

**COMMONWEALTH OF KENTUCKY
BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION**

In the Matter of:

ELECTRONIC APPLICATION OF HENDERSON)	
COUNTY WATER DISTRICT FOR A)	
DECLARATORY ORDER OR ALTERNATIVELY)	CASE NO.
A CERTIFICATE OF PUBLIC CONVENIENCE)	2025-00280
AND NECESSITY AND ISSUANCE OF EVIDENCE)	
OF INDEBTENEES AND OTHER)	
GENERAL RELIEF)	

HENDERSON COUNTY WATER DISTRICT’S
VERIFIED RESPONSE TO
COMMISSION STAFF’S FIRST REQUEST FOR INFORMATION
ENTERED OCTOBER 15, 2025

Comes now Henderson County Water District (“Henderson District”), by counsel, and does hereby tender its Verified Response to the Commission Staff’s First Request for Information entered October 15, 2025.

Dated: October 30, 2025

**Henderson County Water District.
Case No. 2025-00280
Commission Staff's First Request for Information**

Request 1: Refer to the Application, Exhibit 2 Direct Testimony of Mark Julian (Julian Direct Testimony), Estimated Costs of the Corrective Action Plan Table, at unnumbered PDF pages 34–36. Provide a chart listing the NARUC average useful life, the date the property will be placed in service, and the date when the first full year of depreciation is expected for each depreciable item listed in the Exhibit.

Response 1: Please see Attachment 1-1 for a copy of the NARUC Typical Average Service Lives, Salvage Rates, and Depreciation Rates for Small Water Utilities. Henderson District assumes the listed average useful life for the meters it will be installing. Henderson District cannot give a date the property will be placed in service or the first year of deprecation because this depends on regulatory approval, time needed to order and receive meters, and the time for installation.

ATTACHMENT 1-1

**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 (%)
<u>Source of Supply Plant</u>				
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
<u>Pumping Plant</u>				
321	Structures and Improvements	35-40		2.9-2.5
324-7	Pumping Equipment	20		5.0
328	Other Pumping Plant	25		4.0
<u>Water Treatment Plant</u>				
331	Structures and Improvements	35-40		2.9-2.5
332	Water Treatment Equipment	20-35		5.0-2.9
<u>Transmission and Distribution Plant</u>				
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
<u>General Plant</u>				
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
<u>Septic Tank-Soil Absorption</u>		
Septic Tank		20-50 years
Soil Absorption System		10-30 years
<u>Home Aerobic Tanks</u>		
Tank		20-50 years
Mechanical Components		3-10 years
<u>Collection Systems</u>		
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		
<u>Treatment Systems</u>		
Primary	Comminutors	5 years
	Screens	10 years
	Clarifier Tanks, concrete	20 years
	Clarifier Tanks, metal	20 years
	Grit and Sludge Handling Equipment	5-10 years
Secondary	Lagoons	5-25 years
	Extended Aeration tankage, concrete	20-50 years
	Extended Aeration tankage, metal	20-30 years
	Aerator Compressors	5-10 years
	Air diffusers	3 years
	Sludge pumps	5-10 years
	Clarifier Tankage, Concrete	20-50 years
	Clarifier Tankage, Metal	20-30 years
	Chlorinators	10 years
	Sludge Digesters-same as aeration tankage	
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
<u>General Use Equipment</u>		
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

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Request 2: Refer to the Application, Exhibit 2 Julian Direct Testimony, Estimated Costs of the Corrective Action Plan Table, at unnumbered PDF pages 34–36.

- a. Provide the age and current book value for all items being replaced by the items in the table.
- b. State if the proposed replacements would result in any interruption of service to customers, and if so, explain the extent, including number of affected customers, number of interruptions, and duration of interruptions, as well as how the district would minimize any interruption of water service related to the project.

Response 2(a): Henderson District does not have the age or current book value of the meters to be replaced. The meters were installed over various years. Henderson District believes the replacement of meters is essential to providing safe and reliable service to customers.

Response 2(b): The meter replacements would only result in minimal disruption for each customer because they would not have water service for a short time during the meter change out.

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Request 3: Provide the anticipated journal entries by Uniform System of Accounts (USoA) Account Numbers to record the financing transactions.

Response 3: Typically, the journal entries used to record financing transactions are related to the type of expense. Due to the way this grant was structured, the first \$1.5 million of the \$3 million grant was deposited in a new interest-bearing checking account. Any project expense Henderson District uses the grant funds for is accompanied by a transfer from the project checking account to Henderson District's Operations & Maintenance ("O&M") account. A transaction note is recorded with the funds transfer in the ledger specifying what the transfer is for and then in a separate spreadsheet the amount is recorded detailing the transaction.

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Request 4: Provide the anticipated journal entries by USoA Account Numbers to record the construction completion transactions.

Response 4: Please see the response to Item 3.

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Request 5: Refer to the Application, Exhibit 2 Julian Direct Testimony, Estimated Costs of the Corrective Action Plan Table, at unnumbered PDF page 35, Staffing.

- a. State whether these positions will be purely focused on water loss reduction or whether they will have other responsibilities.
- b. State whether these positions will be retained after the funding from the grant has been expended. If the positions will be retained, explain how Henderson District will pay for the employees' salaries and benefits.

Response 5(a)-(b): The staffing portion of the water loss mitigation project included several different positions, and each position has different duties. Each meter reader spends approximately 80% of their daily duties capturing radio reads and getting necessary re-reads. The remaining 20% of their daily tasks focus on water loss reduction. The water accountability tech and the field tech positions spend approximately 80%, or more, of their time on water loss reduction efforts. The water accountability tech focuses on leak detection, leak verification, and reducing overall water loss. The field techs focus on fixing leaks.

