

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

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

RESPONSE TO MOTION FOR HEARING

Comes North Shelby Water Company ("North Shelby") and U.S. 60 Water District of Shelby and Franklin Counties, Kentucky ("US 60"), by counsel, and for their Response to the Motion for Hearing filed by the Frankfort Electric and Water Plant Board ("Frankfort") state as follows:

North Shelby and US 60 have no objection to the scheduling of a hearing on a date and at a time which is convenient to the Commission. However, North Shelby and US 60 wish to ensure that the Commission staff has had suitable time to review all of the submitted data, including Frankfort's recently submitted Response to Peaks Mill and Elkhorn Water District's First Set of Interrogatories. Additionally, the interveners' expert, Carryn Lee, needs additional time to analyze all of the data.

One clear example of the need to carefully review all of the submitted data relates to the size of Frankfort's water mains included in the requested wholesale water rate. Frankfort's initial information on this issue was conflicting. The table in paragraph 12.a on page 3 of Volume 1 of Frankfort's Response to the Commission's July 2, 2008 Order ("Frankfort Initial Data Response") indicates Frankfort believes many miles of 8", 6" and even 4 " lines are used to serve its wholesale customers. Additionally, question 15 directed Frankfort to "Provide a system showing all of the plant board facilities that are used to service the customers listed in item 11." [these are South Anderson Water District, U.S. 60 Water District, North Shelby Water Company, Elkhorn Water District, Peaks Mill Water District, Farmdale Water District and the City of

Georgetown]. The map produced by Frankfort in response to this question (see Tab 15 of Volume 4 of Frankfort's Initial Data Response) clearly shows Frankfort consider the vast majority of the Plant Board's distribution mains of less than 10" in diameter as being used to serve the wholesale customers.

This information led North Shelby and US 60 to conclude these small lines were included in the calculations for the proposed wholesale rate. However, at the informal conference the North Shelby and US 60 representatives verbally inquired whether lines smaller than 10" were being charged to the wholesale customers. Frankfort's representatives stated unequivocally that only water mains of 10" in size and larger were used in the rate calculations, citing Paul Herbert's testimony on page 7 at tab Item 1, Exhibit 2, in Volume 1 of Frankfort's Initial Data Response. This position was later confirmed in the letter dated August 27, 2008 from Frankfort's attorney John N. Hughes to Stephanie Stumbo, Executive Director, in which Mr. Hughes unequivocally stated no mains smaller than 10" were being included in the transmission classification allocated to the wholesale water customers.

Frankfort finally gave a correct answer in item 12 of its Response to Peaks Mill and Elkhorn Water District's Interrogatories: "Distribution mains under 10-inch were allocated to wholesale customers because distribution mains are required to provide service to the wholesale customers, many who [sic] are directly connected to mains less than 10-inches in diameter."

Frankfort's inaccurate initial responses, or carefully worded initial responses, to the line size question were not corrected or clarified until a direct unambiguous question was posed by Peaks Mill – Elkhorn. This example illustrates the need for a careful analysis of all of Frankfort's testimony and data to identify and clarify any other ambiguous or inaccurate data.

For these reasons North Shelby and US 60 respectfully suggest a formal hearing not be scheduled until all discovery has been completed and the Commission staff and the Intervenors' expert have had ample opportunity to review and clarify all of the information in the record.

Once full discovery and such analysis have occurred, it may well be that a future informal conference may result in an agreed resolution of this matter.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, the undersigned attorney, do hereby certify that a true and correct copy of the foregoing was this ~~29th~~ day of October, 2008 mailed to the following:

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