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August 27, 2008

RECEIVED

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PUBLIC SERVICE  
COMMISSION

Stephanie Stumbo  
Executive Director  
Public Service Commission  
211 Sower Blvd.  
Frankfort, KY 40601

Re: Case No. 2008-00250

Dear Ms. Stumbo:

In response to the questions raised at the informal conference held on August 21<sup>st</sup> among the staff and parties to this case, the Frankfort Electric and Water Plant Board provides the following responses:

1. Are any mains smaller than ten inches included in the transmission classification allocated to the wholesale water customers?

Response: No. See page 7 of Paul Herbert's prefiled testimony. However, in reviewing the Cost of Service data to confirm this response, it was determined that the footage of mains used was incorrect. The correct footage is shown on the attached schedules.

2. Why is 25% of Reservoirs and Standpipes allocated to wholesale customers when those customers have their own storage?

Response: The water pressure provided by the FEWPB to the Districts is a function of the operation of the FEWPB's storage facilities. The inlet pressure provided to the Districts minimizes the pumping required by the Districts to meet their system needs, including fire protection. Without the storage facilities, the pressure provided by the FEWPB would not meet the water demands of the Districts.

3. Explain the \$26M non-plant account shown in Factor 16, page 28 of the COS.

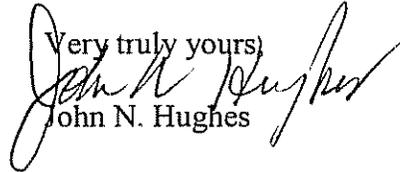
Response: This Factor was incorrectly included in the rate base and has been excluded. The effect of removing this Factor is reflected in the attached schedules.

4. Explain why there is a reference to a 5/8 inch meter on page 22 and a reference to 5/8 and 3/4 inch meters on page 24.

Response: The reference on page 22 is to meter sizes. There are both 5/8 and 3/4 meters in service. Page 24 refers to service lines, not meters. There are no 5/8 service lines. Neither of these items affects the wholesale rate calculation.

As a result of correcting the COS to reflect the actual mains footage and the removal of Factor 16, the wholesale rate is now \$1.814, rather than \$1.822 as proposed.

If additional information is needed, or if there are questions, please contact me.

Very truly yours,  
  
John N. Hughes

Attorney for the Frankfort  
Electric and Water Plant Board

Attachments  
CC: Parties of Record

FRANKFORT PLANT BOARD

COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND PROPOSED RATES  
FOR THE TEST YEAR ENDED JUNE 30, 2007

Customer Classification (1)	Cost of Service		Revenues, Present Rates		Revenues, Proposed Rates		Proposed Increase	
	Amount (Schedule B) (2)	Percent (3)	Amount (4)	Percent (5)	Amount (6)	Percent (7)	Amount (8)	Percent Increase (9)
	Residential	\$ 3,477,951	43.9%	\$ 3,317,074	44.3%	\$ 3,385,271	42.7%	\$ 68,197
Commercial	1,901,632	23.8%	2,441,987	32.6%	2,509,029	31.6%	67,042	2.7%
Public	25,005	0.3%	30,804	0.4%	31,689	0.4%	885	2.9%
Sales for Resale - Non Water Prod.	1,342,834	16.9%	1,138,887	15.2%	1,342,392	16.9%	203,505	17.9%
Sales for Resale - Water Prod.	529,510	6.7%	331,874	4.4%	416,141	5.2%	84,267	25.4%
Private Fire Service	168,591	2.1%	136,225	1.8%	149,847	1.9%	13,622	10.0%
Public Fire Service	<u>501,794</u>	<u>6.3%</u>	<u>96,844</u>	<u>1.3%</u>	<u>106,528</u>	<u>1.3%</u>	<u>9,684</u>	10.0%
Total Sales	7,947,318	<u>100.0%</u>	7,493,694	<u>100.0%</u>	7,940,896	<u>100.0%</u>	447,203	6.0%
Other Revenues	<u>308,647</u>		<u>308,647</u>		<u>308,647</u>		-	0.0%
Total	<u>\$ 8,255,965</u>		<u>\$ 7,802,341</u>		<u>\$ 8,249,544</u>		<u>\$ 447,203</u>	5.7%

