



Frankfort Plant Board

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

RECEIVED

SEP 19 2014

PUBLIC SERVICE
COMMISSION

September 19, 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:

Enclosed for filing please find an original and six (6) copies of the Supplemental Response to the Intervening Wholesale Customers' First Request for Information dated August 19, 2014.

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
Fax (502) 223-3887 www.fpb.cc

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
SEP 19 2014
PUBLIC SERVICE
COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE WHOLESALE)
WATER SERVICE RATES OF THE FRANKFORT) CASE NO. 2014-254
ELECTRIC AND WATER PLANT BOARD)

**FEWPB'S SUPPLEMENTAL RESPONSE TO INTERVENING WHOLESALE
CUSTOMERS' FIRST REQUEST FOR INFORMATION TO
FRANKFORT ELECTRIC AND WATER PLANT BOARD**

1. Why was the period 1999-2012 chosen to determine a maximum daily demand? Why is the test year not included?

Witness(es): Paul R. Herbert, Connie Heppenstall

Response: Attached

3. Is the maximum day ratio identified at the bottom of page 13 the ratio calculated using the maximum day and average day from Frankfort's total production or total sales?

Witness(es): Paul R. Herbert, Connie Heppenstall

Response: Attached

9. Provide descriptions detailed to the extent to allow functionalization between storage, transmission, distribution or customer purposes, and sufficient to identify the location, type and original cost of all debt-funded projects where the original loans or bonds have not been paid in full. This includes projects for which the initial

loans or bonds have been refinanced one or more times, but not yet otherwise paid in full.

Witness(es): David Billings, David Denton

Response: Attached

12. Provide a breakdown of the following costs which were included in Schedule B of Frankfort's Cost of Study ("COS") filed in this case. Ensure the breakdown is detailed enough to enable functionalization between storage, transmission, distribution and customer purposes. If the costs cannot be assigned to one of the four mentioned purposes, please indicate why the expense is relevant to a wholesale cost-of-service study:

computer expense

software services

insurance expense

clubhouse expense

cash contributions to city

Witness(es): Paul R. Herbert, Connie Heppenstall, David Denton

Response: Attached

13. Provide descriptions detailed to the extent to allow functionalization between storage, transmission, distribution or customer purposes, and sufficient to identify the location, type and original cost, for all rate-funded capital projects designed or constructed by Frankfort's water utility division in the past five fiscal years.

Witness(es): David Billings, David Denton

Response: Attached

15. The COS cover letter signed by Paul Herbert and Constance Heppenstall refers to the inclusion of “pro forma revenues”. The rate proposed for Sales for Resale—Non-Water Producers appears to have been calculated with test year (FY2013) water purchases in the denominator. Please explain.

Witness(es): Paul R. Herbert, Connie Heppenstall

Response: Attached

24. Reference is made to Question 16 of Appendix B to the PSC Order dated July 23, 2014. The map produced by Frankfort in response to this question (the “Map”) has a color-coded legend for pipes of varying diameters. The Map largely does not follow that color-coded system, with the majority of water mains 6-inches and larger shown in red. Please produce this same Map where all water mains are color-coded consistent with the legend to indicate their size. If there is the ability to produce such a Map which identifies by name all or most road names on the Map, please include those road names on the Map. If it is not feasible to identify most road names on the Map, please identify on the Map the names of as many roads as feasible, including all arterial roads.

Witness(es): David Billings

Response: Attached

25. Reference is made to Question 16 of Appendix B to the PSC Order dated July 23, 2014. Please produce a Frankfort system map (showing facilities that Frankfort alleges serve wholesale water customers), which lists on the Map as many road names

as is feasible, includes only water mains of 8 inches and larger in diameter, and is color-coded by water main size.

Witness(es): David Billings

Response: Attached

26. Explain in detail how the clubhouse is required to provide adequate service to Frankfort's wholesale customers.

Witness(es): Herbbie Bannister

Response: Attached

29. Please explain how the following water mains or water main areas, which are indicated on the Map as being dead-end mains, serve the Wholesale Customers:

a. These are in reference to the 4-way water main intersection on US Highway 421 where the southerly 8-inch main serves the NE master meter 1 (the "Intersection"):

- i. 6-inch water main extending from the Intersection in an easterly direction along US Highway 421;
- ii. 16-inch and 4-inch water mains extending from the Intersection in a northerly direction;

b. 4-inch water main (appears to follow Old Frankfort Pike) extending in a southeasterly direction from the 20-inch water main which connects the Jett Pump and US Highway 421;

c. 3-inch and short 6-inch water mains adjacent to U.S. Highway 60 just south of the Jett Pump area;

d. 6-inch and 4-inch lines extending in a southeasterly direction from the Rose tank, then branching east and west;

e. 4-inch and 3-inch water mains extending in a southerly and then northwesterly direction from the intersection of the 4-inch and 6-inch water mains feeding the Rose tank;

f. 3-inch lines extending in a westerly direction from the 4-inch water main feeding the Rose tank;

