



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

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

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

John W. Clay
Commissioner

March 5, 2009

PARTIES OF RECORD

Re: Case No. 2009-00056

Attached is a copy of the memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the informal conference memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact M. Todd Osterloh at 502/564-3940, Extension 439.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen
Executive Director

Attachment

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File

FROM: Todd Osterloh, Staff Attorney

DATE: March 5, 2009

RE: Case No. 2009-00056
Proposed Adjustment of the Wholesale Water Service Rates of the City of
Lawrenceburg
Conference of March 3, 2009

On March 3, 2009, Commission Staff held a conference in this case in the Commission's offices in Frankfort, Kentucky. The purpose of the meeting was to address some of the substantive and procedural issues related to this case. A sign-in sheet from the conference is attached to this memorandum.

Beginning the conference, Commission Staff stated that it would prepare minutes of the conference for the case record, that a copy of these minutes would be provided to all parties, and that all parties would be given an opportunity to submit written comments upon those minutes.

Lawrenceburg stated that it had reviewed the concerns addressed in the letter attached to South Anderson Water District's ("South Anderson") request to suspend the rate filing, and Carryn Lee presented a revised cost-of-service study. The revised study (copy attached) reduced the line loss attributed to Lawrenceburg's system from approximately 31 percent to 15 percent, which in turn affected the allocation factor for utility expenses. The revised study also provided a more detailed breakdown of salary and benefit expenses, an updated debt expense, and an additional debt service coverage expense.

The proposed rates in the revised cost-of-service study were based on minimum usage of 8,000,000 gallons for each of the two meters that serve South Anderson, but it appears that the rates should have been based on a minimum usage of 8,000,000 gallons for both meters combined. Representatives from Lawrenceburg stated that they would need to correct the study over the next few days. South Anderson stated that it would review the new study when it was ready, and should be able to contact Lawrenceburg with other concerns within a couple of weeks.

Commission Staff encouraged the parties to continue their discussions, and stated that if they reached an agreement, Lawrenceburg should file a copy of the revised cost-of-service study and South Anderson should file a statement that it did not object to the revised proposed rate. Staff also stated that the parties should file a statement that they waive the right to have a hearing, if that is their desire.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CASE NO. 2009-00056

PROPOSED ADJUSTMENT OF THE WHOLESALE WATER SERVICE RATES
OF THE CITY OF LAWRENCEBURG

SIGN IN

March 3, 2009

PERSON	REPRESENTING
Todd Osterloh	PSC
Carran Lee	Lawrenceburg
LARRY HAZLETT	Lawrenceburg
Gobbie Hume	Lawrenceburg
Rennis Jones	PSC
Eddie STEVENS	SAWD
Ray Edelman	SAWD Attorney
Ken Taylor	SAWD Engineer
Eddie Beavers	PSC
Sam Reid	PSC

CITY OF LAWRENCEBURG - WHOLESALE RATE REVISIONS

1. Revised line loss to 15%
2. Breakdown of salaries and benefits
3. Revised allocation factor for utility expense to reflect production allocation factor.
4. Revised debt expense to include new plant and allowed .20 coverage
5. Revised rates in billing analysis (page 10) to reflect the minimum usage level of 8,000,000. In prior study was based on total gallons sold and did not take into consideration the minimum bill for each month.

CITY OF LAWRENCEBURG		
WATER PRODUCED AND SOLD		
Lawrenceburg (1)	351,976,430	0.4416
South Anderson (2)	134,098,000	0.1682
Plant Use (3)	63,768,950	0.0800
Line Loss (4)	247,268,500	0.3102
Total Produced (5)	797,111,880	100%
(1) Lawrenceburg Usage from Monthly Usage Registers		
(2) South Anderson Usage from Master Meter Readings		
(3) Plant Use Based on 8% as Compared to Other Utilities		
(4) Line Loss Based on Total Other Usage and Total Produced - 15% Used in Allocating to South Anderson		
(5) Total Produced from KYDOW Reports		