With the main component of the water loss project being the installation of the cellular enabled AMI meters, the meter reader positions will be retained after the funding from the grant has been expended. The project goal is to replace approximately 1/3 of all the meters in the system (around 2000) with the cellular AMI enabled ultrasonic meters. This will still leave about 2/3 (4500) of the meters in the system still on AMR or radio read. Therefore, the meter reader positions will exist for several more years after the funding for the grant is expended. Even after all the meters are replaced with AMI meters, the meter readers job duties will shift to meter inspections and meter maintenance duties. The other staffing positions are anticipated to remain after the grant funds are expended. Henderson District will consider a rate increase to be able to retain these positions.

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Request 6: Refer to the Application, Exhibit 2 Julian Direct Testimony, Estimated Costs of the Corrective Action Plan Table, at unnumbered PDF page 35, Staffing, Heavy Equipment Operator.

- a. State whether the equipment the employee will be operating is currently owned by Henderson District, will be purchased by Henderson District, or will be rented.
- b. State the expected projects the employee will be working on and state whether those projects will be capitalized or expensed.

Response 6(a)-(b): Henderson District currently owns the equipment that will be operated by the Heavy Equipment Operator. This position will be working with the equipment owned by Henderson District to fix water leaks and not necessarily working on specific projects. Henderson District is not able to determine at this time whether future projects will be capitalized or expensed.

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Request 7: Refer to the Application, Exhibit 2 Julian Direct Testimony, Estimated Costs of the Corrective Action Plan Table, at unnumbered PDF page 35, Staffing, two-meter reader positions. State whether these positions are part of normal operating expenses or are a temporary position until new meters are installed.

Response 7: Please see the response to Item 5.

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Request 8: Refer to the Application, Item 22 at 2, which states the estimated annual cost of operation after the proposed facilities are placed into service is \$40,000.

- a. State whether this amount is the total cost of operation or the additional cost of operation for the new projects.
- b. Provide calculations used to determine the \$40,000 amount.

Response 8(a): \$40,000 per year is the estimated additional cost of operation for the AMI meters.

Response 8(b): Each AMI meter costs approximately \$10.65 each year. The project goal is to replace approximately 2,000 meters. Henderson District then estimated the cost by multiplying the cost per year and the number of meters which equals \$42,600.

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Request 9: Provide a breakdown of the revenue requirement impact of the project including the following items:

- a. Net operating expense increase or decrease by expense component;
- b. Annual depreciation, including calculations, for each component for which there are different depreciable life;
- c. Annual debt service for each debt component;
- d. Twenty percent working capital on debt service amounts in Item 7(c); and
- e. Total of all items above.

Response 9(a)-(d): Henderson District believes that the project will result in a net operating expense increase in the future. However, Henderson District does not know the full extent of this increase at the present time. Henderson District will be able to calculate the net operating increase when the work is complete. Henderson District will be paying for the project expenses with the grant funds therefore there is no debt service.

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Request 10: Refer to the Application, page 6, paragraph 1, which states that Henderson District intends to use the surcharge funds to pay for the meters.

- a. Explain why Henderson District believes that the surcharge funds may not be sufficient to cover the cost of the meters.
- b. State when Henderson District will know if the surcharge funds will be insufficient to fund the cost of the meters.
- c. Provide the payment schedule reflecting how Henderson District will use the surcharge funds to pay for the cost of the meters.

Response 10(a)-(c): In Case No. 2023-00101, the Commission ordered Henderson District to assess a monthly Water Loss Reduction Surcharge in the amount of \$1.87 per active meter for 48 months or until \$584,220 had been collected.¹ Henderson District has received estimates for purchasing approximately 6,500 meter and the estimates are approximately \$3 million. The estimates to replace approximately the 1/3 of the meters Henderson District has proposed is over \$1.5 million. Therefore, there is way Henderson District's surcharge funds will not cover the meter replacement. Henderson District does not have a payment schedule for the surcharge funds, because Henderson District is using the grant before moving to surcharge funds.

¹ Case No. 2023-00101, *Electronic Application of Henderson County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076*, December 13, 2023 Order (Ky PSC Dec. 13, 2023).

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Request 11: Refer to the Application, page 7, paragraph 2, which states that Henderson district seeks a declaratory order that Henderson District does not need to amend its QIIP filed in Case No. 2023-00333. Explain if Henderson District will update its unaccounted- for water loss reduction plan surcharge as ordered in Case No. 2023-003333 when the surcharge funds are used to pay for the cost of the meters or other related costs.

Response 11: Henderson District does not believe it needs to update its approved QIIP to use surcharge funds for meter replacement. Henderson District believes this project is consistent with its QIIP. However, Henderson District does not want to start a project without Commission approval. If the Commission ultimately orders Henderson District to update its QIIP to be able to use surcharge funds for meters, Henderson District will do so. Henderson District further understands any use of surcharge funds must be accompanied by a motion requesting Commission authorization.

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Request 12: Refer to the Application, Exhibit 2 Julian Direct Testimony, Estimated Costs of the Corrective Action Plan Table, at unnumbered PDF page 36, Total, which states that the remaining administrative/planning costs will be covered by future collections of the water loss surcharge funds.

- a. Explain the anticipated expenses that will be included in the administrative/planning costs.
- b. State the estimated amount of remaining administrative/planning costs that will be covered by future collections of the water loss surcharge fund.
- c. State when Henderson District anticipates using the future water loss surcharge funds for remaining administrative/planning costs.

Response 12(a)-(c): Henderson District has not calculated the anticipated expenses or what will be included in the administrative/planning costs. Since Henderson District does not have an estimate of these costs it cannot provide an amount to be covered by the surcharge or when that request will be made.