

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE WHOLESALE )  
WATER SERVICE RATES OF FRANKFORT ) CASE NO. 2010-00485  
ELECTRIC AND WATER PLANT BOARD )

O R D E R

Frankfort Electric and Water Plant Board ("Plant Board") proposes to adjust its existing rates for wholesale water service to public utilities effective on and after December 19, 2010. North Shelby Water Company ("North Shelby"), U.S. 60 Water District ("U.S. 60 District"), Peaks Mill Water District ("Peaks Mill"), and Elkhorn Water District ("Elkhorn") have moved to intervene in any Commission proceedings on the proposed rate revisions.

Having considered the proposed rate adjustment and being otherwise sufficiently advised, the Commission finds that, pursuant to KRS 278.190, further proceedings are necessary to determine the reasonableness of the proposed rate adjustment. The Commission further finds that intervention by North Shelby, U.S. 60 District, Peaks Mill, and Elkhorn is likely to present issues or to develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting this proceeding.

IT IS THEREFORE ORDERED that:

1. The Plant Board's proposed rate for wholesale water service is suspended for five months from December 19, 2010 through May 18, 2011.

2. North Shelby, U.S. 60 District, Peaks Mill, and Elkhorn's motions for leave to intervene in this matter are granted.

3. The procedural schedule set forth in Appendix A to this Order shall be followed.

4. a. Responses to requests for information shall be appropriately bound, tabbed and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided, with copies to all parties of record and 10 copies to the Commission.

b. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

c. A party shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

d. For any request to which a party fails or refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

5. At any hearing in this matter, neither opening statements nor summarization of direct testimony shall be permitted.

6. Motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

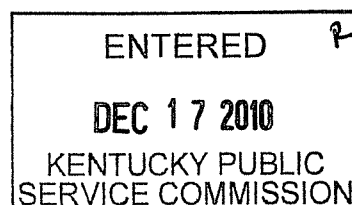
7. All documents that are required to be filed in this case with the Commission shall be served upon all other parties.

8. Service of any document or pleading shall be made in accordance with 807 KAR 5:001, Section 3(7), and Kentucky Civil Rule 5.02.

9. The Plant Board shall file with the Commission, no later than January 7, 2011, the original and 10 copies of the information listed in Appendix B, with a copy to all parties of record. Each copy of the requested information shall be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. The Plant Board's response shall conform to the requirements set forth in ordering paragraph 4 of this Order.

10. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

By the Commission



ATTEST:

*Stephanie Bell*  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2010-00485 DATED **DEC 17 2010**

The Plant Board shall file its response to the Commission's request  
for information no later than .....01/07/2011

Intervenors and Commission Staff shall serve their first set of requests  
for information upon the Plant Board no later than .....01/28/2011

The Plant Board shall file with the Commission and serve upon all parties  
of record and Commission Staff its responses to the first sets of  
requests for information no later than .....02/11/2011

Intervenors and Commission Staff shall serve their second  
sets of requests for information upon the Plant Board no later than .....02/25/2011

The Plant Board shall file with the Commission and serve upon all parties  
of record and Commission Staff its responses to the second sets of  
requests for information no later than .....03/11/2011

Telephone conference call with all parties, beginning at 10:00 a.m.,  
Eastern Daylight Time, for the purpose of discussing the status of the  
proceeding .....03/23/2011

Public Hearing, beginning at 10:00 a.m., Eastern Daylight Time,  
at the Commission's offices at 211 Sower Boulevard, Frankfort,  
Kentucky, for the purpose of cross-examination of witnesses ..... To Be Announced

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2010-00485 DATED DEC 17 2010

