

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF HARDIN)	CASE NO.
COUNTY WATER DISTRICT NO. 2 FOR A)	2023-00247
GENERAL ADJUSTMENT OF RATES)	

ORDER

On September 29, 2023, Hardin County Water District No. 2 (Hardin District No. 2) tendered an application requesting a general rate adjustment based on a historic test year pursuant to KRS 278.180, KRS 278.190, and 807 KAR 5:001, Section 16. The application proposed that the new rates become effective on November 1, 2023. The application was found to be deficient.¹ On October 4, 2023, Hardin District No. 2 filed a motion for deviation from 807 KAR 5:001, Section 16(4)(n) to use the National Association of Regulatory Utility Commissioners' (NARUC) *Depreciation Practices for Small Water Utilities* to determine the appropriate depreciation expense in lieu of a depreciation study.

LEGAL STANDARD

When submitting a request for a general rate adjustment based on a historic test year, 807 KAR 5:001, Section 16(4), requires a utility to file

[T]he following information or a statement explaining why the required information does not exist and is not applicable to the utility's application:

....

(n) A summary of the utility's latest depreciation study with schedules by major plant accounts, except that

¹ PSC Deficiency Letter (filed Oct. 4, 2023).

telecommunications utilities that have adopted the commission's average depreciation rates shall provide a schedule that identifies the current and test period depreciation rates used by major plant accounts. If the required information has been filed in another commission case, a reference to that case's number shall be sufficient.

Pursuant to 807 KAR 5:001, Section 22, the Commission may permit deviations for good cause shown.

DISCUSSION AND FINDINGS

Hardin District No. 2 argued in its motion that it did not prepare a depreciation study to support its application and is unable to prepare such a study, because it lacks sufficient plant addition and retirement information to perform a reliable analysis.² Instead, Hardin District No. 2 requested to rely the NARUC *Depreciation Practices for Small Water Utilities* to determine the appropriate level of depreciation expense for ratemaking purposes, consistent with the Commission's current practice regarding the establishment of depreciation rates.³ Hardin District No. 2 further argued, should the Commission accept the NARUC midpoint of the service life ranges, that its Application be deemed accepted for filing as of September 29, 2023, due to the Commission's historic practice of accepting for filing applications for rate adjustments by water districts without a depreciation study or a request for a deviation from 807 KAR 5:001, Section 16(4)(n).⁴

Although discovery may indicate that the depreciation rates should be modified in the final rates, the Commission agrees that Hardin District No. 2's request to rely on the NARUC service life ranges to establish its depreciation rates and depreciation expense

² Hardin District No. 2's Motion for Deviation at 2.

³ Hardin District No. 2's Motion for Deviation at 2–3.

⁴ Hardin District No. 2's Motion for Deviation at 3–4.

levels in its application is reasonable given its size, the plant information it has available, and the Commission's practice of using NARUC midpoints in similar circumstances. The Commission notes that Hardin District No. 2 provided an explanation as to why it is unable to prepare a depreciation study, because it lacks sufficient plant addition and retirement information to perform a reliable analysis. The Commission further acknowledges that it has recently accepted NARUC midpoints in lieu of a depreciation study from a water district that does not have a depreciation study without requiring a request for deviation. For that reason and because Hardin District No. 2's application appropriately explained the absence of the depreciation study, the Commission finds that the deficiency letter of October 4, 2023 was issued in error. Therefore, the Commission finds that Hardin District No. 2's motion for deviation should be denied as moot and its application should be deemed filed as of the September 29, 2023.

Pursuant to KRS 278.180(1), changes to any rate by any utility is prohibited except upon 30 days' notice to the Commission. Hardin District No. 2 provided notice that the proposed rates would be effective November 1, 2023, so the earliest date that Hardin District No. 2's proposed rates can be effective is November 1, 2023. Having reviewed Hardin District No. 2's application, the Commission finds that an investigation is necessary to determine the reasonableness of the proposed rates, and that an investigation cannot be completed by November 1, 2023. Therefore, pursuant to KRS 278.190(2), the Commission will suspend the effective date of the proposed rates for five months, up to and including April 1, 2024.

The Commission further finds that a procedural schedule is necessary to review the reasonableness of the proposed rates. Therefore, the Commission establishes the procedural schedule attached as an Appendix to this Order.

IT IS THEREFORE ORDERED that:

1. Hardin District No. 2's motion to deviate from 807 KAR 5:001, Section 16(4)(n), is denied as moot.
2. Hardin District No. 2's rate application is deemed filed as of September 29, 2023.
3. Hardin District No. 2's proposed rates are suspended for five months, up to and including April 1, 2024.
4. The procedural schedule set forth in the Appendix to this Order shall be followed.
5. Hardin District No. 2 shall respond to all requests for information propounded by Commission Staff, whether identified on the procedural schedule or otherwise, as provided in those requests.
6. Any party filing a paper with the Commission shall file an electronic copy in accordance with the electronic filing procedures set forth in 807 KAR 5:001, Section 8. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked. The Commission directs the parties to the Commission's July 22, 2021 Order in Case No. 2020-00085⁵ regarding filings with the Commission.

⁵ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

7. 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 that 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 a potential impact of possible modification of rates will not be deemed sufficient to establish a special interest.

8. Any motion to intervene filed 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.

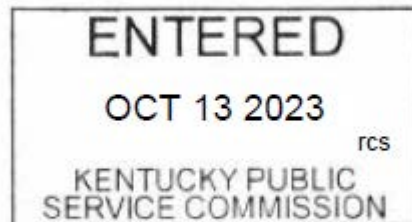
9. The Commission does not look favorably upon motions for continuance. Accordingly, motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

PUBLIC SERVICE COMMISSION

Mark Dalton
Chairman

Chyen Hadden *by KAC*
Vice Chairman *w/permission*

Mary Pat Regen
Commissioner



ATTEST:

Linda L. Bidwell
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00247 DATED OCT 13 2023

- Last day for intervention requests to be accepted..... 10/20/2023
- All initial requests for information to Hardin District No. 2
shall be filed no later than 11/03/2023
- Hardin District No. 2 shall file responses to initial requests for
information no later than..... 11/17/2023
- All supplemental requests for information to Hardin District No. 2
shall be filed no later than 12/01/2023
- Hardin District No. 2 shall file responses to supplemental requests
for information no later than 12/15/2023
- Public Hearing to be held in the Richard Raff Hearing Room
at the offices of the Public Service Commission at 211 Sower Boulevard,
Frankfort, Kentucky, for the purpose of cross-examination
of witnesses of Hardin District No. 2 and Intervenors To be scheduled
- Post-Hearing Briefs, if any.....To be scheduled

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