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March 4, 2013

Mr. Keith Cooper  
Symsonia Water District  
11105 State Rt. 131  
P.O. Box 99  
Symsonia, KY 42082

Re: Case No. 2012-00517

Dear Mr. Cooper:

Attached is a copy of a memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact Jonathan Beyer, Staff Attorney, at 502/782-2581.

Sincerely,

  
Jeff Derouen  
Executive Director

Attachments

**INTRA-AGENCY MEMORANDUM**

**KENTUCKY PUBLIC SERVICE COMMISSION**

**TO:** Case File – Case No. 2012-00517

**FROM:** Jonathan Beyer, Staff Attorney

**DATE:** March 4, 2013

**RE:** Asset depreciation

On February 18, 2013, George Wakim, Public Service Engineer Manager for the Public Service Commission of Kentucky, contacted Jim Wade with Symsonia Water District (“Symsonia”) regarding the depreciable lives of Symsonia’s assets in connection with Case No. 2012-00517. Mr. Wakim sent annotated copies of Symsonia’s depreciation schedules as well as schedules from the 1974 O&M Guide for the Support of Rural Water-Wastewater systems and the August 15, 1979 National Association of Regulatory Utility Commissioners Study of Depreciation Practices for Small Water Utilities via electronic mail and facsimile to Mr. Wade and Jack Kaninberg of Kentucky Small Utility Consulting, L.L.C.<sup>1</sup> Mr. Wakim verbally requested a more detailed plant description and an explanation as to discrepancies between certain listed useful lives of Symsonia’s assets in its application as compared to the suggested lives for analogous assets in the attached studies.

Mr. Kaninberg consulted with Melissa Allcock with Symsonia Water District and provided additional information to Mr. Wakim via electronic mail messages on February 18, 21 and 26, 2013.<sup>2</sup> In the course of the messages, Mr. Kaninberg indicated that Symsonia has justified a larger increase than it has requested in the instant case. Therefore, Mr. Kaninberg does not believe that any adjustments in the useful lives of Symsonia’s assets will materially alter the financing arrangement for the water treatment project contemplated in this case and consequently, Symsonia, does not wish to expend additional funds through engaging its accountant in the matter. Mr. Kaninberg stated that Symsonia will adhere to any revised useful lives as proposed by Commission Staff. Accordingly, Mr. Kaninberg informed Mr. Wakim that Symsonia does not object to the Commission adjusting the useful lives of Symsonia’s assets to bring the assets into compliance with the enumerated guidelines.

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<sup>1</sup> Exhibit 1.

<sup>2</sup> Exhibit 2.

# Exhibit 1

## Wakim, George W (PSC)

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**From:** Wakim, George W (PSC)  
**Sent:** Monday, February 18, 2013 2:35 PM  
**To:** 'jwkaninberg@insightbb.com'; 'jim@symsoniawater.com'  
**Subject:** Application's 2 sheets of Depreciation schedules- NARUC schedules to come shortly afterwards



SCN\_201302181...

mid 70s

WATER

ASSET	METHOD	USEFUL LIFE	DATE	COST	PRIOR DEPR	CURRENT DEPR	TOTAL DEPR	CARRYING VALUE
Water	S/L	39	1/1/1982	72,511.00	62,155.52	1,859.26	64,014.78	8,496.22
Structures and Improvements	S/L	39	12/31/2011	49,937.78		1,280.46	1,280.46	48,657.32
Structures and Improvements	S/L	39	1/1/1982	11,995.00	11,995.00		11,995.00	
Wells and Springs	S/L	39	1/1/1982	793.00	793.00		793.00	
Supply Mains	S/L	39	1/1/1982	7,462.00	6,146.20	373.10	6,519.30	942.70
Pumping Equipment	S/L	30	2/15/2002	92,692.00	50,607.20	2,942.60	53,549.80	39,142.20
Water Treatment Equipment	S/L	31.5	1/1/1982	62,410.00	29,735.52	1,600.26	31,335.78	31,074.22
Distribution Reservoirs	S/L	39	2/15/2002	289,159.00	56,209.66	7,414.33	63,623.99	225,535.01
Transmission & Distribution Meters & Meter Installation	S/L	10	1/1/1982	55,874.00	55,874.00	2,700.60	58,574.60	(2,700.60)
Hydrants	S/L	10	2/15/1983	5,919.00	5,919.00		5,919.00	
Other Plant & Misc Equip	S/L	15	1/1/1983	67.00	67.00		67.00	
Office Furniture & Equipment	S/L	5	7/1/2008	6,354.00	3,939.60	1,270.80	5,210.40	1,143.60
Office Improvements	S/L	15	12/31/2009	2,588.00	345.06	172.53	517.59	2,070.41
Tools & Shop	S/L	20	9/1/2008	1,182.00	340.20	59.10	399.30	782.70
Power Operated Equipment	S/L	15	2/15/2005	18,954.00	6,855.20	1,263.60	8,118.80	10,835.20
Trencher	S/L	15	11/16/2009	7,500.00	1,000.00	500.00	1,500.00	6,000.00
Other Tangible Plant	S/L	10	7/1/2006	1,359.00	562.80	135.90	698.70	660.30
Total Water				686,756.78	292,544.98	21,572.54	314,117.50	372,639.28