g. The entire group of 3-, 6-, and 4-inch water mains extending in a northerly direction from the north side of the 3-inch water main which leads from the Millville pump that feeds the Rose tank;

h. Series of 6- and 12-inch water mains that appear to serve Iverness Road, Galbraith Road, and the roads bounded by Maverick Trail, Bolera Way, and Stonehaven Drive, including Fiesta Way, Saddleback Trail, Charro Court, and other roads in that immediate vicinity;

i. 6-inch and 4-inch water mains that appear to serve Winterhaven Lane, Springhill Lane, Autumn View Lane, and nearby roads fed by one 6-inch and one 4-inch water main off U.S. Highway 421;

j. Series of roads generally encircled by Isaac Shelby Circle off U.S. Highway 421 and indicated on the Map as being fed by a single 8-inch water main;

k. 8-inch water main between Isaac Shelby Circle and Regent's Park Circle extending in a northerly direction off US Highway 421;

l. Series of 6-inch, 12-inch, 8-inch and 3-inch mains extending in a northeasterly direction from the Sullivan Pump area and apparently running along or near Glenn's Creek Road;

m. 12-inch, 8-inch and 6-inch water mains extending in a southeasterly direction from the Gesesco pump;

n. 6-inch water main extending from Schenkle Lane in a northwesterly direction along Highway U.S. 421;

o. Series of 6-inch and 8-inch mains extending northwest of Schenkle Lane and including Discher Estates;

p. 8-inch and 6-inch water main along Kentucky Avenue;

q. 6-inch water main extending south set in a southerly and then easterly direction from the Fort Highlands area, Skyline Road and Skyview Drive;

r. 8-inch and 6-inch water mains extending northwest of the North Shelby master meter, and parallel 2-inch and 8-inch water mains extending in a northwest direction;

s. Series of water mains fed by an 8-inch water main beginning on Devil's Hollow Road and running along River Ridge Road, and including, but not limited to, River Ridge Road, Riverbend Road, Palisade Drive, Crown Point Drive, Sandbar Lane, and Harmony Landing;

t. Water main along Moss Lane;

u. All water mains west of the intersection of Richardson Lane and Devil's Hollow Road;

v. Water main along King Lane;

w. 6-inch water main extending north from the US 60 master meter at Bridgeport;

x. Series of 6- and 8-inch lines along Bridgeport Road and extending northward of US Highway 60;

y. All water mains shown on the Map other than those listed in a through x above which are indicated on the Map as dead-end mains.

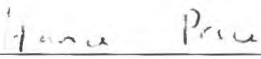
Witness(es): Paul Herbert, Connie Heppenstall, David Billings

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 14th day of September, 2014.

CERTIFICATE OF SERVICE

I, Hance Price, certify that on the 19th day of September, 2014 an original and six (6) copies of FEWPB's Supplemental Response to the Intervening Wholesale Customers' First Request for Information dated August 19, 2014 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

Counsel further certifies that true and accurate copies of the Supplemental Response were served by mail 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

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

Frankfort Electric Water and Plant Board's
Supplemental Response to Intervening
Wholesale Customers' First Request for
Information Dated August 19, 2014

PSC CASE NO. 2014-00254

ITEM 1

Frankfort Electric and Water Plant Board
Supplemental Responses to Intervening Wholesale Customers'
First Request for Information dated August 19, 2014
Case No. 2014-00254

ITEM 1: Why was the period 1999-2012 chosen to determine a maximum daily demand? Why is the test year not included?

Response: Typically, ten years of daily production data are reviewed in order to capture periods of peak demands. However, fourteen years of data were considered since that many years of data were available. In addition, more weight is given to the last five years which is when the peak day ratio of 1.80 was experienced in 2012. See response to AG-1-38.

Frankfort Electric Water and Plant Board's
Supplemental Response to Intervening
Wholesale Customers' First Request for
Information Dated August 19, 2014

PSC CASE NO. 2014-00254

ITEM 3

Frankfort Electric and Water Plant Board
Supplemental Responses to Intervening Wholesale Customers'
First Request for Information dated August 19, 2014
Case No. 2014-00254

ITEM 3: Is the maximum day ratio identified at the bottom of page 13 the ratio calculated using the maximum day and average day from Frankfort's total production or total sales?

Response: The system maximum day ratio is based on average and peak day total production that was delivered to the distribution system.

Frankfort Electric Water and Plant Board's
Supplemental Response to Intervening
Wholesale Customers' First Request for
Information Dated August 19, 2014

PSC CASE NO. 2014-00254

ITEM 9

Frankfort Electric and Water Plant Board
Supplemental Response to Intervening Wholesale Customers'
First Request for Information dated August 19, 2014
Case No. 2014-00254

ITEM 9: Provide descriptions detailed to the extent to allow functionalization between storage, transmission, distribution or customer purposes, and sufficient to identify the location, type and original cost of all debt-funded projects where the original loans or bonds have not been paid in full. This includes projects for which the initial loans or bonds have been refinanced one or more times, but not yet otherwise paid in full.

