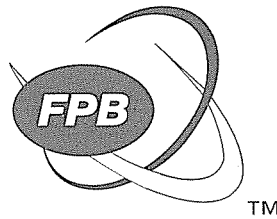


Warner J. Caines
General Manager



Frankfort Plant Board TM

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May 24, 2007

Ms. Beth O'Donnell, Executive Director
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615

Via Hand Delivery

RE: PSC Case No. 2006-00444

Dear Ms. O'Donnell:

I enclose an original and six copies of FEWPB's Response to the Commission's Order of May 18, 2007 in the above case.

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

Sincerely,

Hance Price
Staff Attorney

HP/abb

Enclosures

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
MAY 24 2007
PUBLIC SERVICE
COMMISSION

In the Matter of:

THE PROPOSED ADJUSTMENT OF THE)
WHOLESALE WATER SERVICE RATES OF)
THE FRANKFORT ELECTRIC AND WATER) CASE NO. 2006-00444
PLANT BOARD)

FEWPB'S RESPONSE TO ORDER OF MAY 18, 2007

Comes the Frankfort Electric and Water Plant Board ("FEWPB"), by counsel, and for its Response to the Commission's May 18, 2007 Order hereby states as follows:

I. FEWPB HAS PROSECUTED ITS APPLICATION

FEWPB has prosecuted its application. On October 10, 2006 FEWPB filed its revised tariff sheets seeking a wholesale rate increase. Subsequently, the Commission entered a scheduling order and propounded its data requests.

FEWPB prepared its responses to these requests and filed with the Commission approximately twenty-four (24) volumes containing 9,000 pages of information. These responses were timely filed, responsive to the requests drafted by the Commission and formatted properly. FEWPB has never failed to meet any deadline imposed by the Commission and has prosecuted its application.

II. NO AMENDED SCHEDULING ORDER WAS ENTERED AND NO DEADLINE WAS IMPOSED BY THE COMMISSION REQUIRING FEWPB TO FILE ITS REVISED COST OF SERVICE STUDY BY A DATE CERTAIN

Subsequently, on January 31, 2007, the Commission held an informal conference to discuss FEWPB's responses. As a result of this conference, FEWPB was required to revise its cost of service study. This was due, in part, to differences in the manner municipal utilities and investor owned utilities maintain their accounting records. FEWPB was also

invited to contact Commission Staff with questions regarding the revisions to the cost of service study. However, no amended scheduling order was entered and no deadline was imposed at this conference requiring FEWPB to file its revisions by a certain date.

FEWPB's Staff contacted the Commission regarding preparation of the revised cost of service study. Commission Staff were contacted and they responded on the following dates:

- March 22, 2007 – Michael Lane sought to confirm use of audited Fiscal Year 2006 results as the basis for the test year. (Ex. 1)
- April 2, 2007 – FEWPB's Staff Attorney sought clarification regarding use of audited Fiscal Year 2006 data. Gerald E. Wuetcher, Assistant General Counsel for the Commission, indicated he would respond within two (2) days. (Ex. 2)
- April 24, 2007 – Mr. Wuetcher's response to Michael Lane regarding the use of audited Fiscal Year 2006 results as the basis for the proposed test year. (Ex. 3)
- May 14, 2007 – Michael Lane contacted Mark Frost regarding revisions to the cost of service study. Mr. Frost indicated it was not possible to discuss revisions without a formal conference. (Ex. 4)

The Commission never indicated that FEWPB was required to file its revisions by date certain.

III. ALTHOUGH THREE (3) MONTHS REMAIN TO RESOLVE THIS MATTER AND FEWPB'S COST OF SERVICE STUDY IS COMPLETE, FEWPB IS WITHDRAWING ITS APPLICATION

Three (3) months remain to resolve this matter and FEWPB's cost of service study is complete. However, given the Commission's concerns regarding the lack of adequate time to review the proposed rate, FEWPB is withdrawing this application. FEWPB intends to refile later this year.

CONCLUSION

WHEREFORE, for the foregoing reasons, FEWPB respectfully requests that the Commission enter an Order permitting FEWPB to withdraw this application.

Respectfully Submitted,

John N. Hughes / by H.P.
John N. Hughes
124 West Todd Street
Frankfort, Kentucky 40601

Hance Price
Hance Price
317 West Second Street
Frankfort, Kentucky 40601

Attorneys for Frankfort Electric and
Water Plant Board

This the 24th day of May, 2007.

CERTIFICATE OF SERVICE

I, Hance Price, certify that on the 24th day of May, 2007 a copy of FEWPB's Response to the Commission's Order of May 18, 2007 was served by mail to Honorable Thomas A. Marshall, Attorney at Law, 212 Washington Street, P.O. Box 223, Frankfort, KY 40602, and by mail to Honorable Donald T. Prather, Mathis, Riggs & Prather, P.S.C. Attorneys at Law, 500 Main Street, Suite 5, Shelbyville, KY 40065 and by hand delivery of an original and six copies to Beth O'Donnell, Executive Director, Kentucky Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, KY 40602-0615.

Hance Price
Hance Price

March 22, 2007



Mr. Jerry Weutcher, Esquire
Kentucky Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, KY 40602-0615

RECEIVED

MAR 26 2007

PUBLIC SERVICE
COMMISSION

VIA CERTIFIED U.S. MAIL

Subject: **Updated of Cost of Service Study – Case No. 2006-00444**

Dear Mr. Weutcher:

Frankfort Electric and Water Plant Board (FEWPB) and R. W. Beck are in the process of revising the cost of service study relative to the recent rate case filed by FEWPB. This letter is to confirm our understanding that the Kentucky Public Service Commission requires FEWPB to utilize audited Fiscal Year 2006 results as the basis for the Test Year in the cost of service analysis. If this is not the case, please contact us as soon as possible so that we may discuss the issue with the Kentucky Public Service Commission staff.