# SEWER

building & a component in Bldg

ASSET	METHOD	USEFUL LIFE	DATE	COST	PRIOR DEPR	CURRENT DEPR	TOTAL DEPR	CARRYING VALUE
Sewer								
LAND								
Structures and Improve	S/L	39	1/1/1982	6,061.00				6,061.00
Structure Improvements	S/L	39	12/31/2009	341,392.00	245,102.28	8,753.64	253,855.92	87,536.08
Structure Improvements	S/L	39	12/31/2011	4,138.00	-	745.73	-	4,138.00
Structure Improvements	S/L	39	12/31/2010	29,083.45	-	745.73	-	28,337.72
Service to Customers	S/L	39	1/1/1982	53,518.00	1,372.26	1,372.26	2,744.52	50,773.48
Pumping Plant	S/L	39	1/1/1982	23,460.00	16,843.08	601.54	17,444.62	6,015.38
Receiving Wells	S/L	31.5	1/1/1982	30,189.00	26,853.76	958.38	27,792.14	2,396.86
Pumping Equipment	S/L	32.5	1/1/1982	70,441.00	60,687.84	2,167.42	62,855.26	7,585.74
Oxidation Lagoon	S/L	32.5	1/1/1982	75,504.00	65,049.40	2,323.20	67,372.60	8,131.40
Treatment and Disposal	S/L	39	1/1/1982	3,734.00	2,680.48	95.74	2,776.22	957.78
Outfall Sewer	S/L	39	1/1/1982	537,800.00	385,902.48	13,789.74	399,692.22	138,107.78
Office Equipment	S/L	5	8/13/2002	470.00	470.00		470.00	-
Office Furniture	S/L	7	2/10/2003	173.00	173.00		173.00	-
Dell Computer	S/L	5	6/14/2004	846.00	846.00		846.00	-
Office Equipment	S/L	5	3/6/2006	3,240.00	2,592.00	648.00	3,240.00	-
Office Improvements	S/L	15	12/31/2009	2,588.00	-		-	2,588.00
Power Equipment	S/L	10	6/14/2004	5,500.00	3,025.00	550.00	3,575.00	1,925.00
Trencher	S/L	7	11/16/2009	7,500.00	267.88	133.94	401.82	7,098.18
Shop	S/L	39	1/1/2007	5,295.00	543.54	135.77	679.31	4,615.69
Asphalt	S/L	15	9/1/2003	6,875.00	2,749.66	458.33	3,207.99	3,667.01
Store Equipment	S/L	10	10/4/2006	475.00	190.00	47.50	237.50	237.50
Transportation Equipment	S/L	10	3/6/2005	11,531.00	4,612.20	1,153.10	5,765.30	5,765.70
<b>Total Sewer</b>				<b>1,219,813.45</b>	<b>819,940.86</b>	<b>33,954.29</b>	<b>853,875.15</b>	<b>365,938.30</b>

## Wakim, George W (PSC)

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**From:** Wakim, George W (PSC)  
**Sent:** Monday, February 18, 2013 2:46 PM  
**To:** jim@symsoniawater.com; jwkaninberg@insightbb.com  
**Subject:** PSC Water and Sewer Depreciation life cycles



DEPRECIATION...

