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March 28, 2011

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Mr. Lawrence Smither
Coolbrook Utilities, LLC
1706 Bardstown Road
Louisville, Kentucky 40205

David Edward Spenard, Esq.
Office of the Attorney General Utility & Rate
1024 Capital Center Drive
Suite 200
Frankfort, Kentucky 40601-8204

Re: Case No. 2010-00314
Coolbrook Utilities, LLC

Gentlemen:

The enclosed memorandum has been filed in the record of the above-referenced case. Any comments regarding this memorandum's contents should be submitted to the Commission within five days of receipt of this letter. Any questions regarding this memorandum should be directed to Gerald Wuetcher, Executive Advisor, at (502) 564-3940, Extension 259.

Sincerely,

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

Jeff Derouen
Executive Director

gw
Enclosure

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 2010-00314

FROM: Gerald Wuetcher **GEW**
Executive Advisor

DATE: March 28, 2011

RE: Conference of March 22, 2011

On March 22, 2011, Commission Staff held a conference in this case in the Commission's offices in Frankfort, Kentucky. Participating were:

Marty Cogan	-	Coolbrook Utilities, LLC
Jack Kaninberg	-	Coolbrook Utilities, LLC
Rob Moore	-	Coolbrook Utilities, LLC
Larry Smithers	-	Coolbrook Utilities, LLC
David Spenard	-	Office of Attorney General
Eddie Beavers	-	Commission Staff
Sam Bryant	-	Commission Staff
Dennis Jones	-	Commission Staff
James Rice	-	Commission Staff
Gerald Wuetcher	-	Commission Staff

Mr. Spenard participated by conference call. All others were present at the Commission's offices. Commission Staff convened the conference at the request of Coolbrook Utilities, LLC ("Coolbrook").

Beginning the conference, Mr. Wuetcher stated that Commission Staff 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.

Coolbrook's representatives discussed the utility's objections to the findings and recommendations contained in Commission Staff's report. Specifically, they objected to Commission Staff's findings regarding: (1) Owner/Manager Fee; (2) Insurance Expense; (3) Depreciation Expense; (4) Amortization Expense; and (5) Other Interest Expense. They also presented a list of additional repairs and their estimated cost (Attachment 1) that Coolbrook asserts are necessary to ensure reasonable and adequate service. The participants then discussed an appropriate revenue requirement based upon Coolbrook's adjusted test period operations, but were unable to reach agreement.

The participants then agreed to the following procedure to expedite Commission review of this proceeding:

- No later than 1 April 2011 Coolbrook will submit additional evidence and commentary regarding Commission Staff's findings, including additional invoices to support proposed adjustments to test-period operations.
- No later than 11 April 2011 the Attorney General will submit any comments and evidence regarding the proposed rate adjustment.
- No later than 18 April 2011 the parties will submit a request for hearing in this matter or a request for this case to stand submitted for decision upon the existing record.

Commission Staff advised both parties that, even if the parties agreed to waive any hearing in this matter, the Commission may determine that a hearing was necessary and schedule a hearing. Both parties acknowledged this possibility.

The conference then adjourned.

Attachment

cc: Parties of Record

Coolbrook Utilities LLC

List of additional repair items that are needed to recondition the treatment plant, lift stations and sewer mains:

- 1) Repair the main air header that serves both plant #1 and #2. \$1250.00
- 2) Fabricate and install a new main air header for plant #3. 6600.00
- 3) Fabricate and install fifteen (15) new 1 ¼" black steel diffuser drops, complete with new diffusers, in plant #1 and #2. 4175.00
- 4) Fabricate and install ten (10) new 1 ¼" black steel diffuser drops, complete with new diffusers, in plant #3. 3050.00
- 5) Fabricate and install twelve (12) new 1 ¼" black steel diffuser drops, complete with new diffusers, in plant #4. 3700.00
- 6) Fabricate and install new 3" air lift scum returns in plant #2; #3; and #4. 5980.00
- 7) Remove the old wooden inlet baffles in all four (4) secondary clarifiers and replace with new ¼" plate steel baffles. 4560.00
- 8) Purchase and install one (1) new standby blower/motor assembly for plant #1 and #2. It does currently have a standby blower but it is too small to aerate these two tanks if the primary blower were to fail. 8150.00
- 9) Purchase and install one (1) new standby blower/motor assembly for plant #3. There currently is only one blower for this plant. 7075.00
- 10) Make repairs to the steel tankage in various places where the steel is in very bad condition or is rusted all the way through. 15,000.00 to 20,000.00

(2)

11) Purchase and install a new duplex pump control panel for the main sewage pumps at the treatment plant. 5420.00

12) Install a good used UV disinfection system at the treatment plant. (We already have the UV unit – it was given to us) Engineering will also be necessary. Approx. 7500.00

13) Have a complete sewer survey performed on all sewer mains in the Coolbrook Utilities system. (TV and smoke testing) Approx. 75,000.00

14) Make the sewer repairs that are shown to be necessary in the sewer survey. It is impossible to put a price tag on this item without knowing the repairs that are needed.