



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

October 31, 2011

Mr. Johnny Dowdy
Graves County Water District
P.O. Box 329
Mayfield, Kentucky 42066

Ms. Kristi McAdoo
Mr. Kevin Leonard
Mayfield Electric and Water Systems
P. O. Box 329
Mayfield, Kentucky 42066

Sam B. Neely, Jr., Esq.
P.O. Box 708
Mayfield, Kentucky 42066

Re: Case No. 2011-00233
Graves County Water District

Ms. McAdoo and 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/Attorney, at (502) 564-3940, Extension 259.

Sincerely,

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

Jeff Derouen
Executive Director

gw
Enclosure
cc: Parties of Record

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 2011-00233

FROM: Gerald Wuetcher **GEW**
Executive Advisor/Attorney

SUBJECT: Conference Call of August 1, 2011

DATE: October 31, 2011

On August 1, 2011, Commission Staff held a telephone conference call with representatives of Graves County Water District ("GCWD"). Participating were:

Kevin Leonard – Mayfield Electric and Water System
Kristy McAdoo – Mayfield Electric and Water System
Johnny Dowdy – GCWD
Todd Hayden – GCWD
Sam Boyd Neeley, Jr. – GCWD
Sam Davis – Hickory Water District
Jason Green – Commission Staff
Sam Reid – Commission Staff
Gerald Wuetcher – Commission Staff

Commission Staff sought the conference call to address several questions regarding GCWD's application for a certificate of public convenience and necessity.

Commission Staff noted that proposed transaction required a certificate of public convenience and necessity and authorization to issued evidences of indebtedness. Mr. Wuetcher noted that GCWD had requested a certificate of public convenience, but had not requested authorization to enter a loan agreement with the Kentucky Infrastructure Authority ("KIA"). Mr. Wuetcher offered Commission Staff assistance in the preparation of an application for authority to enter the proposed loan with KIA.

Mr. Leonard noted that time was of the essence in this matter. He stated that the water district had received favorable bids for the purchase of water meters and that these bids would expire on or about October 1, 2011. He noted that the bid price for a 5/8-inch X 3/4-inch meter was \$100, while the current market price for such meters was \$130 per meter. Mr. Leonard stated that Graves District did not issue a request for bids for the metering equipment, but proposes to use the bids that Mayfield Electric and Water System ("MEWS") received when it undertook to update its metering equipment.

Commission Staff inquired about the studies that GCWD had conducted regarding the installation of a new metering system. Mr. Leonard stated that a feasibility study had been conducted to determine savings from the installation of a new metering

system. A propagation study was also conducted to determine the technical feasibility of using a fixed based wireless system.

Commission Staff inquired whether the water district planned to adjust its rates to finance the installation of the metering equipment. Mr. Leonard stated that GCWD did not require a rate adjustment to implement the initial phase of the project, but would require a rate adjustment when the second phase of the meter installation occurred.

Mr. Leonard also indicated that GCWD had some additional rate concerns. He noted that a major installation of fiber optic cable was occurring in Graves County as part of a federally funded project. GCWD was experiencing significant costs to locate its water mains and to repair water main breaks resulting from this project. He inquired whether the water district could impose a surcharge to cover the costs related to the fiber optic cable installation. Mr. Leonard also indicated that the water district wished to establish a uniform rate for its customers. The water district has yet to establish a single rate schedule for its customers since it was created from the merger of four water districts. Each of those water districts had a different rate schedule. Mr. Leonard also requested Commission Staff assistance in reviewing its non-recurring charges. Mr. Wuetcher stated that Commission Staff would assist in all of those areas.

The conference call then adjourned.

cc: Parties of Record