

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE)
WHOLESALE WATER SERVICE)
RATES OF THE CITY OF FALMOUTH)

CASE NO. 2007-00257

O R D E R

On June 26, 2007, the city of Falmouth, Kentucky ("Falmouth") filed with the Commission proposed revisions to its rates for wholesale water service to East Pendleton County Water District ("East Pendleton") and Pendleton County Water District ("Pendleton District"). We suspended for one day Falmouth's proposed rate and allowed it to become effective on June 27, 2007 subject to further change as the Commission may order. Pendleton District and East Pendleton object to the proposed adjustment and request an investigation.

Having considered the proposed rate revision and being otherwise sufficiently advised, the Commission finds that, pursuant to KRS 278.190, further proceedings are necessary to determine the reasonableness of the proposed rate revision. The Commission further finds that the intervention of Pendleton District and East Pendleton is likely to present issues or to develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting this proceeding.

IT IS THEREFORE ORDERED that:

1. Pendleton District and East Pendleton are granted full intervention status in this proceeding.

2. The procedural schedule set forth in Appendix A to this Order shall be followed.

3. a. Falmouth shall file the information requested herein on or before September 21, 2007. Responses to requests for information shall be appropriately bound, tabbed and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided, with copies to all parties of record and 6 copies to the Commission.

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

c. Any party shall make timely amendment to any prior responses 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.

d. For any requests to which a party fails or refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

4. At any hearing in this matter, neither opening statements nor summarization of direct testimony shall be permitted.

5. Motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

6. All documents that this Order requires to be filed with the Commission shall be served upon all other parties.

7. To be timely filed with the Commission, a document must be received by the Commission within the specified time for filing except that any document shall be deemed timely filed if it has been transmitted by United States express mail, or by other recognized mail carriers, with the date the transmitting agency received said document from the sender noted by the transmitting agency on the outside of the container used for transmitting, within the time allowed for filing.

8. Service of any document or pleading shall be made in accordance with Administrative Regulation 807 KAR 5:001, Section 3(7), and Kentucky Civil Rule 5.02.

9. The record of Case No. 2006-00403¹ is incorporated by reference into the record of this matter.

10. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

Done at Frankfort, Kentucky, this 6th day of September, 2007.

By the Commission

ATTEST:


Executive Director

¹ Case No. 2006-00403, Proposed Adjustment of the Wholesale Water Service Rates of the City of Falmouth (Ky. PSC May 12, 2007).

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2007-00257 DATED September 6, 2007

Falmouth shall file its response to the Commission's request
for information contained in Appendix B no later than 09/21/2007

Intervenors shall serve their first set of interrogatories and
requests for production of documents, if any, upon Falmouth
no later than 09/28/2007

Falmouth shall file with the Commission and serve upon all parties
of record its responses to the first set of interrogatories and
requests for production of documents no later than 10/11/2007

An informal conference to consider the possibility of settlement,
the simplification of issues, the contents of the record and any
other matters that may aid in the handling or disposition of this
case shall be held at 10:00 a.m., Eastern Daylight Time, in
Conference Room 1 of the Commission's offices at
211 Sower Boulevard, Frankfort, Kentucky on 10/17/2007

A public hearing shall be held at the Commission's offices
at 211 Sower Boulevard, Frankfort, Kentucky, for the
purpose of cross-examination of witnesses..... To Be Determined

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2007-00257 DATED September 6, 2007

1. Provide in written verified form the direct testimony of each witness that Falmouth intends to present in support of the proposed rate adjustment at any hearing in this matter.

2. In its "Exceptions" to the Commission Staff's Report in Case No. 2006-00403, Falmouth objected to Commission Staff's recommendation that the number of employees who perform services for Falmouth's water operations and whose salaries and benefits should be considered in determining the wholesale rate should be reduced from 17 to 14. Explain the basis for this objection.

3. Refer to "Staff Report on the City of Falmouth," Attachment A at 9, Case No. 2006-00403. State whether Falmouth agrees with Commission Staff's finding regarding the number of employees involved in its water operations and the allocation of each employee's worktime to Falmouth's water operations. If Falmouth disagrees with this finding, state the nature of the disagreement, the name and title of each employee that Falmouth believes should be included, and the percentage of the employee's total work hours devoted to water operations.

4. Falmouth objected to certain pro forma chemical expenses being adjusted in the Staff Report. Falmouth should explain its objection in detail in its direct testimony.

5. List and describe each objection that Falmouth has to Commission Staff's recommended pro forma adjustment to test period chemical expenses.

6. In its “Exceptions” to the Staff Report, Falmouth objected to Commission Staff’s recommendation that a service life of 40 years be used to determine the appropriate level of depreciation expense.

a. State the basis for Falmouth’s use of a service life of 8.5 years for the assets in question.

b. Provide all studies, reports, and analyses that Falmouth prepared or commissioned to develop the useful service lives of the assets in question.

c. Explain why the use of service lives established by the National Association of Regulatory Utility Commissioners is inappropriate to determine Falmouth’s depreciation expense.