**Typical Average Service Lives, Salvage Rates, and Depreciation Rates  
for  
Small Water Utilities**

NARUC Account Number	Class of Plant	Average Service Life (yrs)	Net Salvage (%)	Depreciation Rate (%)
<b><u>Source of Supply Plant</u></b>				
311	Structures and Improvements	35-40		2.9-2.5
312	Collecting & Impounding Reservoirs	50-75		2.0-1.3
313	Lake, River and Other Intakes	35-45		2.9-2.2
314	Wells and Springs	25-35		4.0-2.9
315	Galleries and Tunnels	25-50		4.0-2.0
316	Supply Mains	50-75		2.0-1.3
317	Other Source of Water Supply Plant	30-40		3.3-2.5
<b><u>Pumping Plant</u></b>				
321	Structures and Improvements	35-40		2.9-2.5
324-7	Pumping Equipment	20		5.0
328	Other Pumping Plant	25		4.0
<b><u>Water Treatment Plant</u></b>				
331	Structures and Improvements	35-40		2.9-2.5
332	Water Treatment Equipment	20-35		5.0-2.9
<b><u>Transmission and Distribution Plant</u></b>				
341	Structures and Improvements	35-40		2.9-2.5
342	Reservoirs and Tanks	30-60		3.3-1.7
343	Transmission and Distribution Mains	50-75		2.0-1.3
344	Fire Mains	50-75		2.0-1.3
345	Services	30-50		3.3-2.0
346	Meters	35-45	10	2.6-2.0
347	Meter Installations	40-50		2.5-2.0
348	Hydrants	40-60	5	2.4-1.6
<b><u>General Plant</u></b>				
390	Structures and Improvements	35-40		2.9-2.5
391	Office Furniture and Equipment	20-25	5	4.8-3.8
392	Transportation Equipment	7	10	12.9
393	Stores Equipment	20		5.0
394	Tools, Shop & Garage Equipment	15-20	5	6.3-4.
395	Laboratory Equipment	15-20		6.7-5.0
396	Power Operated Equipment	10-15	10	9.0-6.0
397	Communication Equipment	10	10	9.0

Note: These lives are intended as a guide; longer or shorter lives should be used where conditions warrant.

Source: NATIONAL ASSOCIATION OF REGULATORY COMMISSIONERS  
Depreciation Practices for Small Water Utilities, Figure 1, p. 11, 1979



**Table 44**  
**Average Service Lifetimes, Major Systems Components**  
**Wastewater Systems**

Description	Average Service Lifetimes
<b><u>Septic Tank-Soil Absorption</u></b>	
Septic Tank	20-50 years
Soil Absorption System	10-30 years
<b><u>Home Aerobic Tanks</u></b>	
Tank	20-50 years
Mechanical Components	3-10 years
<b><u>Collection Systems</u></b>	
Gravity Sewers, clay, cement	25-50 years
Gravity Sewers, cast iron	30-75 years
Gravity Sewers, plastic	30-75 years
Manholes, structures	20-50 years
Lift Station, structures	20-50 years
Lift Station, pumps, etc.	7 years
Pressure sewers, plastic, small dia.	5-10 years
Small (household) sewage pumps	5-10 years
Pressure Mains-same as gravity sewers	
<b><u>Treatment Systems</u></b>	
Primary	<ul style="list-style-type: none"> <li>• Comminutors 5 years</li> <li>• Screens 10 years</li> <li>• Clarifier Tanks, concrete 20 years</li> <li>Clarifier Tanks, metal 20 years</li> <li>Grit and Sludge Handling Equipment 5-10 years</li> </ul>
Secondary	<ul style="list-style-type: none"> <li>Lagoons 5-25 years</li> <li>Extended Aeration tankage, concrete 20-50 years</li> <li>Extended Aeration tankage, metal 20-30 years</li> <li>Aerator Compressors 5-10 years</li> <li>Air diffusers 3 years</li> <li>Sludge pumps 5-10 years</li> <li>Clarifier Tankage, Concrete 20-50 years</li> <li>Clarifier Tankage, Metal 20-30 years</li> <li>Chlorinators 10 years</li> <li>Sludge Digesters-same as aeration tankage</li> </ul>
Advanced Wastewater Treatment	Sand Filters 5-10 years
Sludge Disposal Equipment	Drying beds 5-15 years
	Incinerators
	Dewatering devices
Effluent Disposal	Irrigation Pumps 5-10 years
	Sprinkler Heads 2-5 years
<b><u>General Use Equipment</u></b>	
Laboratory instrumentation	3-10 years
Service Vehicles	3-5 years
Pumper/Tank trucks	5-10 years
Automatic Controls	5-20 years