Response: See table below.

| Project | Financing Mechanism | Functionalization | Costs |
|-----------------------------|----------------------------|---------------------------|--------------|
| Chemical Feed/OSG Project | Debt | Treatment | \$6,743,300 |
| LS MCC Project | Debt | Source of Supply | \$1,027,200 |
| LS Master Meter | Rates | Source of Supply | \$46,900 |
| HS MCC Project | Debt | Transmission/Distribution | 1,272,700 |
| Genesco Pump Replacement | Rates | Transmission/Distribution | \$56,700 |
| Sedimentation Basin Project | Rates | Treatment | \$195,500 |
| Capital Avenue Bridge | Rates | Transmission/Distribution | \$165,300 |
| WTP SCADA/Filter Gallery | Debt | Treatment | \$1,609,400 |
| Reservoir Interim Project | Rates | Storage | \$309,000 |
| WD SCADA Improvements | Rates | Transmission/Distribution | \$220,000 |
| 48" Relocation Project | Rates | Transmission/Distribution | \$653,200 |
| Generator Project | Debt | Treatment | \$3,245,200 |

Frankfort Electric Water and Plant Board's
Supplemental Response to Intervening
Wholesale Customers' First Request for
Information Dated August 19, 2014

PSC CASE NO. 2014-00254

ITEM 12

Frankfort Electric and Water Plant Board
Supplemental Response to Intervening Wholesale Customers'
First Request for Information dated August 19, 2014
Case No. 2014-00254

ITEM 12: Provide a breakdown of the following costs which were included in Schedule B of Frankfort's Cost of Study ("COS") filed in this case. Ensure the breakdown is detailed enough to enable functionalization between storage, transmission, distribution and customer purposes. If the costs cannot be assigned to one of the four mentioned purposes, please indicate why the expense is relevant to a wholesale cost-of-service study:

computer expense
software services
insurance expense
clubhouse expense
cash contributions to city

Response: These items cannot be functionalized between storage, transmission, distribution, and customer purposes as these are administrative costs which support all functions of water system, including the service provided to the Wholesale customers.

See the attached sections from FPB's budget showing computer expense, software expense and insurance expenses. Clubhouse expenses are general repairs and maintenance on the building. Cash contributions to the City is a \$25,000 payment to the City of Frankfort for flood wall construction. This flood wall protects FPB's downtown office which has completely flooded in the past.

| |
|---|
| <p align="center">FRANKFORT ELECTRIC & WATER PLANT BOARD FISCAL YEAR 12-13 BUDGET IT DEPARTMENT</p> |
|---|

ACCOUNT NAME COMPUTER EXPENSE ACCOUNT # 905300

TOTAL BUDGET \$119,300

| DESCRIPTION | | AMOUNT |
|---------------------|---|-------------------|
| Remote Access | Internet Connections to respond after hours | \$ 3,000 |
| Computer supplies | Various Computer supplies | 15,000 |
| Hostnexus | FPB's hosted website | 1,000 |
| Anixter | Fiber jumpers | 2,000 |
| Namecheap | FPB domain names | 100 |
| Print Cartridges | Supplies | 30,000 |
| Dell | Computer parts | 2,000 |
| Cisco Maint | Routers and Switches | 30,000 |
| Monitor Replacement | 23 Monitors | 7,000 |
| Yousendit | Cloud Host for file transfer | 2,000 |
| Pitney Bowes | Maint. Contract on folder - stuffer | 2,200 |
| Print Maint | Maint contract and parts | 25,000 |
| TOTAL | | <u>\$ 119,300</u> |

| INSURANCE ESTIMATE | | | | | | | |
|--------------------|---------------|--------------|--------------|-------------------|------------|-------------------------|----------------------------|
| EXP DATE | POLICY | CURRENT COST | MONTHLY COST | MONTHS IN FY 2013 | | MONTHS IN FUTURE POLICY | FUTURE POLICY CURRENT + 5% |
| 7/1/2013 | WIC | \$ 126,602 | \$ 10,550 | 12 | \$ 126,602 | 0 | \$ - |
| 2/20/2013 | FLOOD | \$ 2,559 | \$ 213 | 7 | \$ 1,493 | 5 | \$ 1,120 |
| 9/23/2016 | PUB OFF BONDS | \$ 289 | \$ 6 | 8 | \$ 48 | 0 | \$ - |
| VARIOUS | MISC BONDS | \$ 2,809 | \$ 224 | 9 | \$ 2,107 | 3 | \$ 737 |
| 10/22/2013 | CYBER POL | \$ 16,578 | \$ 1,382 | 8 | \$ 11,052 | 4 | \$ 5,802 |
| 2/5/2013 | COMMBUS | \$ 726,382 | \$ 60,532 | 7 | \$ 423,723 | 5 | \$ 317,792 |
| 2/5/2013 | SECURITY INS | \$ 8,048 | \$ 671 | 7 | \$ 4,695 | 5 | \$ 3,521 |
| | | \$ 883,267 | \$ 73,587 | | \$ 569,719 | | \$ 328,972 |
| TOTAL FOR FY 2013 | | | | | | | \$ 898,691 |