FRANKFORT PLANT BOARD

COST OF SERVICE FOR THE TWELVE MONTHS ENDED JUNE 30, 2007, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Residential (4)	Commercial (5)	Public (6)	Sales for	Sales for	Fire Protection	
						Resale Non Water Prod. (7)	Resale Water Prod. (8)	Private (9)	Public (10)
<b>OPERATION AND MAINTENANCE EXPENSES</b>									
<b>POWER AND PUMPING EXPENSES</b>									
623000 PUMPING POWER	1	418,224	\$ 114,761	\$ 138,390	\$ 1,757	\$ 124,254	\$ 36,427	\$ 711	\$ 1,924
633000 PUMPING MAINTENANCE	2	20,772	5,820	6,379	81	5,729	2,690	19	54
<b>TOTAL POWER AND PUMPING EXPENSES</b>		<b>438,996</b>	<b>120,581</b>	<b>144,769</b>	<b>1,838</b>	<b>129,983</b>	<b>39,117</b>	<b>730</b>	<b>1,978</b>
<b>WATER TREATMENT EXPENSE</b>									
641000 WATER TREATMENT CHEMICALS	1	371,206	101,859	122,832	1,559	110,285	32,332	631	1,708
642000 WATER TREATMENT LABOR	2	317,454	88,951	97,490	1,238	87,554	41,110	286	825
643000 MISCELLANEOUS TREATMENT EXPENSE	2	44,371	12,433	13,626	173	12,237	5,746	40	115
644000 TREATMENT LABORATORY EXPENSE	2	39,310	11,015	12,072	153	10,842	5,091	35	102
644100 TREATMENT LABORATORY PAYROLL	2	42,230	11,833	12,969	165	11,647	5,469	38	110
652000 WATER TREATMENT MAINTENANCE	2	1,083	303	332	4	299	140	1	3
652100 WATER TREATMENT MAINT PAYROLL	2	72,867	20,417	22,377	284	20,097	9,436	66	189
<b>TOTAL WATER TREATMENT EXPENSE</b>		<b>888,521</b>	<b>246,810</b>	<b>281,699</b>	<b>3,577</b>	<b>252,961</b>	<b>99,324</b>	<b>1,097</b>	<b>3,053</b>
<b>TRANSMISSION AND DISTRIBUTION</b>									
677000 FIRE HYDRANTS	7	8,927	0	0	0	0	0	0	8,927
677100 FIRE HYDRANTS PAYROLL	7	38,199	0	0	0	0	0	0	38,199
678000 WATER DISTRIBUTION EXPENSES - MAINS	6	135,839	30,591	32,659	435	30,197	12,769	8,015	21,164
678000 WATER DISTRIBUTION EXPENSES - METERS	8	135,839	97,845	34,625	503	2,065	801	0	0
678000 WATER DISTRIBUTION EXPENSES - SERVICES	9	135,839	111,565	19,235	231	190	54	4,564	0
678100 WATER DIST PAYROLL - MAINS	6	269,218	60,628	64,747	861	59,847	25,306	15,884	41,944
678100 WATER DIST PAYROLL - METERS	8	269,218	193,918	68,624	996	4,092	1,588	0	0
678100 WATER DIST PAYROLL - SERVICES	9	269,218	221,109	38,121	458	377	108	9,046	0
700000 ENGINEERING EXPENSE ACCOUNT	10	7,894	4,475	1,613	22	605	254	234	689
700100 ENGINEERING PAYROLL	10	227,543	128,994	46,510	637	17,453	7,327	6,758	19,864
<b>TOTAL TRANSMISSION AND DISTRIBUTION</b>		<b>1,497,733</b>	<b>849,124</b>	<b>306,145</b>	<b>4,143</b>	<b>114,826</b>	<b>48,208</b>	<b>44,501</b>	<b>130,787</b>

