

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

MOTION FOR DEVIATION FROM
807 KAR 5:001, SECTION 16(4)(n)

Pursuant to 807 KAR 5:001, Sections 5 and 22, Hardin County Water District No. 2 (“Hardin District” or “the District”), moves for authorization to deviate from 807 KAR 5:001, Section 16(4)(n) to permit the acceptance for filing of its application for a general adjustment of its rates for water service.

In support of its motion, Hardin District states:

1. On September 29, 2023, Hardin District tendered to the Public Service Commission (the “Commission”) its application for a general adjustment of its rates for water service. Because its annual revenues exceed \$5,000,000, Hardin District was unable to apply for rate adjustment using the alternative rate filing procedures set forth in 807 KAR 5:076 – procedures that most water districts and water associations used to apply for a general adjustment of rates. Instead, the District filed its application pursuant to the procedures set forth in 807 KAR 5:001, Section 16.

2. 807 KAR 5:001, Section 16(4)(n) requires an application for rate adjustment to include “a summary of the utility's latest depreciation study with schedules by major plant accounts.”

3. Hardin District did not prepare a depreciation study to support its application and is unable to cause the preparation of such study. “Traditional depreciation studies analyze a utility’s historic plant addition and retirement information to determine anticipated service lives.”¹ Like most of the Commonwealth’s water districts, Hardin District lacks sufficient plant addition and retirement information to perform a reliable analysis.² Consistent with the Commission’s current practice regarding the establishment of depreciation rates,³ Hardin District has instead relied upon the National Association of Regulatory Utility Commissioners’ *Depreciation Practices for Small Water Utilities* to determine the appropriate level of depreciation expense for ratemaking purposes. In

¹ *Application of Northern Kentucky Water District for Approval of Depreciation Study*, Case No. 2006-00398 (Ky. PSC Nov. 21, 2007), Order at 1-2.

² *Id.* at 3 (“Due to the detailed information and expense required to perform a traditional depreciation study using generally accepted practices, no water district operating under the Commission’s jurisdiction has ever filed such a study for Commission review.”)

³ *See, e.g.,* Case No. 2020-00290, *Electronic Application of Bluegrass Water Utility Operating Company, LLC for an Adjustment of Rates and Approval of Construction* (Ky. PSC Aug. 2, 2021) Order at 32 (“To evaluate the reasonableness of the depreciation practices of small water and sewer utilities, the Commission has historically relied upon the report published in 1979 by the National Association of Regulatory Utility Commissioners (NARUC) titled *Depreciation Practices for Small Water Utilities* (NARUC Study) and the *O&M Guide for the Support of Rural Water-Wastewater Systems* (O&M Guide). When no evidence exists to support a specific life that is inside or outside of the NARUC and O&M Guide ranges, the Commission has historically used the mid-point of the depreciation ranges to depreciate utility plant.”).

its Application, it proposes to adjust its current depreciation rates to reflect the midpoint of the service life ranges set forth in that publication to establish its depreciation rates and depreciation expense levels.

4. In recent proceedings involving the applications of water districts seeking a general adjustment of rates filed pursuant to 807 KAR 5:001, the Public Service Commission has not required those applicants to provide a depreciation study or to request a deviation from Section 16(4)(n) when such applicants have adopted the midpoint of the service life ranges set forth in National Association of Regulatory Utility Commissioners' *Depreciation Practices for Small Water Utilities*.⁴

5. On October 2, 2023, citing the lack of a depreciation study, the Executive Director of the Public Service Commission rejected Hardin District's Application for filing.

6. As the lack of relevant and reliable information prevents the preparation of a depreciation study and in light of its acceptance of the midpoint of the service life ranges set forth in National Association of Regulatory Utility Commissioners'

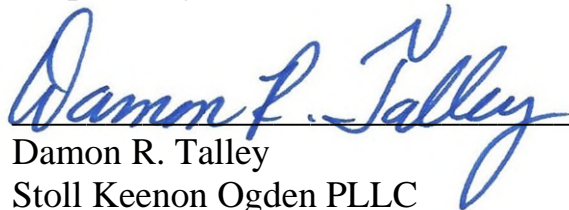
⁴ *Electronic Application of Daviess County Water District for An Adjustment of Rates*, Case No. 2022-00142 (Ky. PSC filed June 30, 2022); *Electronic Application of Wood Creek Water District for A General Adjustment of Rates*, Case No. 2022-00145 (Ky. PSC filed June 20, 2022); *Electronic Application of Mountain Water District for A General Adjustment of Rates*, Case No. 2022-00366 (Ky. PSC filed Mar. 2, 2023); *Electronic Application of Green River Valley Water District for An Adjustment of Rates*, Case No. 2023-00088 (Ky. PSC May 3, 2023). Applications for general rate adjustments filed pursuant to 807 KAR 5:076 are not required to file a depreciation study.

Depreciation Practices for Small Water Utilities, as well as the Public Service Commission's historic practice of accepting for filing applications for rate adjustments without a depreciation study or a request for a deviation from 807 KAR 5:001, Section 16(4)(n), Hardin District requests leave to deviate from the requirements of 807 KAR 5:001, Section 16(4)(n) and that its Application for general rate adjustment be accepted for filing as of **September 29, 2023**.

WHEREFORE, Hardin District respectfully requests the Commission to authorize Hardin District to deviate from the requirements of 807 KAR 5:001, Section 16(4)(n) and declare Hardin District's Application is accepted for filing as of **September 29, 2023**:

Dated: October 4, 2023

Respectfully submitted,



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No. 2*

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, and the Public Service Commission's Order of July 22, 2021 in Case No. 2020-00085, I certify that this document was transmitted to the Public Service Commission on September 29, 2023 and that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding



*Counsel for Hardin County Water District
No. 2*