Frankfort Electric Water and Plant Board's
Supplemental Response to Intervening
Wholesale Customers' First Request for
Information Dated August 19, 2014

PSC CASE NO. 2014-00254

ITEM 13

Frankfort Electric and Water Plant Board
Supplemental Response to Intervening Wholesale Customers'
First Request for Information dated August 19, 2014
Case No. 2014-00254

ITEM 13: Provide descriptions detailed to the extent to allow functionalization between storage, transmission, distribution or customer purposes, and sufficient to identify the location, type and original cost, for all rate-funded capital projects designed or constructed by Frankfort's water utility division in the past five fiscal years.

Response: See table below.

| Project | Financing Mechanism | Functionalization | Costs |
|-----------------------------|----------------------------|---------------------------|--------------|
| Chemical Feed/OSG Project | Debt | Treatment | \$6,743,300 |
| LS MCC Project | Debt | Source of Supply | \$1,027,200 |
| LS Master Meter | Rates | Source of Supply | \$46,900 |
| HS MCC Project | Debt | Transmission/Distribution | 1,272,700 |
| Genesco Pump Replacement | Rates | Transmission/Distribution | \$56,700 |
| Sedimentation Basin Project | Rates | Treatment | \$195,500 |
| Capital Avenue Bridge | Rates | Transmission/Distribution | \$165,300 |
| WTP SCADA/Filter Gallery | Debt | Treatment | \$1,609,400 |
| Reservoir Interim Project | Rates | Storage | \$309,000 |
| WD SCADA Improvements | Rates | Transmission/Distribution | \$220,000 |
| 48" Relocation Project | Rates | Transmission/Distribution | \$653,200 |
| Generator Project | Debt | Treatment | \$3,245,200 |

Frankfort Electric Water and Plant Board's
Supplemental Response to Intervening
Wholesale Customers' First Request for
Information Dated August 19, 2014

PSC CASE NO. 2014-00254

ITEM 15

Frankfort Electric and Water Plant Board
Supplemental Responses to Intervening Wholesale Customers'
First Request for Information dated August 19, 2014
Case No. 2014-00254

ITEM 15: The COS cover letter signed by Paul Herbert and Constance Heppenstall refers to the inclusion of "pro forma revenues". The rate proposed for Sales for Resale—Non-Water Producers appears to have been calculated with test year (FY2013) water purchases in the denominator. Please explain.

Response: The Cost of Service Study was completed in April, 2014, before the end of FPB 2013/2014 fiscal year. Therefore, the most recent fiscal year revenue requirements available were for the year ended June 30, 2013. To be consistent, the pro forma revenues were calculated using the billing determinants for the same period.

Frankfort Electric Water and Plant Board's
Supplemental Response to Intervening
Wholesale Customers' First Request for
Information Dated August 19, 2014

PSC CASE NO. 2014-00254

ITEM 24

Frankfort Electric and Water Plant Board
Supplemental Responses to Intervening Wholesale Customers'
First Request for Information dated August 19, 2014
Case No. 2014-00254

ITEM 24: Reference is made to Question 16 of Appendix B to the PSC Order dated July 23, 2014. The map produced by Frankfort in response to this question (the "Map") has a color-coded legend for pipes of varying diameters. The Map largely does not follow that color-coded system, with the majority of water mains 6-inches and larger shown in red. Please produce this same Map where all water mains are color-coded consistent with the legend to indicate their size. If there is the ability to produce such a Map which identifies by name all or most road names on the Map, please include those road names on the Map. If it is not feasible to identify most road names on the Map, please identify on the Map the names of as many roads as feasible, including all arterial roads.

Response: Lines in red are those with flow rates of greater than 3 gallons per minute. Line diameter is indicated by the numerical value on the chart. For instance, the line leading to AS MM has a flow rate of greater than 3 gallons per minute and is 12 inches in diameter. It is not possible to produce a map that indicated by color both line diameter and line flow rate.

Frankfort Electric Water and Plant Board's
Supplemental Response to Intervening
Wholesale Customers' First Request for
Information Dated August 19, 2014

PSC CASE NO. 2014-00254

ITEM 25

Frankfort Electric and Water Plant Board
Supplemental Response to Intervening Wholesale Customers'
First Request for Information dated August 19, 2014
Case No. 2014-00254

ITEM 25: Reference is made to Question 16 of Appendix B to the PSC Order dated July 23, 2014. Please produce a Frankfort system map (showing facilities that Frankfort alleges serve wholesale water customers), which lists on the Map as many road names as is feasible, includes only water mains of 8 inches and larger in diameter, and is color-coded by water main size.

Response: See attached system map showing only 8 inch lines and greater.

