

DORSEY, GRAY, NORMENT & HOPGOOD

ATTORNEYS-AT-LAW

318 SECOND STREET

HENDERSON, KENTUCKY 42420

JOHN DORSEY (1920-1986)
STEPHEN D. GRAY
WILLIAM B. NORMENT, JR.
J. CHRISTOPHER HOPGOOD
S. MADISDN GRAY

TELEPHONE
(270) 826-3965
TELEFAX
(270) 826-6672
www.dkgnlaw.com

March 4, 2014

RECEIVED

MAR -6 2014

**PUBLIC SERVICE
COMMISSION**

Mr. Jeff Derouen
Executive Director
KY Public Service Commission
Post Office Box 615
Frankfort, KY 40602

Re: 2013-00154
Henderson County Water District
Response to Item 7, page 9 of the PSC
Order of 11-14-13

Dear Mr. DeRouen:

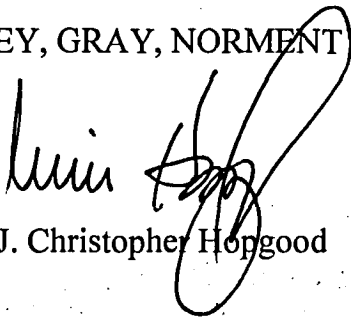
Enclosed is the Henderson County Water District's Capitalization Policy and Policy Related to Construction and Retirement of Utility Plant Assets enacted that has been approved by the Board at the February 26, 2014, regular meeting.

This is in response to the Order of the PSC entered November 14, 2013 as noted in the caption above.

Respectfully,

DORSEY, GRAY, NORMENT & HOPGOOD

By


J. Christopher Hopgood

JCH/cds
Encls.

**Capitalization Policy and
Policy Related to Construction and Retirement of Utility Plant Assets**

The Policy of the Henderson County Water District is to capitalize assets when the useful life is greater than one year, and the asset cost is greater than \$500.00 unless otherwise stated.

Capital assets and infrastructure are capitalized and depreciated on the straight-line basis over their estimated useful lives as outlined below.

Inventory Procedures:

Assets considered inventory will include, but is not limited to materials and equipment used for the daily up keep and maintenance of the Henderson County Water District. The cost of the materials and equipment in inventory will be based on a running monthly total of the individual purchase costs, as these can fluctuate. At the end of each calendar month, District Management will determine the monthly equipment and material usage, and a journal entry will be posted to reclassify the asset to the appropriate category(s) following the chart listed in the Construction Procedures.

Construction Procedures:

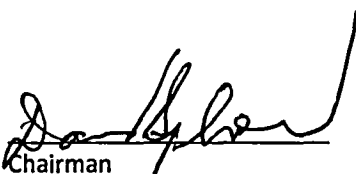
During the construction phase of a project, all costs shall be posted to the construction in progress account. Construction will be complete when the engineer has signed off on AIA form G702 or equivalent certifying the asset is operational; and the District Management has determined that the asset is operational and has been placed into service. As of that date, a journal entry will be posted to reclassify the asset to the appropriate category(s). The asset will be depreciated as follows:

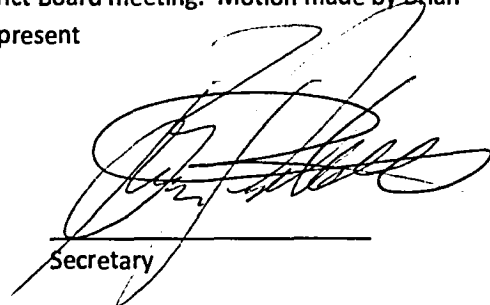
Building and improvements for office building or parking lot	37.5 years
Meter installation	45 years
Meters	40 years
Structures and improvements	20 years
Transmission lines	62.5 years

Retirement Procedures:

Regarding retirement of an asset, the Management will determine and document the date that the asset is no longer in service. As of that date, a journal entry will be posted removing the asset from the general ledger. The assets costs, accumulated depreciation and gain or loss on disposal of that asset will be removed from the general ledger.

Presented at the February 26, 2014 Henderson County Water District Board meeting. Motion made by Brian Pritchett, second made by Bobby Yates. Agreed on by all member present


Chairman


Secretary