

ATTACHMENT B

STAFF REPORT, CASE NO. 2015-00308
HARRISON COUNTY WATER ASSOCIATIONENGINEERING DIVISION'S
ANALYSIS OF ASSET SERVICE LIVES
FOR WATER SYSTEMS

Historically, the Commission has relied on the *Depreciation Practices for Small Water Utilities* by the National Association of Regulatory Utility Commissioners ("NARUC"), Washington, D. C., August 15, 1979 ("Study"), page 11, to evaluate the reasonableness of a utility's depreciation practices. This Study outlines expected service life ranges for various asset groups designed, installed, and maintained in accordance with good water utility practices. Typically, an adjustment is made when the Commission finds that a utility is proposing to use a service life that falls outside of the range, while service lives falling within these ranges are generally accepted.

Certain asset service lives submitted in this case were found to be outside the ranges in the NARUC Study or guidelines previously adopted by the Commission. The following table identifies the service lives submitted outside the Commission's established guidelines:

NARUC Account Number	Type of Asset	NARUC Average Service Life	Submitted Service Life/Lives	Recommended Staff Report Service Life/Lives
328	Other Pumping Plant	25	38, 20	25
331	Structures and Improvements	35-40	20	35
341	Structures and Improvements	35-40	30	35
342	Reservoirs and Tanks	30-60	20, 30	30
343	Transmission and Distribution Mains	50-75	30, 50, 63	50, 63
346	Meters	35-45	20, 35	35
391	Office Furniture and Equipment	20-25	23, 7, 5	23, 20
392	Transportation Equipment	7	7, 5	7
394	Tools, Shop & Garage Equipment	15-20	7, 13, 10	15
396	Power Operated Equipment	10-15	20, 30	15
397	Communications Equipment	10	20, 30, 10, 18, 7	10

NOTE: Some Types of Assets had more than one service life submitted. In these cases, service life/lives that were within the NARUC range shall remain unchanged.

The Recommended Staff Report Service Life/Lives shall be used for the purpose of the Commission Staff Report unless specific and verifiable evidence supports using alternative service lives.

Prepared December 16, 2015



Mark Rasche, P.E.
Manager, Water and Sewer Branch

HARRISON COUNTY WATER ASSOCIATION
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December 29, 2015

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DEC 29 2015

PUBLIC SERVICE
COMMISSION

Jeff R. Derouen, Executive Director
Kentucky Public Service Commission
P.O. Box 615
Frankfort, KY 40602

Re: ARF Application
Case No. 2015-00308
Harrison County Water Association

Dear Mr. Derouen:

Harrison County Water Association accepts the findings of the PSC Staff Report dated December 16, 2015, regarding the required revenue increase and hereby waives a hearing or informal conference. The Association also accepts the Staff's recommendation on accounting for its assets and will implement those changes.

Within the next few days the Association will file an application with the Commission for a Purchased Water Adjustment and it is expected that those rates will go into effect prior to the Commission's Order in this Case No. 2015-00308. Therefore, the Association requests that the rates set forth in the Commission's Order in this case include the proposed Purchased Water Adjustment as shown in the enclosed Attachment No. 1. To support this request the Purchased Water Adjustment Form and Worksheet are enclosed as Attachment No. 2.

If there are questions or you need additional information, please contact me.

Sincerely,



Danny Northcutt
General Manager

Enclosures

cc: Office of the Attorney General