

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

Frankfort Electric and Water Plant Board (“Plant Board”) proposes to adjust its existing rates for wholesale water service to public utilities effective on and after July 7, 2008. North Shelby Water Company (“North Shelby”) and U.S. 60 Water District (“U.S. 60 District”) have moved to intervene in any Commission proceedings on the proposed rate revisions.

Having considered the proposed rate adjustment 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 adjustment. The Commission further finds that North Shelby and U.S. 60 District’s intervention 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. The Plant Board’s proposed rate for wholesale water service is suspended for 5 months from July 7, 2008 to December 6, 2008.
2. North Shelby and U.S. 60 District’s motion for leave to intervene in this matter is granted.

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

4. a. 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 six 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, 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. A 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.

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

6. 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.

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

8. 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.

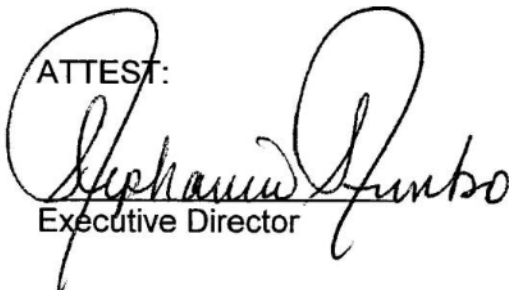
9. Service of any document or pleading shall be made in accordance with Administrative Regulation 807 KAR 5:001, Section 3(7), and Kentucky Civil Rule 5.02.

10. The Plant Board shall file with the Commission, no later than July 21, 2008, the original and 6 copies of the information listed in Appendix B, with a copy to all parties of record. Each copy of the requested information shall be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. The Plant Board's response shall conform to the requirements set forth in Ordering Paragraph 4 of this Order.

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

Done at Frankfort, Kentucky, this 2<sup>nd</sup> day of July, 2008.

By the Commission

ATTEST:  
  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2008-00250 DATED JULY 2, 2008

The Plant Board shall file its response to the Commission's request  
for information no later than ..... 08/04/2008

Intervenors and Commission Staff shall serve their first set of inter-  
rogatories and requests for production of documents upon the Plant  
Board no later than..... 08/18/2008

The Plant Board shall file with the Commission and serve upon all parties  
of record and Commission Staff its responses to the first set of  
interrogatories and requests for production of documents no later than..... 09/02/2008

Intervenors and Commission Staff shall serve their second set of inter-  
rogatories and requests for production of documents upon the Plant  
Board no later than..... 09/16/2008

The Plant Board shall file with the Commission and serve upon all parties  
of record and Commission Staff its responses to the second set of  
interrogatories and requests for production of documents no later than..... 09/30/2008

Intervenor testimony, if any, shall be filed with the Commission  
and served upon all parties of record, in verified prepared form,  
no later than ..... 10/13/2008

Parties and Commission Staff shall serve interrogatories and  
requests for production of documents upon Intervenors no later than ..... 10/27/2008

Intervenors shall file with the Commission and serve upon all other parties  
of record and Commission Staff their responses to interrogatories and  
requests for production of documents no later than ..... 11/10/2008

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 Announced

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2008-00250 DATED JULY 2, 2008

1. Provide in written verified form the direct testimony of each witness that the Plant Board intends to call at the hearing to be scheduled in this matter.
2. Provide the independent auditor's reports for the Plant Board's water operations and sewer operations, shown separately, for the last 2 fiscal years.
3.
  - a. State the 12-month test period upon which the Plant Board bases its proposed rate adjustment.
  - b. Explain why this test period was chosen.
4. Provide the general ledgers for the Plant Board's water operations for the proposed test period and the most recently concluded fiscal year. These general ledgers shall include all check registers and spreadsheets used to record and track financial transactions.
5. For each outstanding revenue bond issuance related to the Plant Board's water operations, provide:
  - a. The bond ordinance or resolution authorizing the issuance of revenue bonds.
  - b. An amortization schedule.
  - c. A detailed explanation of why the debt was incurred.
  - d. A calculation of the annual debt service payment, including all required payments to debt service reserve accounts or funds, for each of the next 3 years.

6. List all persons on the Plant Board's payroll during the proposed test period. For each employee, state his or her job duties, total wages paid during the fiscal year, current salary or wage rate, and the percentage of work hours spent performing duties for each city division (e.g., water, sewer, police department, public works) during the fiscal year. If the Plant Board's records do not permit the allocation of an employee's work hours among city divisions, provide an estimate for each employee and explain how the Plant Board derived the estimate.

7. For each employee listed in Item 6, describe how the Plant Board allocated his or her payroll and payroll overhead charges to each city division for the proposed test period. This response shall include a detailed explanation of all allocation procedures. Payroll overhead charges include payroll taxes, health insurance premiums, pension costs, and any other employee benefit costs.