FRANKFORT PLANT BOARD

COST OF SERVICE FOR THE TWELVE MONTHS ENDED JUNE 30, 2007, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Sales for Resale					Fire Protection	
			Residential (4)	Commercial (5)	Public (6)	Non Water Prod. (7)	Water Prod. (8)	Private (9)	Public (10)
<b>CUSTOMER ACCOUNTING AND COLLECTING EXPENSE</b>									
902000 METER READING EXPENSES	13	8,873	7,651	1,201	13	6	1	0	0
902100 METER READING PAYROLL	13	160,344	138,265	21,711	241	112	16	0	0
903000 CUSTOMER RECORDS AND COLLECTION	12	6,291	5,352	840	9	4	1	84	1
903010 POSTAGE AND PRINTING	12	39,960	33,994	5,339	60	28	4	531	4
903100 CUSTOMER RECORDS AND COLLECTION PAYROLL	12	167,644	142,615	22,397	251	117	17	2,230	17
903200 CASH OVER AND SHORT	12	(95)	(81)	(13)	(0)	(0)	(0)	(1)	(0)
904000 BAD DEBTS EXPENSE	12	22,424	19,076	2,996	34	16	2	298	2
<b>TOTAL CUSTOMER ACCOUNTING AND COLLECTING EXPENSE</b>		<b>405,441</b>	<b>346,872</b>	<b>54,471</b>	<b>608</b>	<b>284</b>	<b>41</b>	<b>3,142</b>	<b>24</b>
<b>ADMINISTRATIVE AND GENERAL EXPENSES</b>									
903921 OFFICE SUPPLIES EXPENSE	14	11,028	5,417	2,553	34	1,426	639	244	716
905100 INFORMATION TECHNOLOGIES PAYROLL	14	96,184	47,246	22,287	298	12,437	5,569	2,126	6,242
905200 GIS EXPENSES	14	7,628	3,747	1,766	24	986	442	169	495
905210 CIS EXPENSES	14	41,087	20,182	9,512	127	5,313	2,379	908	2,667
905300 COMPUTER EXPENSE	14	19,974	9,811	4,624	62	2,583	1,156	441	1,296
913000 PUBLISHING EXPENSE	14	6,884	3,381	1,594	21	890	399	152	447
920000 ADMINISTRATIVE EXPENSE	14	49,474	24,301	11,453	153	6,397	2,865	1,093	3,211
RATE CASE EXPENSE	11	68,000	0	0	0	68,000	0	0	0
920060 DUES AND SUBSCRIPTIONS	14	11,579	5,687	2,680	36	1,497	670	256	751
920100 ADMINISTRATIVE PAYROLL	14	163,954	80,534	37,955	508	21,199	9,493	3,623	10,641
920200 CLEARING ACCOUNT	14	649	319	150	2	84	38	14	42
920400 SAFETY EXPENSE	14	9,317	4,576	2,157	29	1,205	539	206	605
920700 TRAVEL AND TRAINING EXPENSE	14	40,862	20,071	9,459	127	5,283	2,366	903	2,652
920820 BOARD PAYROLL	14	1,151	566	267	4	149	67	25	75
920910 SOCIAL SECURITY EXPENSE	14	223,645	109,854	51,774	693	28,917	12,949	4,943	14,515
923300 LEGAL RETAINER FEES	14	8,605	4,227	1,992	27	1,113	498	190	558
923400 OTHER CONSULTING FEES	14	12,079	5,933	2,796	37	1,562	699	267	784
923500 OTHER LEGAL AND ACCOUNTING	14	22,609	11,105	5,234	70	2,923	1,309	500	1,467
924000 INSURANCE EXPENSE	14	269,441	132,349	62,376	835	34,839	15,601	5,955	17,487
926000 UNEMPLOYMENT INSURANCE	15	2,954	1,588	645	9	336	150	57	168
926060 VACATION BENEFITS EXPENSE	15	148,510	79,854	32,449	431	16,871	7,559	2,881	8,465
926070 SICK BENEFITS EXPENSE	15	95,732	51,475	20,917	278	10,875	4,873	1,857	5,457

