

**RE: ELECTRONIC APPLICATION OF THE HARRISON COUNTY WATER ASSOCIATION, INC.
REQUEST FOR AN ALTERNATIVE RATE ADJUSTMENT**

CASE NUMBER 2023-0154

**KENTUCKY PUBLIC SERVICE COMMISSION (KY PSC)
FRANKFORT, KENTUCKY 40601
*Filed electronically, 807 KAR 5:001***

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**MOTION FOR KY PSC STAFF TO RECONSIDER ITS
STAFF REPORT AND RECOMMENDATIONS REGARDING HCWA
APPLICATION FOR ALTERNATIVE RATE ADJUSTMENT
PURSUANT TO 807 KAR 5:001, AS IT RELATES TO
DEPRECIABLE LIFE(S) OF ASSETS AND THE SINGLE HEALTH INSURANCE
PLAN DEDUCTION**

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

**In the Matter of: ELECTONIC APPLICATION OF
THE HARRISON COUNTY WATER ASSOCIATION, INC.
REQUEST FOR AN ALTERNATIVE RATE ADJUSTMENT**

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**MOTION FOR KY PSC STAFF TO RECONSIDER ITS
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PLAN DEDUCTION**

Comes now, the Harrison County Water Association, Inc., by and through their counsel, Mr. Jesse P. Melcher, Esq., and hereby moves and requests for the KY PSC Staff to reconsider its findings and report to HCWA's ARF application herein, as it relates to adjustments to depreciable life(s) of assets of the utility and reduction amount of the single health insurance plan, all as stated in the HCWA's response to KY PSC Staff report, and duplicates its request for reconsideration in the response by motion and request herein, as follows:

HCWA would assert that it has simultaneously filed herein, its response to KY PSC staff regarding their report and recommendations as to HCWA's ARF application, wherein, the staff's report was filed September 28, 2023.

HCWA acknowledges the authority of KY PSC to adjust depreciation life of assets and/or values for the purposes of rate making; however, not all of the reductions made are out of line with the range of life(s), recommended by KY PSC, currently or in the past, and the recommendations are not consistent with modern replacement life, as it concerns radio read water meters and/or meter cost replacement, and makes those responses specifically to each category of depreciation assets, addressed in the chart by KY PSC staff on page 32 of their report, and requests for reconsideration by KY PSC Staff, based upon the response stated herein, as follows:

Further, HCWA asserts that in 2015, KY PSC Staff, approved a rate increase for HCWA, and amendment to depreciation schedule, which HCWA agreed to, which gave KY PSC Staff's recommendations of life for assets, for the ranges of service life. *See. Harrison County Water ARF, 2015-00308, Attachment "B" to Staff Report. Exhibit "A" herein.* This report recommended 25 years for other pumping equipment, 35 years for structures and improvements, 30 years for reservoirs and tanks., 50,63 for transmission and distribution mains. The current report of Staff recommends adjusting those recommendations to the median life(s) and adding 10 years to pumping equipment (i.e., Oddville Pump). HCWA requests Staff to reconsider using the guidance given to HCWA by prior staff in the 2015 rate case, as it correlates with the staff recommended depreciable lives for the stated assets, and/or using minimum life ranges as recommended by the current KY PSC staff report.

- a) Structures and Improvements. Life (35-40), Test Year Depreciation \$59,898.00; KY PSC Staff recommended reducing by \$41,072.00, to adjust life from 20 year depreciation, to median of 37.5. HCWA requests to adjust the life to 35 years for a reduction of \$37,057.00, for a pro-forma value of \$22,841.00.
- b) Other Pumping Equipment. Life (20), Test Year Depreciation \$3,542.00; KY PSC Staff recommended the value of \$3,542.00. HCWA agrees with the KY PSC Staff value.
- c) Reservoir & Stand Pipes. Life (30-60), Test Year Depreciation \$29,332.00; KY PSC Staff recommended reducing by \$9,777.00, for a value of \$19,555.00. HCWA requests reconsideration by KY PSC Staff to utilize a life of 30 years, as opposed to a median life of 45 years, making the test year number accurate.
- d) Transmission & Distribution Mains. Life (50-75), Test Year Depreciation \$266,860.00 ; KY PSC recommended reducing by \$53,396.00, for a value of \$213,463.00. HCWA requests reconsideration by KY PSC Staff to utilize a life of 50 years, as opposed to a median life of 62.5 years, making the test year number accurate.
- e) Meters. (Life (35-45), Test Year Depreciation \$32,958.00. KY PSC Staff recommended reducing by \$4,120.00, for a value of \$28,838.00. HCWA requests reconsideration by KY PSC Staff to utilize a life of 10 years, as opposed to a median life of 40 years; requiring an addition of \$82,313.00, for a total value of \$115,271.00, to the test year; due to HCWA utilizing a 35 year amortization life.

