

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION  
TO THE FRANKFORT ELECTRIC AND WATER PLANT BOARD

Frankfort Electric and Water Plant Board ("Plant Board"), pursuant to 807 KAR 5:001, shall file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due on or before October 14, 2014. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

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.

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

Careful attention should be given to copied material to ensure that it is legible. 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.

1. Refer to the Plant Board's Responses to the Commission Staff's First Request for Information ("Staff's First Request"), Items 6(a) and 6(b). In calculating a utility's revenue requirement, the Commission uses a three-year average for debt service payments. Using the debt service payments for the Electric and Water Revenue Bonds, Series 2009 and Series 2013, for the years 2015, 2016, and 2017, calculate the Plant Board's three-year average debt service payments. Provide copies of all workpapers, assumptions, and calculations used by the Plant Board in its response.

2. Refer to the Plant Board's Responses to the Staff's First Request, Item 6(d)(2) and 6(d)(3). Provide the basis for the 1.75 percent interest rate used to prepare the Kentucky Infrastructure Authority ("KIA") loan amortization schedule.

3. In its response to Item 7(a) of the Staff's First Request, the Plant Board provided a schedule of the "Budgetary WTP Chemicals" for the fiscal year 2013-2014.

a. For each chemical listed on the schedule, provide the amount that was actually purchased in the test year, the fiscal year 2012-2013.



b. For each chemical listed on the schedule, provide the amount that was actually purchased in the fiscal year 2013-2014.

c. The Plant Board projects the chemical cost based on multiplying the anticipated chemical purchases by the chemical bid prices. Provide copies of the bids received by the Plant Board to support the chemical prices listed on the schedule.

4. Refer to the Plant Board's Response to Staff's First Request, Item 7(c), the invoices for the Cost-of-Service study from Gannett Fleming Valuation and Rate Consultants, LLC. ("Gannett Fleming").

a. Confirm that as of May 28, 2014, the Plant Board had been billed approximately \$22,458 by Gannett Fleming for the Cost-of-Service study.

b. Provide detailed descriptions of the services provided by Gannett Fleming, the amount of time billed for each service, and the hourly billing rate as originally requested.

c. Explain whether the Plant Board is proposing to recover 100 percent of the 2014 Cost-of-Service study from the wholesale water customers.

5. In its response to Item 12(e) of the Staff's First Request, the Plant Board explains that the depreciation expense associated with the contributed/donated assets had been removed twice from the test-year depreciation expenses in error.

a. Explain whether it is the Plant Board's policy not to seek rate recovery of depreciation expense associated with the contributed/donated assets.

b. Explain whether the Plant Board excluded depreciation expense associated with the contributed/donated assets from the revenue requirement calculations in the 2012-2013 Cost-of-Service study.



6. Refer to the Plant Board's Response to the Staff's First Request, Item 13.
  - a. Confirm that in the fiscal year 2012-2013, the Plant Board recorded payments in Account No. 20-24-652000, Water Treatment Maintenance, of \$142,673 to Herrick Company, Inc. ("Herrick") for the construction of sludge-collection equipment.
  - b. Confirm that the contract price for the sludge-collection equipment was \$248,930. Provide the actual price of the equipment if it differs from the original contract price and provide a detailed explanation for the difference.
  - c. The Plant Board recorded a payment in Account No. 20-21-678000, Water Distribution Expense, of \$75,750 to the Judy C. Harp Company for removing water pipe on Capital Avenue. Provide a detailed description of the project.
  - d. In fiscal year 2012-2013, the Plant Board recorded payments to Gannett Fleming of \$23,172 for a Cost-of-Service study. Confirm that the wholesale customer is being allocated a portion of the Cost-of-Service study cost and explain why they should be allocated the costs of the 2013 Cost-of-Service Study.
  - e. The Plant Board recorded payments totaling \$9,200 to GRW Engineering for a site-evaluation program. Provide a detailed description of the project.
7. Refer to the Plant Board's responses to the July 23, 2014 Order and to the Direct Testimony of Herbbie Bannister, page 4. In his direct testimony, Mr. Bannister states, "There are no differences between this cost study and the ones submitted in Case No. 2008-00250 and 2010-00485." When comparing the Cost-of-Service study submitted in this case to the one submitted in Case No. 2010-00485, it appears that several allocation factors differ substantially in regard to the amount of expenses that

are allocated to the sales for resale, non-water producers. Specifically, factors 10, 14, and 15 allocate a larger amount of the costs to the non-water producers. If there are no differences between this Cost-of-Service study and the ones submitted in prior cases, explain in detail why these allocation factors significantly differ in terms of how much of the costs are allocated to the sales for resale, non-water producers.



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DATED: OCT 01 2014

cc: Parties of Record

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