

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE WHOLESALE)
WATER SERVICE RATES OF FRANKFORT) CASE NO. 2014-00254
ELECTRIC AND WATER PLANT BOARD)

ORDER

On June 25, 2014, Frankfort Electric and Water Plant Board ("Frankfort") filed with the Commission a revised tariff setting forth a proposed adjustment to its existing rate for wholesale water service to public utilities effective on and after July 25, 2014. Frankfort also filed copies of notices it had sent to seven public utility customers affected by the proposed rate increase.

On July 14, 2014, North Shelby Water Company, U.S. 60 Water District of Shelby and Franklin Counties, and Elkhorn Water District, by counsel, submitted a joint motion for full intervention and motion to suspend the rate. On July 18, 2014, Peaks Mill Water District, Northeast Woodford Water District, and Farmdale Water District, by counsel, submitted a joint motion for full intervention and motion to suspend the rate. Both of the aforementioned joint motions were filed by the same counsel, and the Commission will refer to the motions collectively as "Joint Motions," and to all of the water districts named therein collectively as "Joint Water Districts." Also on July 18, 2014, South Anderson Water District ("South Anderson"), by counsel, submitted a motion for full intervention and motion to suspend the rate.

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 the Joint Water Districts and by South Anderson 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. Frankfort's proposed rate for wholesale water service is suspended for five months, from July 25, 2014, to December 24, 2014.

2. The Joint Water Districts' and South Anderson'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 person who submits a motion to intervene after August 15, 2014 and, upon a showing of good cause, is granted full intervention shall abide by the existing procedural schedule.

5. Appendix A to this Order provides for an Informal Conference to be held on December 2, 2014. Any party desiring to have an Informal Conference at an earlier date shall file a written request.

6. Frankfort shall file with the Commission, no later than August 8, 2014, the responses to the requests for information listed in Appendix B to this Order.

7. a. Responses to requests for information shall be appropriately bound, tabbed, and indexed. When a number of sheets are required for an item, each sheet should be appropriately labeled: for example, Item 1(a), Sheet 2 of 6. Each response shall include the name of the witness responsible for responding to the

questions related to the information provided. Frankfort is to file with the Commission the original and ten copies, and a copy to all parties of record.

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 responses 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 requests 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.

e. Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

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

9. 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.

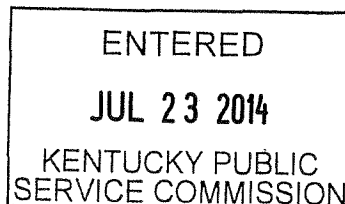
10. All documents that this Order requires to be filed with the Commission shall be served upon all other parties.

11. To be timely filed with the Commission, a document must be received by the Commission within the specified time for filing, except that any document shall be deemed timely filed if it has been transmitted by United States express mail, or by other recognized mail carriers, with the date the transmitting agency received said document from the sender noted by the transmitting agency on the outside of the container used for transmitting, within the time allowed for filing.


12. Service of any document or pleading shall be made in accordance with Administrative Regulation 807 KAR 5:001, Section 4(8).

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

By the Commission



ATTEST:



Executive Director *for*

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2014-00254 DATED JUL 23 2014

- Last day for intervention requests to be submitted08/15/2014
- Intervenors and Commission Staff shall serve their initial set of requests for information upon Frankfort no later than.....08/15/2014
- Frankfort shall file with the Commission and serve upon all parties of record its responses to the Intervenors' and Commission Staff's initial set of requests for information no later than08/29/2014
- Intervenors and Commission Staff shall serve their supplemental set of requests for information upon Frankfort no later than09/15/2014
- Frankfort shall file with the Commission and serve upon all parties of record its responses to the Intervenors' and Commission Staff's supplemental set of requests for information no later than09/29/2014
- Intervenor testimony, if any, shall be filed with the Commission in verified prepared form no later than 10/10/2014
- All requests for information to any Intervenor shall be filed no later than..... 10/20/2014
- Intervenors shall file with the Commission their responses to requests for information no later than11/03/2014
- Frankfort may file with the Commission the testimony of its rebuttal witnesses in written verified form no later than11/17/2014
- An informal conference shall be held at the Commission's offices for the purpose of considering the possibility of settlement, the simplification of issues, and any other matters that may aid in the handling or disposition of this case, beginning at 10:30 a.m. Eastern Standard Time, on 12/02/2014
- Public Hearing is to be held 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. 2014-00254 DATED **JUL 23 2014**

1. Provide in written verified form the direct testimony of each witness that Frankfort intends to call at the hearing in this matter.

2. a. Provide the three most recent independent auditor's reports that are available for Frankfort's water operations.

b. If the independent auditor's report for the fiscal year ending June 30, 2014, is not available, state the anticipated date that it will be available.

3. a. State the 12-month test period upon which Frankfort bases its proposed rate adjustment.

b. Explain why this test period was chosen.

4. Provide the general ledgers for Frankfort'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 Frankfort'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.

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 Frankfort'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 department during the fiscal year. If Frankfort's records do not permit the allocation of an employee's work hours among departments, provide an estimate for each employee and explain how Frankfort derived the estimate.

7. For each employee listed in Item 6, describe how Frankfort allocated his or her payroll and payroll overhead charges to each department 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 costs.

8. a. List all joint or shared costs that Frankfort 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 Frankfort's divisions for the proposed test period.

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

9. Provide detailed depreciation schedules for Frankfort's 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 "Uniform Financial Information Report" that Frankfort submitted to the Kentucky Department of Local Government for the fiscal years ending June 30, 2012, June 30, 2013, and June 30, 2014.

12. a. Identify all persons or entities to which Frankfort provides wholesale water service.

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

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

Water Main Size	Total Miles Of Line	Miles Of Lines Used By Frankfort To Serve Its Wholesale Customers
16"		
14"		
12"		
10"		
8"		
6"		
4"		
2"		

b. Identify the persons or entities that paid for the water main(s) that Frankfort uses to deliver water to Frankfort's wholesale customers.

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

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

(1) The amount of Frankfort's total water treatment plant capacity that is 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 Frankfort.

c. Describe the changes, if any, that Frankfort 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 Frankfort's expectations.

15. a. Identify the owner of the master meter(s) through which Frankfort 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 Frankfort uses to provide water to that customer.

c. Identify the party responsible for maintaining each of these master meters.

16. Provide a system map showing all of Frankfort'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 Frankfort's water main(s) serving the customers listed in Item 12(a) that are gravity fed.

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

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

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

20. Complete the table below:

City of Frankfort	Gallons for Test Period	Gallons for Fiscal Year Ending June 30, 2014
Plant Use		
Line Loss (Unaccounted for)		
Sales to Retail		
Sales to Each Wholesale Customer (List Separately)		
Total Produced and Purchased		
Total Sold		

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

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

22. Provide the cost-of-service study, if any, upon which the proposed rates are 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 (i.e., 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 Frankfort 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 Frankfort will seek an adjustment to recover expenses incurred in litigating this proceeding.

c. If Frankfort 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 Frankfort was formed and currently operates.

27. Provide the minutes of each meeting of Frankfort since January 1, 2013, in which a proposed rate adjustment to Frankfort's wholesale customers was discussed.

28. Provide a copy of all correspondence, electronic mail messages, or other written communications between Frankfort and its wholesale customers since January 1, 2013, regarding revisions to Frankfort's wholesale rate.

29. Provide copies of all contracts for water service between Frankfort and its wholesale customers listed in Item 12(a).

30. a. State the annual effect of the proposed rate adjustment on Frankfort'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.