8. a. List all joint or shared costs that the Plant Board incurred during the proposed test period. For each cost, list the vendor, total expense amount, amounts allocated per division, and the basis for allocation.

b. Describe the procedures to allocate joint and shared costs among the Plant Board's divisions for the proposed test period.

c. Provide all internal memoranda, policy statements, correspondence, and documents related to the allocation of joint and shared costs.

9. Provide detailed depreciation schedules for the water division.

10. Provide an adjusted trial balance and audit adjustments for the proposed test period and the most recently completed fiscal year. The trial balance shall be traced and referenced directly to the general ledgers requested in Item 4.

11. Identify all persons or entities to which the Plant Board provides wholesale water service.

12. a. Complete the table below:

<b>Water Main Size</b>	<b>Total Miles Of Line</b>	<b>Miles Of Lines Used By The Plant Board To Serve Its Wholesale Customers</b>
16"		
14"		
12"		
10"		
8"		
6"		
4"		
2"		

b. Who paid for the water main(s) that the Plant Board uses to deliver water to the Plant Board's wholesale customer(s)?

13. a. What is the maximum capacity of the Plant Board's water treatment plant?

b. For each of the customers listed in response to Item 11, state:

(1) The amount of the Plant Board's total water treatment plant capacity currently reserved for that customer.

(2) The minimum and maximum quantity of water (in gallons) that the customer may purchase in a month under the terms of its present water purchase contract with the Plant Board.

c. Describe the changes, if any, that the Plant Board expects within the next 3 years in the level of water treatment capacity reserved for each of the customers listed in Item 11 and state the reason(s) for the Plant Board's expectations.

d. Describe all plans that the Plant Board currently has for augmenting its existing sources of water within the next 3 years.

14. a. Who owns the master meter(s) through which the Plant Board provides water to the customers listed in Item 11?

b. Through how many master meters does the Plant Board provide water service to each of the customers listed in Item 11?

c. Who is responsible for maintaining these master meters?

15. Provide a system map showing all Plant Board facilities that are used to serve the customers listed in Item 11. This map shall, at a minimum, show all master meters, pumping stations, storage tanks, water transmission mains and water distribution mains used to serve the customers listed in Item 11. The size of all mains shall be clearly indicated on this map.

16. What portion, if any, of the Plant Board's water main(s) that serve the customers listed in Item 11 are gravity-fed?

17. a. List the Plant Board's water sales (in gallons) for each month of the previous 36 months for each of its wholesale customers and for its retail customers.

b. List the total amount billed by the Plant Board for water service for each month of the previous 36 months to each of its wholesale customers and to its retail customers.

18. Provide the Plant Board's current rate schedule for its retail customers and for each of its wholesale customers.



19. Complete the table below:

<b>Plant Board</b>	<b>Gallons for Test Period</b>	<b>Gallons for Fiscal Year Ending in 2008</b>
Plant Use		
Line Loss (Unaccounted for)		
Sales to Retail		
Elkhorn Water District		
Farmdale Water District		
Peaks Mill Water District		
South Anderson Water District		
Sales to U.S. 60 Water District		
Sales to Other Wholesale Customers		
Total Produced and Purchased		
Total Sold		

20. a. State whether the Plant Board provides unmetered water service to any entities (e.g., service to municipal buildings, fire departments, or protection services).

b. If unmetered service is provided, then for each type of service, estimate the percentage of the total unmetered amount.

21. Provide a copy of the cost-of-service study upon which the proposed rate is based.

22. a. Identify the person who prepared the cost-of-service study upon which the proposed rate is based.

b. Provide the preparer's curriculum vitae.

c. List all cases before the Commission in which the preparer has submitted a cost-of-service study.

d. List all utilities (municipal or public) for which the preparer has prepared a cost-of-service study. For each utility, identify the type of utility service (water or sewer) for which the report was prepared.

23. If the proposed rate is not based upon a cost-of-service study, describe how the Plant Board determined the proposed wholesale rate and state who participated in the determination.

24. State whether KRS 96.171-96.188 governs the operation of the Plant Board.

25. Provide the ordinance or resolution of the Plant Board in which the proposed rate adjustment was approved.

26. Provide the minutes of each meeting of the Plant Board since January 1, 2006 in which a proposed rate adjustment to the Plant Board's wholesale customers was discussed.

27. Provide a copy of all correspondence, electronic mail messages, or other written communications between the Plant Board and its wholesale customers since January 1, 2005 regarding revisions to its wholesale rate.

28. Provide all contracts for water service between the Plant Board and its wholesale customers that have not been filed with the Commission.

29. a. State the annual effect of the proposed rate adjustment on the Plant Board's revenues from wholesale water service to each of its wholesale water service customers.

b. Show all calculations made and state all assumptions used to derive the response to Item 29(a).