1. Provide the direct testimony, in written verified form, of each witness that the Plant Board intends to call at the scheduled hearing in this matter.
2.
  - a. Provide the three most recent independent auditor's reports that are available for the Plant Board's water operations.
  - b. If the independent auditor's report for the fiscal year ending June 30, 2010 is not available, state the anticipated date that it will be available.
3.
  - a. State the 12-month test period upon which the Plant Board bases its proposed rate adjustment.
  - b. Explain why this test period was chosen.
4. Provide the general ledgers for the Plant Board's water operations for the proposed test period and the most recently concluded fiscal year. These general ledgers shall include all check registers and spreadsheets used to record and track financial transactions.
5. For each outstanding revenue bond issuance related to the Plant Board's water operations, provide:
  - a. The bond ordinance or resolution authorizing the issuance of revenue bonds;
  - b. An amortization schedule;
  - c. A detailed explanation of why the debt was incurred; and

d. A calculation of the annual debt service payment, including all required payments to debt service reserve accounts or funds, for each of the next three years.

6. List all persons on the Plant Board's payroll during the proposed test period. For each employee, state his or her job duties, total wages paid during the fiscal year, current salary or wage rate, and the percentage of work hours spent performing duties for each city division (e.g., water, sewer, police department, public works) during the fiscal year. If the Plant Board's records do not permit the allocation of an employee's work hours among city divisions, provide an estimate for each employee and explain how the Plant Board derived the estimate.

7. For each employee listed in Item 6, describe how the Plant Board allocated his or her payroll and payroll overhead charges to each city division for the proposed test period. This response shall include a detailed explanation of all allocation procedures. Payroll overhead charges include payroll taxes, health insurance premiums, pension costs, and any other employee benefit cost.

8. a. List all joint or shared costs that the Plant Board incurred during the proposed test period. For each cost, list the vendor, total expense amount, amounts allocated per division, and the basis for allocation.

b. Describe the procedures to allocate joint and shared costs among the Plant Board's divisions for the proposed test period.

c. Provide all internal memoranda, policy statements, correspondence, and documents related to the allocation of joint and shared costs.

9. Provide a detailed depreciation schedule for the water division.

10. Provide an adjusted trial balance and audit adjustments for the proposed test period and the most recently completed fiscal year. The trial balance shall be traced and referenced directly to the general ledgers requested in Item 4.

11. Provide the "Enterprise Funds Uniform Financial Information Report" that the Plant Board submitted to the Kentucky Department of Local Government for the fiscal years ending June 30, 2009 and June 30, 2010.

12. a. Identify all persons or entities to which the Plant Board provides wholesale water service.

b. For each customer listed above, provide its monthly water usage and the amount that the Plant Board charged it for service for each of the previous 24 months.

13. a. For all water mains in the Plant Board's system, complete the table below. Add larger main sizes if necessary.

<b>Water Main Size</b>	<b>Total Miles Of Line</b>	<b>Miles Of Lines Used By the Plant Board To Serve Its Wholesale Customers</b>
16"		
14"		
12"		
10"		
8"		
6"		
4"		
2"		

b. Identify the person or entity who paid for the water main(s) that the Plant Board uses to deliver water to the Plant Board's wholesale customer(s).

14. a. State the maximum capacity of the Plant Board's water treatment plant.

b. For each of the customers listed in response to Item 12(a), state:

(1) The amount of the Plant Board's total water treatment plant capacity currently reserved for that customer; and

(2) The minimum and maximum quantity of water (in gallons) that the customer may purchase in a month under the terms of its present water purchase contract with the Plant Board.

c. Describe the changes, if any, that the Plant Board expects within the next three years in the level of water treatment capacity reserved for each of the customers listed in Item 12(a) and state the reason(s) for the Plant Board's expectations.

15. a. Identify the owner of the master meter(s) through which the Plant Board provides water to the customers listed in Item 12(a).

b. State, for each customer listed in Item 12(a), the number of master meters that the Plant Board uses to provide water service to that customer.

c. Identify the party who is responsible for maintaining these master meters.

