

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF HENDERSON	)	CASE NO.
WATER UTILITY REVISING ITS WHOLESALE	)	2021-00067
WATER SERVICE RATES	)	

ORDER

On January 26, 2021, Henderson Water Utility (Henderson Water) filed with the Commission a revised tariff sheet setting forth a proposed adjustment to its existing rates for wholesale water service to Henderson County Water District (Henderson District) and Beech Grove Water System (Beech Grove), effective March 1, 2021. Henderson Water's current monthly wholesale water rates to Henderson District consists of a usage charge for the North System of \$3.0029 per 1,000 gallons and for the South System of \$2.6818 per 1,000 gallons. Henderson Water's proposal increases the usage charge to Henderson District for the North System by \$0.50 per 1,000 gallons, or 16.65 percent, to \$3.5029 per 1,000 gallons and for the South System by \$0.5731 per 1,000 gallons, or 21.37 percent, to \$3.2549 per 1,000 gallons. Henderson Water's current monthly wholesale water rate to Beech Grove consists of a usage charge of \$2.7470 per 1,000 gallons. Henderson Water's proposal increases the usage charge to Beech Grove by \$0.6449 per 1,000 gallons, or 23.48 percent, to \$3.3919 per 1,000 gallons.

KRS 278.030 provides that a utility may collect fair, just and reasonable rates and that the service it provides must be adequate, efficient and reasonable. Having considered the proposed rate adjustments and being otherwise sufficiently advised, the

Commission finds that an investigation will be necessary to determine the reasonableness of the proposed rate adjustments and that such an investigation cannot be completed by March 1, 2021. Pursuant to KRS 278.190, the Commission will, therefore, suspend the effective date of the proposed rates for five months, up to and including August 1, 2021.

The Commission finds that Henderson District and Beech Grove have a significant interest in this proceeding and should be served with a copy of this Order and presented an opportunity to intervene in this proceeding. The Commission further finds that Henderson District, Beech Grove, or any other interested party, should file any motion to intervene, signed by counsel, no later than March 5, 2021.

The Commission finds that within seven days of the date entry of this Order, Henderson Water should have its counsel enter an appearance into this proceeding that contains the name, address, telephone number, fax number, and electronic mail address of counsel.

As 807 KAR 5:001, Section 8, permits the Commission to direct the use of electronic filing procedures for proceedings that we initiate on our own motion, we find that electronic filing procedures should be used. As such, Henderson Water, and Henderson District and Beech Grove, should they intervene, should follow the procedures set forth in 807 KAR 5:001, Section 8, when filing any document or paper in this matter. The Commission directs Henderson Water, and Henderson District and Beech Grove, should they intervene, to the Commission's March 16, 2020 and March 24, 2020 Orders

in Case No. 2020-00085<sup>1</sup> regarding filings with the Commission. The Commission expects the original documents to be filed with the Commission within 30 days of the lifting of the current state of emergency.

The Commission further finds that a procedural schedule should be established to review the reasonableness of the proposed rates. The procedural schedule is attached hereto as Appendix A to this Order and is incorporated herein.

IT IS THEREFORE ORDERED that:

1. This proceeding is established to investigate the reasonableness of Henderson Water's proposed wholesale rate increase to Henderson District and Beech Grove.
2. Henderson Water's proposed wholesale rate is suspended for five months from March 1, 2021, up to and including August 1, 2021.
3. Henderson District, Beech Grove, or any interested party, may, by counsel, file a motion to intervene no later than March 5, 2021.
4. Henderson Water shall, by counsel, enter an appearance in this proceeding within seven days of the date of entry of this Order. The entry of appearance shall include the name, address, telephone number, fax number, and electronic mail address of counsel.
5. Unless otherwise ordered by the Commission, the procedures set forth in 807 KAR 5:001, Section 8, related to service and electronic filing of papers shall be followed in this proceeding.

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<sup>1</sup> Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 5–6. Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 24, 2020), Order at 1–3.

6. Pursuant to 807 KAR 5:011, Section 8(9), within seven days of entry of this Order, Henderson Water shall file by electronic means a written statement that it waives any right to service of Commission orders by United States mail and that it or its authorized agents possesses the facilities to receive electronic submissions. The paper original shall be filed within 30 days of the ending of the current state of emergency caused by COVID-19.

7. Unless a party granted leave to intervene states its objection to the use of electronic filing procedures in a motion for intervention, the party shall:

a. Be deemed to have consented to the use of electronic filing procedures and the service of all papers, including Orders of the Commission, by electronic means; and

b. Within seven days of the date of entry of an Order of the Commission, granting intervention, file with the Commission a written statement that:

(1) It or its authorized agent possesses the facilities to receive electronic transmissions; and

(2) Sets forth the electronic mail address to which all electronic notices and messages related to this proceeding should be served.