CITY OF LAWRENCEBURG				
JOINTLY USED MILES OF LINE				
Size	Miles	Inch Miles	Jointly Used Miles of Line	Inch Miles
2	9.10	18.20	0.00	0
4	37.40	149.60	0.00	0
6	83.90	503.40	0.00	0
8	9.10	72.80	1.95	15.60
12	10.10	121.20	5.90	70.80
16	1.10	17.60	1.09	17.44
20	1.38	27.60	1.38	27.60
Total	152.08	910.40	10.32	131.44
South Anderson Ratio			0.1444	

CITY OF LAWRENCEBURG				
WHOLESALE ALLOCATION FACTORS				
Line Loss Percentage			0.1500	
Plant Use			0.0800	
Total Plant Use and Line Loss			0.2300	
Lawrenceburg Production Multiplier	$1 / 1 - .2300$		1.6399	
Wholesale Inch Mile Ratio	$131.44 / 910.4$		0.1443	
Wholesale Share of Line Loss	$.1500 * .1443$		0.0216	
Joint Share of Plant Use and Line Loss	$.0216 + .0800$		0.1016	
Production Multiplier	$1 / 1 - .1016$		1.1131	
Production Allocation Factor	<u>134,098,000</u>		1.1131	
	486,074,437	*	1.6399	0.1237
Transmission Factor	<u>134,098,000</u>			
	486,074,437	*	0.1443	0.0398
Commodity	<u>134,098,000</u>			
	486,074,437			0.2759

CITY OF LAWRENCEBURG

TOTAL EXPENSES		Allocation Factors	Allocated to South Anderson	Lawrenceburg Expenses
Salaries and Benefits Transmission and Distribution	\$ 215,075	0.0398	\$ 8,560	\$ 206,515
Salaries and Benefits - Customer	34,412	0	0	34,412
Salaries and Benefits - Administrative and General	51,618	0	0	51,618
Salaries and Benefits - Production	559,195	0.1237	69,172	490,023
Rent	10,000	0.0398	398	9,602
Repairs and Maintenance	64,000	0.0398	2,547	61,453
Uniforms	7,000	0.0398	279	6,721
Gas and Oil	20,000	0.0398	796	19,204
Office Expense	37,000	-	-	37,000
Telephone	14,000	0.0398	557	13,443
Utilities	141,000	0.1237	17,442	123,558
Insurance	73,000	0.0398	2,905	70,095
Travel and Training	7,000	0.0398	279	6,721
Professional -Lab Fees etc.	23,000	0.1237	2,845	20,155
Misc. Expense	5,000	0.0398	199	4,801
Building Maintenance	6,000	0.0398	239	5,761
Vehicle Repair	13,000	0.0398	517	12,483
Materials and Parts	80,000	0.0398	3,184	76,816
Chemicals	178,000	0.2759	49,110	128,890

Debt P & I - New Plant	466,750	0.1237	57,737	409,013
Series F - P&I	345,442	0.1237	42,731	302,711
1.2 Coverage	162,438	0.1237	20,094	142,344
Capital Outlay	64,000	0.0398	2,547	61,453
TOTAL	\$ 2,576,930		\$ 282,139	\$ 2,294,791

CITY OF LAWRENCEBURG				
RATE TO SOUTH ANDERSON WATER DISTRICT				
8,000,000		\$ 2.42	\$ 19,360	\$ 232,320
8,000,000	22,416	2.29	51,333	51,333
Total				\$ 283,653
South Anderson Usage				
Meter 1	Meter 2			
12,891,000	3,555,000			
10,097,000	3,045,000			
11,824,000	2,576,000			
9,449,000	2,741,000			
7,552,000	3,315,000			
7,978,000	2,318,000			
11,353,000	2,327,000			
9,280,000	2,363,000			
9,348,000	2,810,000			
8,801,000	3,224,000			
8,704,000	3,259,000			
10,669,000	3,406,000			
117,946,000	34,939,000	Totals		