions and calculations used by Henderson Water in Excel spreadsheet format with all formulas unprotected and all rows and columns fully accessible.*
- b. *Provide copies of the evidence that Henderson Water’s accountant examined to determine that Beech Grove Water’s wholesale rate was calculated in accordance to the Agreement. Include copies of the accountants workpapers created in their review.*

Response

Refer to enclosed files:

#33a Beech Grove South Water Contract FY2020	(Excel file)
#33a Beech Grove Water Rate Calc FY2020	(pdf file)
#33b Beech Grove Cost Calculation RH wp	(pdf file)
#33b Beech Grove Examination 2020	(pdf file)
#33b Consumption Data (South) RH wp	(pdf file)

Files associated with #33a represent HWU support for calculation of Beech Grove rate. Detail of division/departments expenses are included in trial balance file associated with question #5 and general ledger files associated with question #6. Files associated with #34a represent HWU’s auditor Riney Hancock CPAs PSC examination of that calculation.

34. Refer to the Calculation of the North Water Cost per Contract of Henderson Water for the year ended June 30, 2020.

- a. *In its calculation of Henderson District’s wholesale rate, Henderson Water used operating expenses, interest expenses and a Henderson Water overhead allocation of \$6,075,926, \$101,925 and (\$227,500), respectively. Provide an itemized analysis showing how Henderson Water’s actual costs incurred in the fiscal year 2020 are allocated to the calculation of Henderson District’s wholesale rate. Include copies of all workpapers, assumptions and calculations used by Henderson Water in Excel spreadsheet format with all formulas unprotected and all rows and columns fully accessible.*
- b. *Provide copies of the evidence that Henderson Water’s accountant examined to determine that Henderson District’s wholesale rate was calculated in accordance to the Agreement. Include copies of the accountants workpapers created in their review.*

Response

Refer to enclosed files:

#34a HCWD North Water Contract FY2020	(Excel file)
#34a HCWD South Water Contract FY2020	(Excel file)
#34a HCWD Water Rate Calc FY2020	(pdf file)
#34b Consumption Data (North) RH wp	(pdf file)
#34b Consumption Data (South) RH wp	(pdf file)
#34b HCWD North Examination 2020	(pdf file)
#34b HCWD North Cost Calculation RH wp	(pdf file)
#34b HCWD South Examination 2020	(pdf file)
#34b HCWD South Cost Calculation RH wp	(pdf file)

Files associated with #34a represent HWU support for calculation of HCWD rates. Detail of division/department expenses are included in trial balance file associated with question #5 and general ledger files associated with question #6. Files associated with #34a represent HWU's auditor Riney Hancock CPAs PSC examination of those calculations.

35. *Refer to the October 10, 2014 Agreement between Henderson Water and Beech Grove (Beech Grove Agreement), paragraph 15 and to the June 1, 1989 Contract between Henderson Water and Henderson District (Henderson District Contract), paragraph 13. The Beech Grove Agreement has a 15 percent markup, while the Henderson District Contract has a 25 percent markup. Provide the reason and the basis for each of the wholesale cost markups. Also, explain why there is a difference of 10 percent between the Beech Grove markup and the Henderson District markup.*

Response

The markup percentages, as detailed in the October 10, 2014 Agreement between Henderson Water Utility and Beech Grove Water System and the June 1, 1989 Contract between HWU and Henderson County Water District, were contractually negotiated terms agreed to by both parties, the HWU management and appointed officials of Beech Grove Water and HCWD at the time of the agreements.