Source: O & M Guide for the Support of Rural Water-Wastewater Systems by Commission on Rural Water, Chicago, Illinois, 1974, p 246-247

## Exhibit 2

## Wakim, George W (PSC)

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**From:** Melissa Allcock <melissa@symsoniawater.com>  
**Sent:** Monday, February 18, 2013 3:56 PM  
**To:** Wakim, George W (PSC)  
**Subject:** FW: Application's 2 sheets of Depreciation schedules- NARUC schedules to come shortly afterwards  
**Attachments:** SCN\_20130218140529.pdf

Mr. Wakim,

After discussing Symsonia depreciation with Jack Kaninberg, preparer of our rate application, please find the below email regarding our conclusions. If you can provide us with specific dollar amounts for the adjustments so we may review them I would appreciate it.

Melissa Allcock,  
Office Manager

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**From:** Jack Kaninberg [<mailto:jwkaninberg@insightbb.com>]  
**Sent:** Monday, February 18, 2013 2:24 PM  
**To:** Melissa Allcock  
**Subject:** Fwd: Application's 2 sheets of Depreciation schedules- NARUC schedules to come shortly afterwards

Melissa,

You and I have reviewed and discussed the attached depreciation schedules from George Wakim. George has asked Symsonia to reconcile the depreciation lives used by Symsonia to the lives recommended by NARUC and explain any useful lives which fall outside the NARUC ranges. Our review suggests that any potential ratemaking adjustment to conform to the NARUC depreciation lives may not materially affect the requested water and sewer rate increases, so it may be helpful if George confirms this by providing a specific dollar adjustment for our review. Specific comments are as follows:

Sewer:

- Pumping Equipment depreciation of \$2,167.42 per year and Transportation Equipment depreciation of \$1,153.10 are significant, but using the NARUC lives of 7 years and 10 years would only increase the annual expense.
- Office Equipment (2002) and Office Furniture (2003) are both fully depreciated.
- Office Equipment (2006) is fully depreciated at the end of 2011, and a \$648 adjustment should be made to reflect this.

Water:

- Wells and Springs, Supply Mains, and Hydrants are all fully depreciated, so any difference does not matter.
- Meters/Meter Installations are depreciated over 10 years because the meters are changed out every 10 years rather than tested, to conform with PSC regulations.
- Transmission and Distribution Mains and Office Furniture appear to be the only material adjustments.
- Since the requested water rate increase is much less than the fully-justified amount, any PSC Staff adjustment may not affect the approved increase at all.

Please feel free to forward this response to George if it meets with your approval.

Jack Kaninberg  
Kentucky Small Utility Consulting  
(502) 671-0214

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**From:** "George W Wakim (PSC)" <[GeorgeW.Wakim@ky.gov](mailto:GeorgeW.Wakim@ky.gov)>

**To:** [jvkaninberg@insightbb.com](mailto:jvkaninberg@insightbb.com), [jim@symsoniawater.com](mailto:jim@symsoniawater.com)

**Sent:** Monday, February 18, 2013 2:35:16 PM

**Subject:** Application's 2 sheets of Depreciation schedules- NARUC schedules to come shortly afterwards

## Wakim, George W (PSC)

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**From:** Jack Kaninberg <jwkaninberg@insightbb.com>  
**Sent:** Thursday, February 21, 2013 3:54 PM  
**To:** Wakim, George W (PSC)  
**Cc:** Melissa Allcock  
**Subject:** Re: Application's 2 sheets of Depreciation schedules- NARUC schedules to come shortly afterwards

Hi George,

I have further discussed the Symsonia depreciation expense issue with Melissa Allcock, and we intend to provide more detailed information in the next few days to describe each plant item whose depreciable life differs from the NARUC chart, and whether an adjustment is reasonable. Our original concern has been with attempting to get answers from Symsonia's CPA while she is heavily engaged in tax season work, but Symsonia is going to attempt to the best of its ability to use its own personnel to investigate and supplement the previous e-mail which I did and which Melissa forwarded to you within the past few days. We hope to have this supplemental response to you in the first few days of next week.

