

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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AUG 19 2014

PUBLIC SERVICE  
COMMISSION

In the Matter of:

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

ATTORNEY GENERAL'S INITIAL DATA REQUESTS

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits these Initial Requests for Information to Frankfort Electric and Water Plant Board ("FPB") to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the specific portion of the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) Please repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for FPB with an electronic version of these questions, upon request.

(4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information

within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, 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.

(6) If you believe any request appears confusing, please request clarification directly from Counsel for the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and

shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-

readable media or other electronically maintained or transmitted information, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

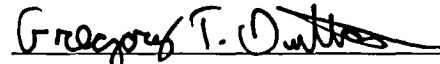
(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

Respectfully submitted,

JACK CONWAY  
ATTORNEY GENERAL

  
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*Certificate of Service and Filing*

Counsel certifies that an original and ten photocopies of the foregoing were served and filed by hand delivery to Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

Honorable Ray Edelman  
Attorney At Law  
150 South Main Street  
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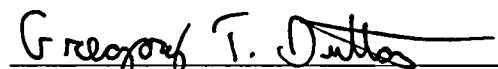
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John N. Hughes  
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this 19<sup>th</sup> day of August, 2014

  
\_\_\_\_\_  
Assistant Attorney General

Proposed Adjustment of the Wholesale Water Service Rates of Frankfort Electric and Water Plant Board  
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1. What is the total revenue increase in dollars and by percentage that the Frankfort Plant Board ("FPB") is seeking from its wholesale water sales customers in this proceeding?
2. If granted, how would FPB's wholesale water rates compare to other wholesale water rates in the Commonwealth of Kentucky? Please provide any and all data and workpapers used to support this answer with data in all cells and rows fully intact and fully accessible.
3. Reference the June 2014 notices to each of the FPB wholesale customers that were tendered with FPB's Application in this proceeding. How did FPB establish the "average monthly usage" for each wholesale customer? Please provide any and all data and workpapers used to support this finding with data in all cells and rows fully intact and fully accessible.
4. Reference KRS 278.015(2) and 807 KAR 5:068 Section 2. Confirm that if not for this proceeding, end-user ratepayers of the water districts affected by this wholesale rate increase would have no transparent and public mechanism for challenging the subsequent pass-through rate increases.
5. Please provide a breakdown of the average bill for the pass-through residential customers of each affected water district using FPB's **currently approved** rates as reflected by the purchased water adjustment under 807 KAR 5:068. Please include in this breakdown, the usage by the gallon along with any surcharges, etc., which make up the average customer's monthly bill.
6. Please provide a breakdown of the average bill for the pass-through residential customers of each affected water district **using the rates proposed by FPB** and the necessary calculation of the purchased water adjustment under 807 KAR 5:068. Please include in this breakdown, the usage by the gallon along with any surcharges, etc., which make up the average customer's monthly bill.
7. Please state whether any relative, by blood or marriage, of FPB's board of directors or executive management team holds, or will hold any type or sort of position, whether as employee, officer, board member, contractor, counsel or consultant, with FPB.

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8. Does FPB anticipate any changes in any existing contracts as a result of the proposed rate increase on wholesale water sales (e.g., engineering, information technology, maintenance, labor, etc.)?
9. Does FPB maintain any contracts with vendors whose principals are in any manner related, by blood or marriage, to FPB's officers, members of its Board, its employees, its independent contractors or consultants? If yes:
  - a. Please provide copies of any such contract, and a breakdown of how much money was spent per contract per year for the last five (5) calendar years; and
  - b. Please state whether the contracts were awarded pursuant to a bid process, and if so, provide specifics of that bid process.
10. Does FPB have any anti-nepotism policies in place? If so, provide copies of any and all such policies, and/or memoranda referring to such policies.
11. Does FPB employ the relatives of:
  - a. Any FPB board member;
  - b. Any FPB officer;
  - c. Any FPB consultant; and/or
  - d. Any other FPB employee?
12. Has any member of FPB's Board ever served on the Board of any other business entity? If so, please state:
  - a. The name and address of each such entity, and the nature of that business; and;
  - b. The length of time they served on the other entity's board.
13. Please state the test year customer deposit balance.
14. Please provide the Analysis of Salaries and Wages that is normally included in rate cases, for the years 2009 to date, together with any analysis of projected salaries and wages in future years.
15. State whether FPB intends to seek recovery of any performance bonus expenses for ratemaking purposes, and if so, provide:



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- a. A quantification of the amount; the recipient(s) if officers, directors, or management;
  - b. A quantification of how many union employees received a performance bonus; the amount for each recipient; and
  - c. A complete justification for recovering such expense.
16. Provide a detailed listing of any and all performance bonus expenses for ratemaking purposes for the individuals noted in the aforementioned question for each from 2009 to the present.
  17. In the response to PSC 1-13, there appear to be some typographical or calculation errors. Specifically, the entries for 36" and 10" show that a greater mileage of mains is used to serve wholesale customers than Frankfort has in total for those size categories. Please review the response and provide a corrected table. If no correction is necessary, please explain in detail why.
  18. Please provide an electronic spreadsheet file with the data provided in all cells and rows fully intact and fully accessible in the attachment to PSC Item 18.
  19. Please provide the "retail" consumption data in PSC Item 18 separately for the Residential and Commercial/Public customer classes, and provide the response in an electronic spreadsheet file with data in all cells and rows fully intact and fully accessible.
  20. Please provide the original electronic spreadsheet file(s) used to produce the Cost of Service Allocation Study as of June 30, 2013 and Proposed Customer Rates (attachment to PSC Item 22) with all formulas, links, references and data in all cells and rows fully intact and fully accessible and fully functioning.
  21. Reference: Cost of Service Study, Sch. B, pp. 3 and 4. Please explain in detail why both depreciation expense and debt service are included in the cost of service. In particular, explain why there is not a double recovery of costs associated with the repayment of principal on loans, which is a cost equivalent to depreciation expense.
  22. Reference: Cost of Service Study, Sch. B, p. 4.
    - a. Why are Debt Service on 2013 Bonds, Coverage on 2013 Bonds, and Debt Service on KIA Loans allocated using factor 2 instead of factor 17?
    - b. For each loan, please provide a workpaper showing separately interest expense, repayment (or amortization) of principal, and total debt service.