I appreciate your assistance in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Lane', with a long horizontal line extending to the right.

Michael Lane, ASA

cc: David Spenard, Esquire, Kentucky Attorney General's Office
Tom Marshall, Esquire
Don Prather, Esquire
Hance Price, Staff Attorney, FEWPB
Herbbie Bannister, Assistant General Manager of Operations, FEWPB
John N. Hughes, Attorney at Law

Letter to PSC.doc

400 Professional Park Drive, Suite 100 Goodlettsville, TN 37072-2100 Phone (615) 859-3900 Fax (615) 851-6066



Price, Hance

From: Wuetcher, Jerry (PSC) [JWuetcher@ky.gov]
Sent: Monday, April 02, 2007 11:51 AM
To: Price, Hance
Cc: Thomas Marshall; Don Prather; Bannister, Herbbie; Taylor, Shannon
Subject: RE: FEWPB Rate Case - 2006-00444

Mr. Price:

I just received your letter and am preparing a response. I will send an electronic copy by e-mail to you and all parties within the next 2 days.

Sincerely,

Gerald E. Wuetcher
Assistant General Counsel
Public Service Commission of Kentucky
(502) 564-3940, Extension 259
(502) 229-6500 (cell)
gerald.wuetcher@ky.gov

From: Price, Hance [mailto:HPrice@fewpb.com]
Sent: Monday, April 02, 2007 11:47 AM
To: Wuetcher, Jerry (PSC)
Cc: Thomas Marshall; Don Prather; Bannister, Herbbie; Taylor, Shannon
Subject: FEWPB Rate Case - 2006-00444

Mr. Wuetcher, how are you?

R.W. Beck, the consulting firm working with FPB on our rate study, recently sent a letter seeking clarification that FPB is to utilize audited fiscal year 2006 data as the basis for the test year in the cost of service analysis.

My management asked that I write and obtain confirmation that our understanding is correct.

Thanks very much for your time,

Hance

Hance Price
Staff Attorney
Frankfort Plant Board
317 West Second Street
P.O. Box 308
Frankfort, KY 40602
502-352-4541
hprice@fewpb.com

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5/21/2007

EXHIBIT #2
1 of 2

copied or forwarded to any unauthorized persons. If you have received this electronic mail transmission in error, delete it from your system without copying or forwarding it, and notify the sender of the error by replying via e-mail or by calling Frankfort Plant Board at 502-352-4381 (collect), so that our address record can be corrected.



Ernie Fletcher
Governor

Teresa J. Hill, Secretary
Environmental and Public
Protection Cabinet

Timothy J. LeDonne
Commissioner
Department of Public Protection

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Mark David Goss
Chairman

John W. Clay
Commissioner

April 24, 2007

Mr. Michael Lane
400 Professional Park Drive
Suite 100
Goodlettsville, TN 37072-2100

Re: Case No. 2006-00444
Frankfort Water and Electric Plant Board

Dear Mr. Lane:

Commission Staff acknowledges receipt of your letter of March 22, 2007.

The Kentucky Public Service Commission does not require the Frankfort Electric and Water Plant Board to use audited Fiscal Year 2006 results as the basis for its proposed test year. A utility has the discretion to choose the test period that it believes best reflects its current operations. Commission Staff, however, strongly recommends the use of the most recent audit results. Use of this report is likely to reduce the level of discovery requests and to ensure greater confidence that the proposed test year accurately reflects Frankfort Electric and Water Plant Board's current operations.

If you have any questions regarding this letter, please contact me at (502) 564-3940, Extension 259.

Any questions regarding this letter should be directed to me at (502) 564-3940, Extension 259.

Sincerely,

Gerald E. Wuetcher
Assistant General Counsel

Cc: Main Case File
Parties of Record

KentuckyUnbridledSpirit.com



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Price, Hance

From: Lane, Michael [MLane@RWBeck.com]
Sent: Monday, May 14, 2007 2:41 PM
To: Taylor, Shannon; Bannister, Herbbie; Price, Hance
Subject: RE: I've left a message with Mark Frost @ the PSC about our call but have not heard back yet.

Shannon,

I just heard from Mark Frost. He is not allowed to even talk to us to answer questions without a formal conference. At this point we just need to get the final allocation factor wrapped up, get the model reviewed in house here, and then you and I can finalize the adjustments, if any, over the phone.

We should be able to wrap up those items over the next few days and be ready to refile. Let me know what you think.

Mike

Michael Lane, ASA

tel 615.851.5836 fax 615.851.6066

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From: Taylor, Shannon [mailto:staylor@fewpb.com]
Sent: Monday, May 14, 2007 11:07 AM
To: Lane, Michael
Subject: RE: I've left a message with Mark Frost @ the PSC about our call but have not heard back yet.

THANKS, LET ME KNOW

Shannon Taylor
Finance Director
(502) 352-4536
staylor@fewpb.com

From: Lane, Michael [mailto:MLane@RWBeck.com]
Sent: Monday, May 14, 2007 12:06 PM
To: Taylor, Shannon
Cc: Bannister, Herbbie; Price, Hance
Subject: I've left a message with Mark Frost @ the PSC about our call but have not heard back yet.

Michael Lane, ASA

tel/ 615.851.5836 fax 615.851.6066

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