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October 16, 2006

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

RECEIVED

OCT 18 2006

PUBLIC SERVICE
COMMISSION

Case No. 2006-00444

Re: Proposed Frankfort Electric and Water Plant Board
wholesale water rate increase

Gentlepersons:

Enclosed please find one original and ten (10) copies, plus an extra first page only, of the Motion for Full Intervention filed on behalf of North Shelby Water Company and U.S. 60 Water District of Shelby and Franklin Counties, Kentucky. Please file the original and ten copies with the Commission and return to me the file-stamped first page copy. For your convenience I have enclosed a self-addressed stamped envelope.

Yours Truly,

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

By: 
Donald T. Prather

DTP/pm
Enclosure
Dtp/wtr/us60/Frankfort/PSC ltr3

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
OCT 18 2006
PUBLIC SERVICE
COMMISSION

In the Matter of:

Proposed Wholesale Water Rate
Increase Filed by Frankfort
Electric and Water Plant Board

CASE NO.

2006-00444


MOTION FOR FULL INTERVENTION

Comes North Shelby Water Company ("North Shelby") and U.S. 60 Water District of Shelby and Franklin Counties, Kentucky ("U.S. 60"), by counsel, and respectfully move that they be granted leave to fully intervene in the captioned rate case. As grounds for this motion, U.S. 60 states that Frankfort Electric and Water Plant Board ("Frankfort") is its sole source of water for its customers. North Shelby purchases approximately one-half of its water from Frankfort. The proposed rate increase, if granted, would significantly increase the water rates for both North Shelby and U.S. 60's customers and therefore both utilities respectfully request full intervention in this case.

Attached hereto is an October 5, 2006 letter setting forth in more specific detail the concerns of North Shelby and U.S. 60 regarding the proposed rate increase.

Respectfully submitted,

Mathis, Riggs & Prather, P.S.C.

By: 
Donald T. Prather
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Attorney for North Shelby and
U.S. 60

CERTIFICATE OF SERVICE

It is hereby certified that a true and accurate copy of the foregoing Motion For Full Intervention was this 16 day of October, 2006 mailed to the following:

Frankfort Electric and Water
Plant Board
PO Box 308
Frankfort, Kentucky 40602


Donald T. Prather

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

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October 5, 2006

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

Re: Proposed Frankfort Electric and Water Plant Board
wholesale water rate increase

Gentlepersons:

U.S. 60 Water District of Shelby and Franklin Counties, Kentucky, Inc. and North Shelby Water Company, by counsel, respectfully request that the Kentucky Public Service Commission review the proposed wholesale water rate increase which has been proposed by the Frankfort Electric Water Plant Board. A copy is attached hereto. Without limiting the generality of the request for review, U.S. 60 and North Shelby point out the following areas which need review:

1. Frankfort should not be allowed to use a future test year, but should be required to use a past test year since that is the only reliable indicator of the need for a rate increase.

2. Frankfort should be required to specify all proposed capital improvements with detailed information regarding the projected cost of each improvement in order to include any such improvements in the proposed new rate base.

3. Assuming a rate increase is necessary, Frankfort should be required to immediately impose uniform rates for city, county wholesale and all other customers rather than postponing such levelization as suggested by the proposed rate increase. North Shelby and U.S. 60 respectfully remind the Commission that the last time they intervened in a Frankfort rate increase in 1999,

Frankfort promised at that time it would move toward levelized rates. Frankfort has not yet imposed uniform rates and Frankfort's past conduct indicates it is unlikely to do so in the future.

4. Frankfort's own cost of service study, at Page 2-6, states that based on benchmarking data, a reasonable goal for Frankfort's future borrowing would be to maintain a debt ratio of 40%. Nevertheless, the proposed rate increase proposes a debt ratio of only 23% yielding the proposed 22% rate increase. A 40% debt ratio would create the need for only an 18% rate increase.

5. Frankfort has admitted it needs to revise its developer reimbursements, as shown on Page 2-7 of the cost of service study. This would involve assessing a \$900.00 system development charge on all new customers which would be used to pay the required rebate to developers. Frankfort's own data indicates a 2% lower rate increase will be required when this \$900.00 per customer impact fee is implemented.

6. Additional system development charges commensurate with other nearby municipal utilities would further decrease the need for a rate increase.

Wherefore, U.S. 60 and North Shelby respectfully request that the Commission review the proposed rate increase by Frankfort.

Yours Truly,

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

By: 
Donald T. Prather

DTP/pm

Enclosure

Cc: North Shelby Water Company

U.S. 60 Water District

Frankfort Electric and Water Plant Board

Attorney General

Dtp/wtr/PSC ltr2