

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

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

CASE NO. 2014-254

**INTERVENING WHOLESALE CUSTOMERS' SECOND REQUEST FOR
INFORMATION TO
FRANKFORT ELECTRIC AND WATER PLANT BOARD**

Come the Intervenors, North Shelby Water Company, U.S. 60 Water District of Shelby and Franklin Counties, Kentucky, Elkhorn Water District, Farmdale Water District, Northeast Woodford County Water District, Peaks Mill Water District, and South Anderson Water District (collectively the "Wholesale Customers"), by counsel, and respectfully request Frankfort Electric and Water Plant Board ("Frankfort") provide responses to the following second requests for information.

Each response shall be under oath or, for representatives of a public or private corporation, a partnership, an association or governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf 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.

Frankfort 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 Frankfort fails to furnish all or part of the requested information, Frankfort shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copies 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. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. What was the Frankfort Electric and Plant Board's ("FPB") estimated cost of water production on a per-gallon basis in fiscal year 2013? Please respond with a cost for treatment only. In other words, the cost beginning at the source of supply and ending after the expense of energy from the high service pumps.
2. The 2013 Rate Book of the Bluegrass Area Development District ("Rate Book") includes a table (Table 6) containing the water production for calendar year 2012 for the municipal water utilities in that District. The table indicates, in 2012, FPB's water treatment plant saw an average day production of 7.870 MGD and a peak day production of 16.169 MGD. Using the numbers in the Rate Book, the ratio of FPB's maximum day production to average day production is 2.05. FPB maximum daily production figures previously provided to the Wholesale Customers and the Attorney General by the FPB are not consistent with the maximum daily production figures from the Rate Book. Additionally, the maximum day production to average day production ratio used in the Cost Of Service study prepared by Gannett Fleming ("COS") is 1.80. Please provide documentation and an explanation which substantiates the correct average day production and maximum day production for every year used in calculation of the maximum day production to average day production ratio which is used in the calculation of Factor 2 of the COS.
3. In the COS, the calculation of the allocation factor for costs associated with facilities serving base capacity and maximum hour extra capacity functions (Factor 4) employs a comparison of maximum hour extra capacity demand to average hour demand for wholesale customers. The factor is the ratio of maximum hour to average hour, minus 1.0 and is calculated to be 3.0 for non-water producing wholesale customers. Is it correct, then, that the maximum hour extra capacity demand divided by the average hour demand is 4.0?
4. In Table 1, as completed by FPB in response to the Wholesale Customers' First Request, unaccounted-for non-revenue water on Line 7 is 413,898,200 gallons for the test year. Line 6 was left blank, presumably signifying the FPB cannot quantify any of the non-revenue water on Line 7. Does the FPB keep any records on the

estimated amount of water lost from (1) water main line leaks or (2) service line leaks discovered throughout the test year? If so, what was the total estimated amount of water lost during the test year from such leaks? Does the FPB have a program in place to address what appears to be an excessive amount of water loss (15%) for a non-rural water system?

5. Approximately 18 percent of the depreciation allocated to Sales for Resale – Non Water Producers in the COS is described as “General Assets” and is allocated using Factor 14, which is used for general and administrative expenses. It should be noted that this account is the largest account under the “Depreciation Expense” heading. In light of the FPB Auditor’s recommendation to expense assets below the FPB’s capitalization threshold, the Wholesale Customers are concerned that, not only may the General Assets not be applicable to them, but perhaps may not even be depreciable assets. Please provide a description of the individual assets included in this “catch-all” General Asset Account in sufficient detail to allow a determination if that asset is relevant to wholesale customers, and the original cost to determine if that asset should be expensed.
6. Referencing the previous question, what is the FPB’s “capitalization threshold” referred to by FBP’s Auditor?
7. Regarding the FPB’s supplemental response to the Wholesale Customer’s First Request, Item 12, FPB lists \$119,300 computer expense and \$231,000 software expense, for a total of \$350,300, both under the heading IT Expense. Information technology expenses listed in the FY 2013 Audit are \$219,546. Please explain the difference in these figures. Additionally, how much of the \$350,000 IT expense (or other amount if \$350,000 is not correct) is attributed to eBilling and other eCommerce features of the FPB’s website?
8. The FPB’s response to Item 15 of the Wholesale Customers’ First Request reiterated that test year (Fiscal Year 2013) revenue requirements and revenue were used in the COS. The Wholesale Customers’ question 15 was why pro-forma adjustments to the test year figures were not made for total gallons purchased by the Sales for Resale – Non-Water Producers in Fiscal Year 2014? Additionally, in the response to PSC First Request, Item 31, FPB stated three pro forma adjustments were made: \$45,000 for the rate case expense; chemical expenses expected for the timeframe the COS was being completed; and debt service for the generator project that began at the end of the Fiscal Year 2014. If these three pro forma adjustments were made, why weren’t the known and measurable changes for FY 2104 wholesale water purchases made to the volume of water purchased by the wholesale customers which volume was used to calculate the proposed rate increase to those wholesale customers?

9. In regard to the FPB's response to the Attorney General's Initial Request, Item 24, is it the position of the FPB that the water distribution system was designed to meet system demands and provide 1,200,000 gallons of fire fighting capacities?
10. Please provide the complete depreciation schedule (with original cost, date placed in service, item description, service life, annual depreciation and accumulated depreciation) and annual operation and maintenance expenses associated with all infrastructure supporting water service at the Franklin County Industrial Park #3 and the Bottoms Industrial Site. Include an estimate, based on a hydraulic analysis, of the percentages of the 24-inch waterline serving the Industrial Park #3, the 16 and 12-inch waterlines serving the Bottoms Industrial Site and the water tanks and associated pump stations used to serve these two sites.
11. Provide the complete depreciation schedule (with original cost, date placed in service, item description, service life, annual depreciation and accumulated depreciation) and operation and maintenance expenses associated with providing water to the following customers of the FPB's water system. Please provide the average annual water purchased by each customer.

Artiflex Manufacturing
Beam Inc
Buffalo Trace Distillery
Capital City Tool Inc
CENTRIA
Custom Data Processing Inc
Frankfort Habitation
Frankfort Publishing Co
Greenheck Fan Corp
Harrod Concrete & Stone CO
HP Enterprise Services
MBM Foodservice
Meritor Inc
Montaplast of North America
Nashville Wire Products
TOPY America Inc
Washington Penn Plastic Co Inc

12. Reference the chart produced in the FPB response to the Attorney General's Initial Data Requests dated August 19, 2014. Do the figures listed in the column entitled "Miles of Line Used by the Plant Board to Serve its Wholesale Customers" include

any dead end lines? (A dead end line is defined as a line, or group of lines fed by only one line, that does not connect to a master meter which serves one of FPB's Non-Water Producing Wholesale Customers.)

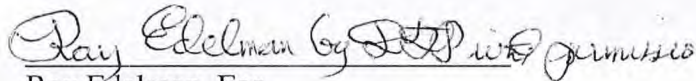
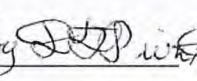
13. If your answer to the preceding question was yes, please produce a revised chart that excludes all such dead end lines.

MATHIS, RIGGS, PRATHER & RATLIFF, P.S.C.

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 by  permission

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CERTIFICATE OF SERVICE

It is hereby certified that a true and accurate copy of the foregoing was this 30 day of September, 2014 mailed to the following:

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