CASE NO:

**CONTAINS
LARGE OR OVERSIZED
MAP(S)**

RECEIVED ON: Sept 19, 2014

Frankfort Electric Water and Plant Board's
Supplemental Response to Intervening
Wholesale Customers' First Request for
Information Dated August 19, 2014

PSC CASE NO. 2014-00254

ITEM 26

Frankfort Electric and Water Plant Board
Supplemental Responses to Intervening Wholesale Customers'
First Request for Information dated August 19, 2014
Case No. 2014-00254

ITEM 26: Explain in detail how the clubhouse is required to provide adequate service to Frankfort's wholesale customers.

Response: The use of FPB's clubhouse and how it benefits the districts was covered thoroughly in the 2008 rate case. There, the Commission held that it was proper to allocate \$301.00 to the districts. Clubhouse use has not changed since then. FPB still uses the facility for human resources training, safety training and board meetings. See the attached testimony and Order.

BEFORE THE
COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

PROPOSED ADJUSTMENT OF THE WHOLESALE
WATER SERVICE RATES OF FRANKFORT
ELECTRIC AND WATER PLANT BOARD

CASE NO. 2008-00250

TRANSCRIPT OF EVIDENCE

Date of Hearing: February 18, 2009

1 directed to other witnesses.

2 HEARING OFFICER SELF:

3 Mr. Hughes, any redirect?

4 MR. HUGHES:

5 Just one.

6 REDIRECT EXAMINATION

7 BY MR. HUGHES:

8 Q. Does the Plant Board use the clubhouse for its own
9 business? For example, do you have . . .

10 A. It does. On Tuesday, it's reserved for the Plant
11 Board, for Plant Board meetings, and we also have a lot
12 of training facilities up there. We use it in HR.
13 It's reserved quite a bit for Plant Board use, City
14 use, if they'd like to have it.

15 Q. Okay.

16 MR. HUGHES:

17 That's all I have.

18 HEARING OFFICER SELF:

19 Mr. Prather, any further cross?

20 MR. PRATHER:

21 No, Your Honor.

22 HEARING OFFICER SELF:

23 Mr. Marshall?

24 MR. MARSHALL:

25 No.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--------------------------------------|---|---------------------|
| PROPOSED ADJUSTMENT OF THE WHOLESALE |) | |
| WATER SERVICE RATES OF FRANKFORT |) | CASE NO. 2008-00250 |
| ELECTRIC AND WATER PLANT BOARD |) | |

ORDER

The Frankfort Electric and Water Plant Board ("Plant Board") proposes to adjust the rate of wholesale water service to five water districts and a water association from \$1.539 per 1,000 gallons to \$1.814 per 1,000 gallons, an increase of 17.9 percent. By this Order, the Commission denies the proposed adjustment and authorizes the Plant Board to increase its wholesale water service rate to \$1.704 per 1,000 gallons.

BACKGROUND

Frankfort, a city of the second class,¹ provides utility services through the Plant Board, a combined electric and water utility plant. The Plant Board serves approximately 16,000 retail water customers in the Frankfort area.² In addition, it provides wholesale water service to the Georgetown Municipal Water and Sewer Service ("Georgetown") and six public utilities: Elkhorn Water District; Farmdale Water District; North Shelby Water Company; Peaks Mill Water District; South Anderson Water

¹ KRS 81.010(2).

² Gannett Fleming, Inc., *The Electric and Water Plant Board of the City of Frankfort, Kentucky Water Division Cost-of-Service Study as of June 30, 2007 and Proposed Customer Rates*, Schedule C at 15 (Feb. 14, 2008) (hereinafter "Gannett Fleming Study"). All references to the Gannett Fleming Study in this Order incorporate the amended pages filed with the Commission on August 27, 2008.

and makes Commission approval a prerequisite to any change in a rate that a municipal utility assesses a public utility for wholesale utility service.

The Commission reviews rates to ensure that they are fair, just, and reasonable.⁷ The Plant Board has “the burden of proof to show that the increased rate or charge is just and reasonable.”⁸

ANALYSIS

Test Period

The Plant Board proposes and the Commission accepts the 12-month period ending June 30, 2007 as the test period for determining the reasonableness of the proposed rate. In using this historic test period, the Commission has given full consideration to appropriate known and measurable changes.

Operating Expenses

1. Clubhouse Expenses

The Plant Board maintains a clubhouse that it uses for office functions, and the clubhouse is available to the public for events. The Plant Board included \$2,630 in expenses for the clubhouse, \$301 of which is allocated to the wholesale customers.⁹ The Intervenor initially suggested that expenses related to the clubhouse should not be allocated to the wholesale customers. The Plant Board responded that the revenues generated from the clubhouse make up for the expenses.¹⁰ In addition to this fact, the

⁷ KRS 278.030.

⁸ KRS 278.190(3).

⁹ Gannett Fleming Study, *supra* note 2, Schedule B at 3.

¹⁰ Plant Board's Response to Peaks Mill Water District's First Set of Interrogatories, Item 22 (filed Sept. 19, 2008).

Plant Board holds meetings and training for its staff at the clubhouse.¹¹ Accordingly, the Commission finds that it is appropriate to allocate expenses related to the clubhouse to the Plant Board's wholesale customers.