Thank you for your patience on this, and please call me if you have any questions.

Jack Kaninberg  
Kentucky Small Utility Consulting, LLC  
(502) 671-0214 - Home

## Wakim, George W (PSC)

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**From:** Jack Kaninberg <jwkaninberg@insightbb.com>  
**Sent:** Tuesday, February 26, 2013 4:39 PM  
**To:** Wakim, George W (PSC)  
**Cc:** Melissa Allcock; Willard, Kyle (PSC); Rice, James D (PSC); Beyer, Jonathan (PSC); Lawless, Scott (PSC)  
**Subject:** Re: Symsonia Depreciation Schedules

Thanks for the reply, George.

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**From:** "George W Wakim (PSC)" <George.W.Wakim@ky.gov>  
**To:** "Jack Kaninberg" <jwkaninberg@insightbb.com>, "Scott Lawless (PSC)" <jslawless@ky.gov>  
**Cc:** "Melissa Allcock" <melissa@symsoniawater.com>, "Kyle Willard (PSC)" <kwillard@ky.gov>, "James D Rice (PSC)" <jdrice@ky.gov>, "Jonathan Beyer (PSC)" <Jonathan.Beyer@ky.gov>  
**Sent:** Tuesday, February 26, 2013 4:05:24 PM  
**Subject:** RE: Symsonia Depreciation Schedules

Ok, let me see what I can do. Thanks.

*George*

**From:** Jack Kaninberg [mailto:jwkaninberg@insightbb.com]  
**Sent:** Tuesday, February 26, 2013 1:25 PM  
**To:** Wakim, George W (PSC); Lawless, Scott (PSC)  
**Cc:** Melissa Allcock  
**Subject:** Fwd: Symsonia Depreciation Schedules

Hi George,

Please be advised that, per the Symsonia e-mail below, Symsonia does not oppose - and in fact supports - any depreciation adjustments you might make to bring the current water and sewer depreciation schedules into conformity with the NARUC-recommended lives. Melissa has discussed this issue with Symsonia's CPA, and the CPA will adhere to the PSC Staff's recommended useful lives going forward. Given that Symsonia has justified in its rate application a \$65,322 water increase and a \$42,975 sewer increase, but has only requested a \$23,000 water and \$8,141 sewer increase, we don't believe any PSC Staff adjustment to either the water or sewer financials will jeopardize the KIA-funded water treatment project - which is Symsonia's overriding concern.

As Melissa discusses, the 1982 water and sewer plant assets predate her employment (and that of the CPA), but were part of the original plant installed by Symsonia. In addition, Melissa currently lacks the information the CPA used to determine the useful lives for recent plant additions. Furthermore, the CPA is heavily involved in tax season, and having the CPA develop additional information when Symsonia does not object to a PSC Staff adjustment would result in additional expenses from the CPA for no clear benefit. So we hope you understand, and will feel free to proceed with the necessary adjustments to Symsonia's depreciation expense without requiring the District to do further investigation of this issue.

Please feel free to call me if you wish to further discuss this matter.

Best wishes,

Jack Kaninberg  
Kentucky Small Utility Consulting, LLC  
(502) 671-0214

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**From:** "Melissa Allcock" <[melissa@symsoniawater.com](mailto:melissa@symsoniawater.com)>  
**To:** "Jack Kaninberg" <[jwkaninberg@insightbb.com](mailto:jwkaninberg@insightbb.com)>  
**Sent:** Tuesday, February 26, 2013 12:15:28 PM  
**Subject:** Symsonia Depreciation Schedule

Jack,

After reviewing the depreciation schedules, most of the items on the schedules pre-date my employment. I know during the time I have been here we have made many improvements such as adding a maintenance building, and closed garage. We have remodeled our existing offices to better serve our customers. We have upgraded our computer systems, multiple times. We have bought a substantial amount of laboratory equipment and extended the lab in order to analyze our own sewer samples, and in turn saving the district money. During my years here, we have bought a backhoe and trencher and paved the driveways at both the sewer and water tower locations. These are some of the improvements that come to my mind. We are not opposed to any adjustments the PSC needs to make to these schedules. We respectfully request, however, if the adjustments make a significant difference in our rate case we may be allowed to revisit the schedules, and try to retrieve old documents supporting the depreciated items.

Thank you,  
Melissa Allcock,  
Office Manager