



Frankfort Plant Board

Water
Cable
Electric
Security
Local Phone
Digital Cable
Long Distance
Community TV
Ethernet/Internet
Cable Modem/ISP
Cable Advertising

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AUG 11 2014

PUBLIC SERVICE
COMMISSION

August 11, 2014

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, KY 40602-0615

RE: Case No. 2014-00254

Dear Mr. Derouen:

On August 7, 2014 FEWPB filed an original and ten (10) copies of the FEWPB's Response to the Commission's Order dated July 23, 2014 in the above referenced matter. On August 8, 2014 the Commission granted the Attorney General's Motion to Intervene.

Consequently, enclosed for filing please find an original and ten (10) copies of a Response (without attachments) noting that today FEWPB has provided a complete copy of its Responses to the Attorney General.

I appreciate your assistance. If you have any questions or require additional information, please contact me at (502) 352-4541 or hprice@fewpb.com.

Sincerely,

Hance Price

Hance Price
Staff Attorney

HP/kp

Enclosures

cc: Donald T. Prather, Esq.
Raymond Edelman, Esq.
Jennifer Black Hans, Esq.
Gregory T. Dutton, Esq.

Equal Opportunity/Affirmative Action Employer

317 West Second Street (P.O. Box 308) Frankfort, Kentucky 40602 Phone (502) 352-4372
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

AUG 11 2014

**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)

FEWPB'S RESPONSE TO ORDER OF JULY 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.

Witness(es): Herbbie Bannister, Paul Herbert

Response: Attached

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.

Witness(es): David Denton

Response: Attached

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

b. Explain why this test period was chosen.

Witness(es): David Denton, Paul Herbert

Response: Attached

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.

Witness(es): David Denton

Response: Attached

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.

Witness(es): David Denton, David Billings, Herbbie Bannister

Response: Attached

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.

Witness(es): David Denton

Response: Attached

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.

Witness(es): David Denton

Response: Attached

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.

Witness(es): David Denton

Response: Attached

9. Provide detailed depreciation schedules for Frankfort's water division.

Witness(es): David Denton

Response: Attached

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.

Witness(es): David Denton

Response: Attached

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.

Witness(es): David Denton, Herbbie Bannister

Response: Attached

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.

Witness(es): David Billings, Herbbie Bannister, David Denton

Response: Attached

13. a. For all water mains in Frankfort's system, complete the table below.

Add larger main sizes, if necessary.

Water Size	Main	Total Miles of Line	Miles of Lines Used by the Plant Board to Serve its Wholesale Customers
48"		0.60	0.60
42"		0.10	0.10
36"		1.05	1.05
30"		0.65	0.64
24"		7.74	7.74
20"		9.09	9.03
16"		10.55	10.54
14"		2.88	2.84
12"		36.85	31.07
10"		1.21	1.18
8"		59.23	39.98
6"		130.68	60.46
4"		25.72	3.88

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

Witness(es): David Billings, Herbbie Bannister

Response: Attached

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.

Witness(es): Herbbie Bannister, David Billings

Response: Attached

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.

Witness(es): Herbbie Bannister, David Billings

Response: Attached

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.

Witness(es): Herbbie Bannister, David Billings

Response: Attached

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

Witness(es): Herbbie Bannister, David Billings

Response: Attached

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.

Witness(es): David Denton

Response: Attached

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

Witness(es): David Denton

Response: Attached

20. Complete the table below:

City of Frankfort	Gallons for Test Pd. (7/1/12- 6/30/13)	Gallons for Fiscal Yr. Ending 6/30/14
Plant Use	30,954,922	29,561,498
Line Loss (Unaccounted for)	415,915,000	370,429,100
Sales to Retail	1,458,206,417	1,458,621,102
Sales to Each Wholesale Customer (List Separately)		
ELKHORN WATER DIST (acct #21429)	66,231,500	66,355,100
FARMDALE WATER DISTRICT (acct# 28221)	15,755,200	20,552,900
FARMDALE WATER DISTRICT (acct# 28222)	108,843,000	4,048,000
FARMDALE WATER DISTRICT (acct# 28378)	77,092,000	38,412,000
FARMDALE WATER DISTRICT (acct# 33036)	1,004,900	1,941,500
FARMDALE WATER DISTRICT (acct# 106675)	0	165,555,000
NORTH SHELBY WATER (acct# 28808)	158,525,000	162,535,000
PEAKSMILL WATER DIST (acct# 28600)	83,538,300	89,352,000
PEAKSMILL WATER DIST (acct# 30329)	7,113,800	1,041,600
SOUTH ANDERSON WATER DIST (acct# 31379)	19,937,000	21,195,600
US 60 WATER DISTRICT (acct# 32489)	146,738,400	156,920,600
US 60 WATER DISTRICT (acct# 32715)	18,614,000	21,276,000
Total Produced and Purchased	3,101,452,439	2,928,289,000
Total Sold	2,377,138,500	2,268,114,200

Witness(es): Herbbie Bannister, David Billings, David Denton

Response: Attached

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.

Witness(es): Herbbie Bannister, David Billings

Response: Attached

22. Provide the cost-of-service study, if any, upon which the proposed rates are based.

Witness(es): Paul Herbert

Response: Attached

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.

Witness(es): Paul Herbert

Response: Attached

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.

Witness(es): Not Applicable

Response: Attached

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.

Witness(es): Paul Herbert, David Denton, Herbbie Bannister

Response: Attached

26. Identify the section(s) of KRS Chapter 96 under which Frankfort was formed and currently operates.

Witness(es): Herbbie Bannister

Response: Attached

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.

Witness(es): Herbbie Bannister

Response: Attached

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.

Witness(es): Herbbie Bannister

Response: Attached

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

Witness(es): Herbbie Bannister, David Billings

Response: Attached

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).

Witness(es): David Denton, Paul Herbert

Response: Attached

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

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

Witness(es): David Denton, Paul Herbert

Response: Attached

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.

Witness(es): David Denton, Paul Herbert

Response: Attached

CERTIFICATION

I, Hance Price, certify that I am the attorney supervising the preparation of these Responses on behalf of the Frankfort Electric and Water Plant Board and that the Responses and attachments thereto are true and accurate to the best of my knowledge, information and belief formed after reasonable inquiry.

Respectfully Submitted,

Hance Price
317 West Second Street
Frankfort, Kentucky 40601

Attorney for Frankfort Electric and
Water Plant Board

This the ____ day of _____, 2014.

CERTIFICATE OF SERVICE

I, Hance Price, certify that on the 11th day of August, 2014 an original and ten (10) copies of FEWPB's Response to the Commission's Order of July 23, 2014 (without attachments) was served by hand delivery to:

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

And by hand delivery of a copy of the Response (with four (4) volumes of attachments previously filed with the Commission and parties of record on August 7, 2014) to:

Kentucky Attorney General's Office
Hon. Jennifer Black Hans
Hon. Gregory T. Dutton
Assistant Attorneys General
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601

Counsel further certifies that true and accurate copies of the Response (without attachments) were served by mail to:

Hon. Donald T. Prather
500 Main Street, Suite 5
Shelbyville, KY 40065

Hon. Raymond Edelman
148 South Main Street
Lawrenceburg, KY 40342

Hance Price
Hance Price