2. Capital Projects Expenses

The Plant Board has included \$1,136,245 for capital projects in the test period. This reflects the anticipated cost of future projects. The Commission typically uses the amount calculated for depreciation instead of the capital projects account because depreciation represents the systematic recovery of the utility's actual investment in prior capital projects. Unlike projections for future capital projects, depreciation is both a known and measurable quantity. In addition, utilization of depreciation expense ensures that current ratepayers do not have to pay for future projects for which they might not receive benefit. Accordingly, the Commission finds that a reasonable portion of the depreciation expense of \$1,079,650 should be allocated to the wholesale customers instead of the capital projects expense.

3. Payments in Lieu of Taxes

The Plant Board included \$48,998 for payments in lieu of taxes, \$10,713 of which was allocated to the wholesale customers. The Plant Board has not provided any evidence to demonstrate that it is required to make these payments.¹² In addition, it has not presented any evidence that it receives any benefit or service for those payments. The American Water Works Association's M1 Manual states that the appropriateness of

¹¹ Transcript at 34.

¹² Three of the Plant Board's witnesses at the hearing were asked questions related to local taxes. Two witnesses disclaimed knowledge regarding the taxes in general, and another witness did not know whether the payments were legally required. Transcript at 32, 77, 162.

Frankfort Electric Water and Plant Board's
Supplemental Response to Intervening
Wholesale Customers' First Request for
Information Dated August 19, 2014

PSC CASE NO. 2014-00254

ITEM 29

Frankfort Electric and Water Plant Board
Supplemental Responses to Intervening Wholesale Customers'
First Request for Information dated August 19, 2014
Case No. 2014-00254

- ITEM 29: Please explain how the following water mains or water main areas, which are indicated on the Map as being dead-end mains, serve the Wholesale Customers:
- a. These are in reference to the 4-way water main intersection on US Highway 421 where the southerly 8-inch main serves the NE master meter 1 (the "Intersection"):
 - i. 6-inch water main extending from the Intersection in an easterly direction along US Highway 421;
 - ii. 16-inch and 4-inch water mains extending from the Intersection in a northerly direction;
 - b. 4-inch water main (appears to follow Old Frankfort Pike) extending in a southeasterly direction from the 20-inch water main which connects the Jett Pump and US Highway 421;
 - c. 3-inch and short 6-inch water mains adjacent to U.S. Highway 60 just south of the Jett Pump area;
 - d. 6-inch and 4-inch lines extending in a southeasterly direction from the Rose tank, then branching east and west;
 - e. 4-inch and 3-inch water mains extending in a southerly and then northwesterly direction from the intersection of the 4-inch and 6-inch water mains feeding the Rose tank;
 - f. 3-inch lines extending in a westerly direction from the 4-inch water main feeding the Rose tank;
 - g. The entire group of 3-, 6-, and 4-inch water mains extending in a northerly direction from the north side of the 3-inch water main which leads from the Millville pump that feeds the Rose tank;
 - h. Series of 6- and 12-inch water mains that appear to serve Iverness Road, Galbraith Road, and the roads bounded by Maverick Trail, Bolera Way, and Stonehaven Drive, including Fiesta Way, Saddleback Trail, Charro Court, and other roads in that immediate vicinity;
 - i. 6-inch and 4-inch water mains that appear to serve Winterhaven Lane, Springhill Lane, Autumn View Lane, and nearby roads fed by one 6-inch and one 4-inch water main off U.S. Highway 421;

- j. Series of roads generally encircled by Isaac Shelby Circle off U.S. Highway 421 and indicated on the Map as being fed by a single 8-inch water main;
- k. 8-inch water main between Isaac Shelby Circle and Regent's Park Circle extending in a northerly direction off US Highway 421;
- l. Series of 6-inch, 12-inch, 8-inch and 3-inch mains extending in a northeasterly direction from the Sullivan Pump area and apparently running along or near Glenn's Creek Road;
- m. 12-inch, 8-inch and 6-inch water mains extending in a southeasterly direction from the Gesesco pump;
- n. 6-inch water main extending from Schenkle Lane in a northwesterly direction along Highway U.S. 421;
- o. Series of 6-inch and 8-inch mains extending northwest of Schenkle Lane and including Discher Estates;
- p. 8-inch and 6-inch water main along Kentucky Avenue;
- q. 6-inch water main extending south set in a southerly and then easterly direction from the Fort Highlands area, Skyline Road and Skyview Drive;
- r. 8-inch and 6-inch water mains extending northwest of the North Shelby master meter, and parallel 2-inch and 8-inch water mains extending in a northwest direction;
- s. Series of water mains fed by an 8-inch water main beginning on Devil's Hollow Road and running along River Ridge Road, and including, but not limited to, River Ridge Road, Riverbend Road, Palisade Drive, Crown Point Drive, Sandbar Lane, and Harmony Landing;
- t. Water main along Moss Lane;
- u. All water mains west of the intersection of Richardson Lane and Devil's Hollow Road;
- v. Water main along King Lane;
- w. 6-inch water main extending north from the US 60 master meter at Bridgeport;
- x. Series of 6- and 8-inch lines along Bridgeport Road and extending northward of US Highway 60;
- y. All water mains shown on the Map other than those listed in a through x above which are indicated on the Map as dead-end mains.