FRANKFORT PLANT BOARD

COST OF SERVICE FOR THE TWELVE MONTHS ENDED JUNE 30, 2007, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Sales for			Sales for		Fire Protection	
			Residential (4)	Commercial (5)	Public (6)	Non Water Prod. (7)	Water Prod. (8)	Private (9)	Public (10)
926100 EMPLOYEES WELFARE EXPENSE	15	507,482	272,873	110,885	1,472	57,650	25,831	9,845	28,926
926400 CLUBHOUSE EXPENSE	15	2,630	1,414	575	8	299	134	51	150
926450 EMPLOYEE ACTIVITY EXPENSE	15	11,106	5,972	2,427	32	1,262	565	215	633
926470 EMPLOYEE ASSISTANCE EXP	15	717	385	157	2	81	36	14	41
926500 COMPANY CONTRIBUTION TO EMP PENSION	15	468,128	251,712	102,286	1,358	53,179	23,828	9,082	26,683
930100 GENERAL EXPENSES	14	4,205	2,066	974	13	544	243	93	273
930110 MAINTENANCE EXPENSES	14	10,282	5,051	2,380	32	1,330	595	227	667
930435 CASH CONTRIBUTIONS TO CITY	14	3,150	1,547	729	10	407	182	70	204
932110 SUPPORT SERVICES EXP	14	24,598	12,083	5,695	76	3,181	1,424	544	1,596
932120 SUPPORT SERVICES PAYROLL	14	117,811	57,869	27,273	365	15,233	6,821	2,604	7,646
932130 INVENTORY ADJUSTMENTS	14	(3,864)	(1,898)	(894)	(12)	(500)	(224)	(85)	(251)
932140 COST OF SALES CLEARING	14	1,026	504	238	3	133	59	23	67
932200 AUTO & TRUCK REPAIR EXPENSE	14	52,002	25,543	12,038	161	6,724	3,011	1,149	3,375
932210 AUTO & TRUCK REPAIR PAYROLL	14	57,013	28,005	13,198	177	7,372	3,301	1,260	3,700
932220 AUTO & TRUCK GAS & OIL	14	100,309	49,272	23,222	311	12,970	5,808	2,217	6,510
<b>TOTAL ADMINISTRATIVE AND GENERAL EXPENSES</b>		<b>2,667,939</b>	<b>1,334,623</b>	<b>585,802</b>	<b>7,812</b>	<b>384,747</b>	<b>141,876</b>	<b>54,118</b>	<b>158,962</b>
<b>TOTAL OPERATION AND MAINTENANCE</b>		<b>5,898,630</b>	<b>2,898,009</b>	<b>1,372,886</b>	<b>17,977</b>	<b>882,801</b>	<b>328,566</b>	<b>103,587</b>	<b>294,803</b>

FRANKFORT PLANT BOARD

COST OF SERVICE FOR THE TWELVE MONTHS ENDED JUNE 30, 2007, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account (1)	Factor Ref. (2)	Cost of Service (3)	Sales for Resale						Fire Protection	
			Residential (4)	Commercial (5)	Public (6)	Non Water Prod. (7)	Water Prod. (8)	Private (9)	Public (10)	
<b>TAXES AND PAYMENTS IN LIEU OF TAXES</b>										
930408 CITY PROP TAX / IN-LIEU-OF TAXES	17	34,457	10,306	8,838	117	7,546	3,263	1,051	3,335	
930409 COUNTY PROP TAX / IN-LIEU-OF TAXES	17	14,541	4,349	3,730	49	3,184	1,377	443	1,408	
<b>TOTAL TAXES AND PAYMENTS IN LIEU OF TAXES</b>		<b>48,998</b>	<b>14,655</b>	<b>12,568</b>	<b>167</b>	<b>10,731</b>	<b>4,640</b>	<b>1,494</b>	<b>4,743</b>	
<b>DEBT SERVICE AND INTEREST PAYABLE</b>										
930426 INTEREST ON BAN	17	70,315	21,031	18,036	239	15,399	6,659	2,145	6,807	
930427 DEBT SERVICE ON BONDS	17	1,077,473	322,272	276,372	3,663	235,966	102,037	32,863	104,299	
930431 INTEREST ON CUSTOMER DEPOSITS	12	13,285	11,302	1,775	20	9	1	177	1	
930432 OTHER INTEREST EXPENSE (RETIREMENT PLAN)	15	11,020	5,925	2,408	32	1,252	561	214	628	
<b>TOTAL DEBT SERVICE AND INTEREST PAYABLE</b>		<b>1,172,093</b>	<b>360,530</b>	<b>298,590</b>	<b>3,954</b>	<b>252,627</b>	<b>109,258</b>	<b>35,398</b>	<b>111,735</b>	
<b>CAPITAL PROJECTS</b>	17	<b>1,136,245</b>	<b>339,851</b>	<b>291,447</b>	<b>3,863</b>	<b>248,838</b>	<b>107,602</b>	<b>34,655</b>	<b>109,988</b>	
<b>TOTAL COST OF SERVICE</b>		<b>8,255,965</b>	<b>3,613,046</b>	<b>1,975,491</b>	<b>25,962</b>	<b>1,394,996</b>	<b>550,066</b>	<b>175,135</b>	<b>521,270</b>	
<b>LESS OTHER WATER REVENUES</b>	18	<b>308,647</b>	<b>135,095</b>	<b>73,859</b>	<b>957</b>	<b>52,161</b>	<b>20,556</b>	<b>6,543</b>	<b>19,476</b>	
<b>TOTAL OTHER WATER REVENUES</b>		<b>308,647</b>	<b>135,095</b>	<b>73,859</b>	<b>957</b>	<b>52,161</b>	<b>20,556</b>	<b>6,543</b>	<b>19,476</b>	
<b>TOTAL COST OF SERVICE RELATED TO SALES OF WATER</b>		<b>\$ 7,947,318</b>	<b>\$ 3,477,951</b>	<b>\$ 1,901,632</b>	<b>\$ 25,005</b>	<b>\$ 1,342,834</b>	<b>\$ 529,510</b>	<b>\$ 168,591</b>	<b>\$ 501,794</b>	