HCWA did not request an amendment in its application to the depreciation life of meters, but in review of Staff's recommendations of adjustments to other depreciable asset life(s) and recent Staff approval of neighboring sister utilities (*See. Bracken County Water District, ARF, Case No. 2021-00415, Depreciation Schedule & Staff Report; Western Fleming County Water District, Case No. 2021-00406, Depreciation Schedule and Staff Report.*) using 20 years for meter and meter install, depreciable lives, warrants a reconsideration based upon staff precedent and consistent rulings of staff as to an accurate useful life, for straight line depreciation of meters.

HCWA would assert that KY PSC has opened the door to evaluation of appropriate life span for all depreciable assets, and specifically water meters. Currently, HCWA utilizes radio read water meters, that HCWA makes all reasonable efforts to replace every ten (10) years. *See. Attached affidavit of HCWA manager Nathan Fields.* KY PSC regulations require testing of all meters if not replaced every ten (10) years. *See. 807 KAR 5:066(16).* The cost of testing each meter and replacing the necessary battery replacement and any rebuilds to comply with acceptable calibration requirements, is approximately the cost of a new meter or higher, without the loss of time and/or additional cost of a new meter, if the meter needs replaced. Additionally multiple utility industry literature, establishes the loss of accuracy of all radio read meters after ten years; accuracy actually begins to drop outside of five percent after an average of 8 years. *See. Flow Measurement accuracies of in-service residential water meters, Devin M. Stoker, Steven L. Barfuss, and Michael C. Johnson, American Water Works Association, Journal (See attached Exhibit "C", <http://dx.doi.org/10.5942/jawwa.2012.104.0145>; Determining the Economic Optimum Life of Residential Water Meters, Dr. Hans D. Allender, P.E., Wastewater Digest, August 20, 2019, (See. Exhibit "D"). www.wwdmag.com/utility-management/article/10917086/determining-the-economic-optimum-life-of-residential-water-meters.*

Therefore, HCWA would request reconsideration of the depreciable life(s) of assets recommended by KY PSC staff, as it relates to life span of a radio read meter (all meters used by HCWA are radio read), using straight line service life depreciation of ten years, based upon aged data (HCWA replacement rate), as authorized and noted the May 2021, *Depreciation Expense: A Primer for Utility Regulators*, Prepared for United States Agency of International Development by the National Association of Regulatory Commissioners (NARUC); or alternatively to adjust to 20 years, consistent with other Staff holdings for neighboring sister water utilities, in review of their depreciation schedules and recommended adjustments by Staff Report in their ARF. *See. Bracken County Water District, ARF, Case No. 2021-00415; Western Fleming County Water District, Case No. 2021-00406.*

HCWA attaches hereto an excel spreadsheet (Exhibit "B") showing requested adjustments to depreciation based upon the prior recommendations of KY PSC staff, regarding depreciable life(s) from the 2015 rate case, and the adjustments not made from that case that are in line with the minimum life recommendations for those assets by Staff in the case herein (as opposed to median range), and using ten (10) years, as opposed to thirty-five (35) years,

for meters. HCWA would request KY PSC staff to reconsider the recommended depreciable life(s) of the report they prepared and determine if any adjustments are reasonable and approvable. HCWA will accept the determination of KY PSC staff after the reconsideration, without waiver to raising the issue(s), in subsequent rate hearings and/or subsequent KY PSC evaluation of its depreciable schedule.

Requiring any life of depreciation over ten years for meters and meter install, would result in HCWA carrying assets that can not be depreciated, due to the replacement period and incurred costs being incurred three times, prior to depreciation of the first meter. The referenced primer of depreciation expenses, i.e. May 2021, *Depreciation Expense: A Primer for Utility Regulators*, acknowledges the role of depreciation in allowing a reasonable recapture of a utilities expenses. A thirty-five (35) year life period, would not allow such a reasonable recapture of the utilities meter expenses.