Response:

FPB's answer was not unresponsive. This question has been asked and answered many times in past rate cases. The 25 subpart question is merely a variation on a common theme used by the Intervening districts to attempt to dissect FPB's system. In Case No. 2008-00250, in response to questioning by counsel for the Intervening districts, Paul Herbert explained why it is impossible to "cherry-pick" mains, storage facilities, etc. and assign the cost of

those facilities to a particular user or customer class. Likewise, it is impossible “cherry-pick” sections of mains and explain how they serve a particular wholesale customer.

FPB maintains that the Intervening Districts are precluded from raising this issue in the instant case. This Commission has noted “[i]ssue preclusion bars further litigation when the issues in the two proceedings are the same, the adjudicator in the previous proceeding reached a final decision or judgment on the merits of the case, the estopped party had a fair opportunity to litigate the issue, and the issue in the prior action was necessary to the adjudicator’s final decision.” In the Matter of: Tariff Filing of Northern Kentucky Water District to Amend its Cross-Connection Control Policy, Case No. 2004-00309 (Ky. PSC July 12, 2006) at 4-5. Here, all the required elements are present.

1 BEFORE THE
2 COMMONWEALTH OF KENTUCKY
3 PUBLIC SERVICE COMMISSION

4 IN THE MATTER OF:

5 PROPOSED ADJUSTMENT OF THE WHOLESALE
6 WATER SERVICE RATES OF FRANKFORT
7 ELECTRIC AND WATER PLANT BOARD

8 CASE NO. 2008-00250
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14 TRANSCRIPT OF EVIDENCE
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Date of Hearing: February 18, 2009

1 MR. MARSHALL:

2 That's all at this time, Your Honor.

3 HEARING OFFICER SELF:

4 Mr. Prather?

5 MR. PRATHER:

6 Yes, Your Honor.

7 CROSS-EXAMINATION

8 BY MR. PRATHER:

9 Q. Mr. Herbert, were you told by anyone at the Frankfort
10 Plant Board to allocate all of the cost of the cost of
11 service study to the wholesale customers?

12 A. No. In my experience, I conduct the study, and I
13 gather data and information from the client, in this
14 case the Plant Board, in order to do my study.

15 Q. Okay. The hydraulic study that was done on Frankfort's
16 system, both with the pumps on and with the pumps off,
17 you're familiar with that?

18 A. I'm not very familiar with it. I've seen the response
19 to the data request . . .

20 Q. Okay.

21 A. . . . but I didn't have any input into it.

22 Q. I'm not sure this is in your area. So, if it isn't,
23 tell me. Would you know whether that type of a study
24 is useful? Is it realistic? Because it excluded all
25 of the retail customer, everybody except the wholesale.

1 It only looked at the wholesale demand and then
2 calculated how much would be going through each of the
3 little lines and everything. Is that useful?
4 A. No. I mean, it's interesting, maybe, but it's not what
5 I would use in order to determine whether the wholesale
6 class uses the distribution system or not. Let me
7 explain. A cost allocation study is exactly what it
8 is. It's allocating the total cost to the various
9 users. It's not a study to determine, "Okay, this
10 customer is only getting fed by this line; this
11 customer over here only has this line and this meter."
12 It's not that. It's a cost allocation because, if you
13 go down that route of doing the cherry-picking kind of
14 thing that you're suggesting is appropriate, you would
15 have to do that for all classes. In other words, the
16 commercial class, J.C. Penney could come in here with
17 an attorney and say, "We don't use these mains over
18 here. We shouldn't have to pay for those," or, "We
19 don't use these mains over on this side of the system,"
20 and then some other customers may be able to come in
21 and say, "We don't use this main. We don't use this
22 storage facility." Then what you end up with is an
23 impossible situation where you cannot determine
24 properly. You can do it incorrectly very easily. To
25 do a correct study, you have to do it the way the base-

1 extra capacity method is described in the M1 Manual,
2 which is a cost allocation, not a cost assignment
3 study.

4 Q. Is that a demand study?

5 A. No.

6 Q. Okay.

7 A. No. It's a cost of service allocation study where you
8 take the total cost and allocate it to the various
9 classes of users based on how much water they use, the
10 rate of their flow, how many customers there are, and
11 the size of their meters, and the fire protection is
12 another consideration.

13 MR. PRATHER:

14 No further questions.

15 HEARING OFFICER SELF:

16 Mr. Osterloh?

17 MR. OSTERLOH:

18 Thank you.

19 CROSS-EXAMINATION

20 BY MR. OSTERLOH:

21 Q. I think your last response just described your answer
22 to my first question, which was if you can describe the
23 base-extra capacity method. Are there other methods
24 for determining rates?