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23. Reference: Cost of Service Study, Sch. C, p. 2. Please provide the specific calculations, data, and assumptions used to determine the maximum day ratio for each customer class. Please supply any and all spreadsheets and workpapers with data in all cells and rows fully intact and fully accessible.
24. Reference: Cost of Service Study, Sch. C, p. 4. How was it determined that the maximum fire demand is 5,000 gallons per minute for a duration of four hours? Please provide any associated calculations, studies, and workpapers with data in all cells and rows fully intact and fully accessible .
25. What is the retail water population – excluding wholesale customer populations - served by Frankfort?
26. Reference: Cost of Service Study, Sch. C, p. 6. Please provide the specific calculations, data, and assumptions used to determine the maximum hour ratio for each customer class.
27. Reference: Cost of Service Study, Sch. C, p. 9. In developing the allocation of costs associated with mains, did Gannett Fleming consider the information provided in response to PSC Item 13? If so, please provide all analyses and workpapers prepared using that data. If not, please explain why not.
28. Reference: Cost of Service Study, Sch. C, p. 9 and PSC Item 13. The data provided in PSC Item 13 shows total feet of mains 10" or less is 1,219,801. This page in the Cost of Service Study shows total feet of mains 10" or less is 1,420,375. Please reconcile the difference and provide corrections where necessary. If there are mains smaller than 4" that were excluded from the response to PSC 1-13, please update PSC 1- 13 to provide the data for those smaller mains.
29. Reference: Cost of Service Study, Sch. C, p. 19.
  - a. Are the figures shown for Utility Plant in Service gross plant figures or net plant figures (that is, net of accrued depreciation and contributions)?
  - b. If they are gross plant figures, please provide comparable schedules showing accrued depreciation, customer contributions, and contributions in aid of construction. Please provide this information in an electronic spreadsheet file with data in all cells and rows fully intact and fully accessible.
  - c. If they are net plant figures, please provide an electronic workpaper with data in all cells and rows fully intact and fully accessible showing the calculation of net plant, taking into account gross plant, accrued

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depreciation, customer contributions, and contributions in aid of construction.

30. Reference Herbert Testimony page 4, lines 120-124. Why were no costs allocated to one or more industrial customer classes?
31. Reference Herbert Testimony page 4, lines 125-126. What other criteria are appropriate for consideration in designing customer rates to produce required revenue?
32. Reference Herbert Testimony page 5, lines 152-154.
  - a. What steps is FPB taking to minimize purchased electrical power costs?
  - b. What steps is FPB taking to minimize treatment chemical costs?
33. What specific steps has FPB taken to limit water loss since 2008?
34. What is the estimated annual amount of water lose on FPB's system in 2008, 2009, 2010, 2011, 2012, 2013, and 2014?
35. Reference Herbert Testimony page 7, lines 186-192.
  - a. Does FPB use mains anywhere on its system larger than 10 inches for distribution? Where?
  - b. Does FPB use mains anywhere on its system 10 inches or smaller for transmission? Where?
36. Reference Herbert Testimony page 7, line 195 to page 8, line 199.
  - a. What was the rationale for weighting the allocation of services factor?
  - b. What was the rationale for using "the relative unit cost per foot by service size" as the method of weighting allocation of services?
37. Reference Herbert Testimony page 8. Confirm the reference to page numbers 26, 27, and 29 through 30 is a reference to the cost of service study found at FPB's response to PSC item 22.
38. Reference Herbert Testimony page 9, lines 227-235. Please provide the specific calculations, data, sources, and assumptions used to determine the ratios.
39. Reference Herbert Testimony page 9, lines 236-242. Please provide the specific calculations, data, sources, and assumptions used to determine the estimated

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demands used for the customer classifications in the development of factors 2, 3, and 4.

40. Reference FPB response to Item 22, page 4. If the proposed rates will produce \$2,066,483 in revenue, but FPB asserts that the cost of service for the class is \$2,233,855, then why has FPB not proposed a revenue increase sufficient to cover the full cost of service for the class?
41. Reference FPB response to PSC item 14. During calendar year 2013, how much water did the Frankfort water treatment plant treat per day, on average?
  - a. How much water does FPB estimate the plant will treat per day, on average, in 2014?
42. Provide the cost of service study conducted by Gannett Fleming for FPB in 2013.
43. Confirm that the 2013 cost of service study was prepared by Connie Hepenstall.
44. Confirm that the 2013 cost of service and rate design study included in its analysis wholesale water customers.
  - a. If the analysis did not include wholesale water customers, please explain why.
45. Explain the \$2,000 difference in cost between the 2013 cost of service study and the 2014 cost of service study.
46. Confirm that Mr. Herbert, not Ms. Hepenstall, prepared the 2014 cost of service study.
47. Explain why Ms. Hepenstall was the individual who presented the 2014 cost of service study to the FPB Board and to representatives of the wholesale customers.