16. Provide a system map showing all the Plant Board's facilities that are used to serve the customers listed in Item 12(a). This map shall, at a minimum, show all master meters, pumping stations, storage tanks, water transmission mains, and water distribution mains used to serve the customers listed in Item 12(a). The size of all mains shall be clearly indicated on this map.

17. State the portion, if any, of the Plant Board's water main(s) that serves the customers listed in Item 12(a) that are gravity-fed.



18. a. List the Plant Board's water sales (in gallons) for each month of the previous 36 months for each of its wholesale customers and for its retail customers.

b. List the total amount billed by the Plant Board for water service for each month of the previous 36 months to each of its wholesale customers and to its retail customers.

19. Provide the Plant Board's current rate schedule for its retail customers and for each of its wholesale customers.

20. Complete the table below:

<b>The Plant Board</b>	<b>Gallons for Test Period</b>	<b>Gallons for Fiscal Year Ending June 30, 2010</b>
Plant Use		
Line Loss (Unaccounted for)		
Sales to Retail		
Sales to Each Wholesale Customer (Listed separately)		
Total Produced and Purchased		
Total Sold		

21. a. State whether the Plant Board provides unmetered water service to any entities (e.g., municipal buildings, fire departments, fire protection service).

b. If unmetered service is provided, estimate the percentage of the total unmetered amount for each entity or type of service.

22. Provide a copy of the cost-of-service study upon which the proposed rate is based.

23. a. Identify the person who prepared the cost-of-service study upon which the proposed rate is based.

b. Provide the preparer's *curriculum vitae*.

c. List all cases before the Commission in which the preparer has submitted a cost-of-service study.

d. List all utilities (municipal or public) for which the preparer has prepared a cost-of-service study. For each utility, identify the type of utility service (e.g., water or sewer) for which the report was prepared.

24. If the proposed rate is not based upon a cost-of-service study, describe how the Plant Board determined the proposed wholesale rate and state who participated in the determination.

25. a. State whether the proposed rate increase includes an adjustment for rate case expenses incurred in this proceeding.

b. If the rate increase does not include an adjustment for rate case expenses, state whether the Plant Board will seek an adjustment to recover expenses incurred in litigating this proceeding.

c. If the Plant Board will seek an adjustment to recover expenses incurred in litigating this proceeding, provide all actual and estimated rate case expenses.

26. Identify the section(s) of KRS Chapter 96 under which the Plant Board Municipal Utilities was formed and currently operates.

27. Provide the minutes of each meeting of the Plant Board since January 1, 2009 in which a proposed rate adjustment to the Plant Board's wholesale customers was discussed.

28. Provide a copy of all correspondence, electronic mail messages, or other written communications between the Plant Board and its wholesale customers since January 1, 2010 regarding revisions to the Plant Board's wholesale rate.

29. Provide all contracts for water service between the Plant Board and the entities listed in Item 12(a) that have not been filed with the Commission.

30. a. State the annual effect of the proposed rate adjustment on the Plant Board's revenues from wholesale water service to each of its wholesale water service customers.

b. Show all calculations made and state all assumptions used to derive the response to Item 30(a).

31. a. Identify and explain pro forma adjustments to water operations.

b. Provide the calculations for all pro forma adjustments to water operations.

32. a. Identify and explain pro forma adjustments to shared expenses that include the water operations.

b. Provide the calculations for all pro forma adjustments to shared expenses that include the water operations.

Honorable Thomas A Marshall  
Attorney At Law  
212 Washington Street  
P.O. Box 223  
Frankfort, KY 40601

Honorable Donald T Prather  
Attorney At Law  
Mathis, Riggs & Prather, P.S.C. Attorneys at Law  
P. O. Box 1059  
500 Main Street, Suite 5  
Shelbyville, KY 40066-1059

Honorable Hance Price  
Attorney at Law  
Frankfort Electric & Water Plant Board  
317 W. Second Street  
P. O. Box 308  
Frankfort, KY 40602