FRANKFORT PLANT BOARD

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont

FACTOR 6 ALLOCATION OF COSTS ASSOCIATED WITH TRANSMISSION AND DISTRIBUTION MAINS

Factors are based on the weighting of the maximum daily consumption with fire, Factor 3, and the maximum hour consumption, Factor 4, for each customer classification, as follows:

Customer Classification	Maximum Daily Consumption w/ Fire		Maximum Hourly Consumption		Allocation Factor
	Allocation Factor 3	Weighted Factor	Allocation Factor 4	Weighted Factor	
	(1)	(3)=(2)X	(4)	(5)=(4)X	
		0.2133		0.7867	
Residential	0.2600	0.0555	0.2159	0.1697	0.2252
Commercial	0.2850	0.0608	0.2283	0.1797	0.2405
Public	0.0036	0.0008	0.0030	0.0024	0.0032
Sales for Resale - Non Water Prod	0.2560	0.0546	0.2132	0.1677	0.2223
Sales for Resale - Water Prod	0.1202	0.0256	0.0869	0.0684	0.0940
Private Fire Protection	0.0207	0.0044	0.0694	0.0546	0.0590
Public Fire Protection	0.0545	0.0116	0.1833	0.1442	0.1558
Total	1.0000	0.2133	1.0000	0.7867	1.0000

The weighting of the factors is based on the total footage of mains, designated as either transmission mains or distribution mains, as follows:

	Total Footage of Mains	Weight
Transmission Mains (greater than 10")	368,960	0.2133
Distribution Mains (10" and smaller)	1,360,462	0.7867
Total	1,729,422	1.0000

FRANKFORT PLANT BOARD  
WATER DIVISION RATES  
COMPARATIVE SCHEDULE OF PRESENT AND PROPOSED RATES  
PER 1000 GALLONS

Rate	Present Rates	Proposed Rates	Percentage Increase
<b>City Customers</b>			
Minimum with 2,000 gallon allowance	8.69	8.94	2.88%
Up to 5	4.34	4.47	3.00%
Next 20	3.56	3.66	2.81%
Next 175	2.93	3.02	3.07%
Next 800	2.21	2.27	2.71%
Over 1,000	1.74	1.79	2.87%
<b>County Customers</b>			
Minimum with 2,000 gallon allowance	12.60	12.60	0.00%
Up to 5	6.29	6.29	0.00%
Next 20	3.56	3.66	2.81%
Next 175	2.93	3.02	3.07%
Next 800	2.21	2.27	2.71%
Over 1000	1.74	1.79	2.87%
<b>Resale - Non Water Producers</b>			
Minimum Charge	0.00	0.00	
Consumption Charge	1.539	1.814	17.87%
<b>Resale - Water Producers</b>			
Minimum Charge	0.00	0.00	
Up to 15,000	1.599	1.919	20.01%
Over 15,000	1.406	1.919	36.49%
<b>Gratis</b>			
Minimum Charge	0.00	0.00	
Consumption Charge	0.630	0.630	0.00%
<b>Water Loading</b>			
Minimum Charge	0.00	0.00	
Consumption Charge	3.5800	4.4700	24.86%
<b>Fire</b>			
Public Hydrants	11.01	12.11	10.00%
Private Hydrants	11.01	12.11	10.00%
Lines			
2" Line	5.51	6.06	10.00%
3" Line	11.01	12.11	10.00%
4" Line	20.60	22.66	10.00%
6" Line	41.19	45.31	10.00%
8" Line	54.91	60.40	10.00%
10" Line	68.65	75.52	10.00%
Fire Sales (per 1000 gallons)	4.12	4.53	10.00%