



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

Charles R. Borders
Commissioner

August 23, 2011

PARTIES OF RECORD

Re: Case No. 2011-00083
Application of Elkhorn Water District for Alternative Rate Adjustment

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 Richard Raff at 502-564-3940, Extension 263.

Sincerely,

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

Jeff Derouen
Executive Director

RR/kar

Attachment

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Main Case File - Case No. 2011-00083

FROM: Richard Raff, Staff Attorney *RR*

DATE: August 23, 2011

RE: Informal Conference of August 12, 2011
Application of Elkhorn Water District for Alternative Rate Adjustment

Pursuant to a Commission Staff Notice issued on August 11, 2011, an informal conference was held at the Commission's offices on August 12, 2011. A list of attendees is attached hereto.

The purpose of the conference was to discuss Elkhorn Water District's pending rate case. Commission Staff had assisted Elkhorn in the preparation of the rate case, which is based on a 2009 test year. Staff noted that Elkhorn's 2009 Annual Report shows revenues to be \$215,452, whereas utilizing the level of sales reflected in Elkhorn's computer billing records for a 12 month period, revenues should be approximately \$291,770. Elkhorn stated that the computer billing records provided to Staff were unreliable due to a prior computer programming error, and that Elkhorn could not determine which 12 months were covered by the computer records provided.

Staff also discussed an error that it made in calculating Elkhorn's debt service and coverage adjustment. Rather than following Staff's historic practice of basing the adjustment on a three year average, the adjustment reflected the sum of three years debt service. Due to this error, in combination with the inability to verify Elkhorn's 2009 level of sales and revenues, Staff and Elkhorn agreed that the test year utilized in this rate case should be updated to calendar year 2010. To properly update the test year, staff requested Elkhorn to file updated financial information, and Elkhorn agreed to do so. The update information to be filed by Elkhorn is set forth in a schedule attached hereto.

Attachment

2010 General Ledger

Cash receipt and disbursements ledger for 2010 and 2011.

Accountant's work papers and year-end adjusting entries for 2010.

Depreciation schedule for 2010.

Minutes of Commissioner or Board of Directors meetings for 2010.

Documentation to support any proposed changes in expenses.

Schedule of all taxes assessed against the utility.

Schedule of all insurance coverage including Workers' Comp.

Schedule of all long and short term debt including amortization Schedules.

All contracts and agreements entered into with any individual or business. (Rent, plant operator, computer lease, etc.

All invoices for 2010.

All payroll information for 2010 including all pay increases given for 2009 and 2010 and any pay increases given in or scheduled for 2011. All Federal and Kentucky payroll tax returns.

A schedule of all plant additions and retirements for 2010.

A copy of the 2010 audit report.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ELKHORN WATER)
DISTRICT FOR ALTERNATIVE RATE) CASE NO.
ADJUSTMENT) 2011-00083

August 12, 2011

Please sign in:

NAME	REPRESENTING
<u>RICHARD RAFF</u>	<u>PSC-LEGAL</u>
<u>Gerald Wutcher</u>	<u>PSC - Legal / SMUD</u>
<u>John Ferris</u>	<u>EWD</u>
<u>Charles Moore</u>	<u>EWD</u>
<u>Bob ROBARDS</u>	<u>PSC-ENGINEERING</u>
<u>Sam Reid</u>	<u>PSC</u>
<u>Dennis Jones</u>	<u>"</u>
<u>JASON GREEN</u>	<u>"</u>
<u>Ann Bryant</u>	<u>PSC</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>