Meter Installation. Life (40-50), Test Year Depreciation \$215. KY PSC Staff recommended reducing by \$21.00, for a value of \$191.00. HCWA requests reconsideration by KY PSC Staff to utilize a life of 10 years, as opposed to a median life of 45 years; requiring an addition of \$643.00, for a total value of \$858.00, to the test year; due to HCWA utilizing a 35 year amortization life. KY PSC Staff has approved 20 years as the depreciable life for meters and meter installation, for other sister utilities. See *Bracken County Water District, ARF, Case No. 2021-00415, Depreciation Schedule & Staff Report; Western Fleming County Water District, Case No. 2021-00406, Depreciation Schedule and Staff Report.*

- f) Hydrants. Life (40-60), Test Year Depreciation \$1804.00. KY PSC Staff recommended reducing by \$361.00, for a value of \$1,443.00. HCWA requests by KY PSC Staff to utilize a life of 40 years, as opposed to a median life of 50 years, making the test year number accurate.
- g) Other Transmission & Distribution Plan. Life (50-75), Test Year Depreciation \$2,101.00. KY PSC Staff recommended reducing by \$256.00, for a value of \$1,844.00. HCWA requests by KY PSC Staff to utilize a life of 50 years, as opposed to a median life of 62.5 years, making the reduction \$211.00 for a total value of \$1,890.00.

- h) Office Furniture & Equipment. Life (20-25), Test Year Depreciation \$28,135.00. KY PSC Staff recommended reducing by \$18,229.00, for a value of \$9,906.00. HCWA requests by KY PSC Staff to utilize a life of 20 years, as opposed to a median life of 22.5 years, making the reduction \$17,007.00, for a total value of \$11,128.00.
- i) Communications Equipment. Life (10), Test Year Depreciation \$1,002.00. KY PSC Staff recommended reducing by \$301.00, for a value of \$702.00. HCWA agrees with the Staff's recommendation value.
- j) Oddville Pump Station. Life (35-45), Test Year Depreciation \$22,861.00. KY PSC Staff recommended reducing by \$10,668.00, for a value of \$12,193.00. HCWA requests by KY PSC Staff to utilize a life of 35 years (it should be noted the 2015 rate requested 25 years for other pumping plant, as opposed to a median life of 40 years, making the reduction 9,798.00, for a total value of \$13,063.00.
- k) Office Building. Life (35-40), Test Year Depreciation \$27,296.00. KY PSC Staff recommended reducing by \$7,279.00, for a value of \$20,017.00. HCWA requests by KY PSC Staff to utilize a life of 35 years, as opposed to a median life of 37.5 years, making the reduction \$5,849.00, for a total value of \$21,447.00.

RECONSIDERATION OF SINGLE HEALTH INSURANCE PLAN REDUCTION.

KY PSC Staff's Report recommended increasing reduction of employee pension and benefits-insurance, by increasing the reduction of insurance for single plans to 22% vs. 21% utilized by HCWA. (See attached literature, Exhibit "E"). HCWA states it utilized the 21% number based upon rate decisions recommendations and guidance of KY PSC on or about the filing date of May 11, 2023, for HCWA's ARF filing herein. Additionally, HCWA would assert it relied upon a KY PSC ARF, application brochure downloaded from its website in March and/or April of 2023, as for its use of the 21% reduction of employer paid single plans (if employer paid full amount).

The application, utilized the reduction methods being utilized at the time of the application although HCWA objected in its application to the policy, and would note that HCWA does not carry the pension load incurred by pension deficits within CERS, utilized by many Districts, requiring consumer funded payment of those expenses, in addition to many health and/or life insurance benefits given to officers and/or directors of Districts. Further, HCWA would point out even the Commonwealth of Kentucky's, current health insurance for its employees (including the Commission and its staff); that the required employee monthly contribution for a single plan is **below** the policy of KY PSC; wherein, the Commonwealth of Kentucky's single plan, has employee contribution of approximately 6 – 12 %, depending on Living Well promise performance on a Living Well Basic. See. www.kehp.ky.gov. (*Benefits Guide, 2023-2024*).

HCWA, requests that KY PSC Staff reconsider the use of 22% for reduction of single insurance plans, and replace the reduction with the 21% reduction for single insurance plans. HCWA will consent to the ultimate recommendation of the KY PSC Staff, even if the recommendation stays the same, and would waive an informal or formal hearing on the matter.

This motion and request for reconsideration, shall come before the before the Commission staff for review and/or denial at its convenience.

All referenced exhibits were filed with the HCWA response simultaneously filed herewith, and can be found with that filing in this case.

Respectfully submitted,

s/ Mr. Jesse P. Melcher, Esq.

HARRISON COUNTY WATER ASSOCIATION, INC.

ATTORNEY

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