25 A. There's one other method that's described in the

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--|---|---------------------|
| THE TARIFF FILING OF NORTHERN KENTUCKY |) | |
| WATER DISTRICT TO AMEND ITS CROSS- |) | CASE NO. 2004-00309 |
| CONNECTION CONTROL POLICY |) | |

ORDER

Northern Kentucky Water District ("NKWD") has submitted revisions to those portions of its existing rate schedules that related to its cross-connection control policies. Finding that these revisions fail to conform to the Commission's Order in Case No. 2001-00202,¹ and are unreasonable and premature, the Commission rejects the proposed revisions and directs NKWD to submit a revised cross-connection control policy that conforms to its earlier Order.

NKWD, a water district organized pursuant to KRS Chapter 74, owns and operates facilities used to distribute and furnish water service to approximately 79,685 customers in Boone, Campbell, Kenton and Pendleton counties, Kentucky.² It is a utility subject to Commission jurisdiction. KRS 278.010(3)(d); KRS 278.015.

¹ Crestbrook Properties v. Northern Kentucky Water District, Case No. 2001-00202 (Ky. PSC Jun. 17, 2003).

² Annual Report of Northern Kentucky Water District to the Public Service Commission for the Calendar Year Ended December 31, 2005 at 5 and 27.

Noting that multi-residential structures generally have larger meters, we expressed concerns that the proposed tariff retained the same discriminatory effects as its predecessor.

NKWD in its response does not deny that meter size is a principal component for program implementation, but instead defends its use as appropriate and reasonable:

The District needs some logical means to identify and select customers for enforcement. **Because there is a correlation, at least in the experience of the District's engineers and DOW, between size and degree of hazard of contamination, this was selected as the most reasonable criteria to use to implement the program.** The District cannot force every customer to comply at the same time. There is not enough staff or resources to deal with every customer at the same instant. Therefore, some customers are affected by the method of prioritizing before others. Meter size has been the primary basis for enforcement since the beginning of the program. It is neither discriminatory, nor unreasonable.

Except for the Commission's misperception that the District is attempting to underhandedly enforce the policy against multi-family customers, **there is nothing in the record to support the conclusion that use of meter size is unreasonable. In fact it has been recognized by other utility commissions as reasonable and as non-discriminatory.**⁹

The Commission expressly rejected this position in Case No. 2001-00202. In that proceeding, it found nothing to suggest that "meter size was the proper way to assess potential hazards due to backflow."¹⁰ Its review of the evidence in that proceeding, in which NKWD was the principal party, demonstrated that "use, not meter

⁹ NKWD's Response at 8 (emphasis added).

¹⁰ Crestbrook Properties at 4 (Ky.PSC July 23, 2004).

size, was the proper factor to consider when classifying hazards or risks.”¹¹ The principles of *res judicata* prohibit us from affording any weight to NKWD’s argument on this point.¹²

In its Order of February 24, 2005, the Commission further found that the proposed tariff’s provisions relating to the start of implementation of a multi-family and residential cross-connection program appear unreasonably vague. The proposed tariff provides in part:

Implementation of the multi-family and residential cross-connection program will begin when the state and federal regulatory agencies with statutory oversight of cross-connection programs have written rules or regulations specifying the type of device that is approved or approvable for multi-family and residential use and have determined the extent to which such devices must be installed on existing and new multi-family and residential connections.¹³

The Commission noted that the proposed tariff contains no specific date when implementation to these groups will begin and, if allowed to become effective, provides no notice to members of the groups that the program is currently applicable to them.

¹¹ Id.

¹² The doctrine of *res judicata* bars the adjudication of issues that have already been litigated or should have been litigated in a prior case between the same or similar parties. 47 Am. Jur.2d Judgments §464. Kentucky courts have long held that the doctrine of *res judicata* applies to quasi-judicial acts of “public executives, or administrative officers and boards acting within their jurisdiction,” unless there has been a significant change of conditions or circumstances that has occurred between two successive administrative hearings. Williamson v. Public Service Commission, Ky., 174 S.W.2d 526, 529 (1943); Bank of Shelbyville v. Peoples Bank of Bagdad, Ky., 551 S.W.2d 234, 236 (1977).

The doctrine encompasses two sub-parts: claim preclusion and issue preclusion. Yeoman v. Commonwealth, Ky., 983 S.W.2d 459,464 (1998). Issue preclusion, also known as collateral estoppel, prevents parties from re-litigating any issue actually litigated and decided upon in an earlier action. Id. at 465. Issue preclusion bars further litigation when the issues in the two proceedings are the same, the adjudicator in the previous proceeding reached a final decision or judgment on the merits of the case, the estopped party had a fair opportunity to litigate the issue, and the issue in the prior action was necessary to the adjudicator’s final decision. Newman v. Newman, Ky., 451 S.W.2d 417 (1970). All of the elements of issue preclusion exist in this proceeding.

¹³ Northern Kentucky Water District Tariff, PSC No. 2, Original Sheet No. 28 (proposed).