8. If a party objects to the use of electronic filing procedures and the Commission determines that good cause exists to excuse that party from the use of electronic filing procedures, service of documents on that party and by that party shall be made in accordance with 807 KAR 5:001, Section 4(8).

9. The procedural schedule set forth in Appendix A to this Order shall be followed.

10. Henderson Water shall file responses to the information request set forth in Appendix B no later than March 12, 2021.

11. a. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked. The paper original shall be filed within 30 days of the ending of the current state of emergency caused by COVID-19.

b. Each response shall include the name of the witness responsible for responding to the questions related to the information provided and shall be answered under oath or, for representatives of a public or private corporation or a partnership or an association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

c. A party shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

d. For any request to which a party fails or refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

e. Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this

proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

f. Any party filing a paper containing personal information shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that the personal information cannot be read.

12. As set forth in 807 KAR 5:001, Section 4(11)(a), a person requesting permissive intervention in a Commission proceeding is required to demonstrate either (1) a special interest in the proceeding which is not adequately represented in the case, or (2) that the person requesting permissive intervention is likely to present issues or develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings. Therefore, any person requesting to intervene in a Commission proceeding must state with specificity the person's special interest that is not otherwise adequately represented, or the issues and facts that the person will present that will assist the Commission in fully considering the matter. A mere recitation of the quantity of utility service consumed by the movant or a general statement regarding the potential impact of possible modification of rates will not be deemed sufficient to establish a special interest. In addition, any motion to intervene after the date established in the procedural schedule shall also show good cause for being untimely. If the untimely motion is granted, the movant shall accept and abide by the existing procedural schedule.

13. Henderson Water shall give notice of the hearing in accordance with the provisions set forth in 807 KAR 5:001, Section 9(2). In addition, the notice of the hearing shall include the following statements: "This hearing will be streamed live and may be

viewed on the PSC website, [psc.ky.gov](http://psc.ky.gov)"; and "Public comments may be made at the beginning of the hearing. Those wishing to make oral public comments may do so by following the instructions listed on the PSC website, [psc.ky.gov](http://psc.ky.gov)." At the time publication is requested, Henderson Water shall forward a duplicate of the notice and request to the Commission.

14. At any public hearing in this matter, neither opening statements nor summarization of direct testimonies shall be permitted.

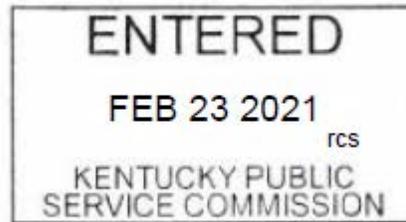
15. Pursuant to KRS 278.360 and 807 KAR 5:001, Section 9(9), a digital video recording shall be made of the hearing.

16. The Commission does not look favorably upon motions of continuance. Accordingly, motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

17. The Executive Director shall serve a copy of this Order on Henderson District and Beech Grove.

18. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

By the Commission



ATTEST:

  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2021-00067 DATED FEB 23 2021

Requests for intervention shall be filed no later than ..... 03/05/2021

Henderson Water shall file its response to the Commission's request  
for information attached hereto no later than..... 03/12/2021

Initial requests for information to Henderson Water  
shall be filed no later than ..... 03/26/2021

Henderson Water shall file responses to  
initial requests for information no later than.....04/09/2021

All supplemental requests for information to Henderson Water  
shall be filed no later than ..... 04/21/2021

Henderson Water shall file responses to supplemental requests  
for information no later than .....05/05/2021

Intervenor Testimony, if any, in verified prepared  
form shall be filed no later than..... 05/12/2021

All requests for information to Intervenors shall  
be filed no later than.... 05/24/2021

Intervenors shall file responses to requests for  
information no later than..... 06/07/2021

Henderson Water or any Intervenor shall request either a  
hearing or that the case be submitted for decision  
based on the record no later than ..... 06/14/2021

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2021-00067 DATED FEB 23 2021

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

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

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.

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.

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.

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.

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.

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).

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.

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).

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.

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.

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

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

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.

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.

18. a. Complete the table below:

		Miles of Line Used to
Water	Total Miles	to Serve Wholesale
Main Size	of Line	Customers
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).

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.

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.

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.

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.

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

24. Complete the table below:

	Gallons for	Gallons for
		Fiscal Year
Henderson	Test Period	Ending June 30, 2020
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		

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.

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.

- a. Identify the person who prepared the COSS, if any, upon which the proposed rate is based.
- b. Provide the preparer's *curriculum vitae*.
- c. List all cases before the Commission in which the preparer has submitted a COSS.
- d. 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.

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.

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

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.

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.

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.

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.

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.

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.

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.

\*Beech Grove Water System, Inc.  
Beech Grove Water System, Inc.  
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