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David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Linda Breathitt
Commissioner

October 9, 2012

PARTIES OF RECORD

Re: Case No. 2012-00152

Attached is a copy of a 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 memorandum concerning the October 5, 2012 Informal Conference, please do so within five days of receipt of this letter. If you have any questions, please contact Jonathan Beyer, Staff Attorney, at 502/564-3940, Extension 465.

Sincerely,

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

Jeff Derouen
Executive Director

Attachments

cc: Parties of record

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File – Case No. 2012-00152

FROM: Jonathan Beyer, Staff Attorney

DATE: October 9, 2012

RE: Informal Conference of October 5, 2012

Pursuant to an Order issued September 17, 2012, an informal conference was conducted at the Commission's offices in Frankfort, Kentucky on October 5, 2012. A list of attendees is attached. With the exception of PSC staff, all parties were present telephonically.

In the course of the conference, Overland Development, Inc. ("Overland") through its owner Mr. James Taylor, asserted that the revised rates for Big Sandy Water District ("Big Sandy") authorized in the Commission's August 24, 2012 Order do not account for disparities in Overland's operating costs as compared to other customers. He specifically pointed to the lack of any pumps or tanks as demonstrative of Overland's lower comparative cost on Big Sandy's systems. Despite the allegedly lower impact to Big Sandy, he asserted that Overland's rates will be increased in greater proportion than other Big Sandy customers. Mr. Taylor also stated that should the rates be upheld, they should be gradually increased. Finally, he stressed that due to Overland's contractual relationship with Big Sandy, notice via publication was an insufficient manner in which to have apprised Overland of the proposed rate increase.

Big Sandy noted that it has not increased Overland's rates in over seventeen years. It stated that it cannot provide a different rate to each of its individual wholesale customers as Overland's request would otherwise require. Additionally, it asserted that it complied with all requisite statutes and regulations in providing notice via publication.

Commission Staff articulated that the ordered rates were secondary to a cost service study and an effort to true up customer rates. Staff informed the parties that Overland saw a larger rate increase as compared to Big Sandy's other customer's as a result of its lower pre-existing rate. The revised rates equalize the rates imposed upon the respective customer classes. Staff further stated that it has historically permitted deviations in the rates between customers only where sufficient distinguishing factors exist from which to make separate calculations. However, here, Staff noted that no such differences are evident. Overland pressed its additional belief that the contrast in water purchases from Big Sandy by Overland and Cannonsburg Water District is sufficient evidence of a distinguishing characteristic with which to justify imposing separate rates. Commission Staff informed Overland, that it was simply detailing Staff's

process in arriving at the rates and the matter would be submitted for the Commission's reconsideration.

There being no additional matters to discuss, the conference was adjourned.

Attachment:

Attendance sheet

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG SANDY WATER)
DISTRICT FOR AN ADJUSTMENT IN RATES) CASE NO.
PURSUANT TO THE ALTERNATIVE RATE) 2012-00152
FILING PROCEDURE FOR SMALL UTILITIES)

October 5, 2012

Please sign in:

NAME	REPRESENTING
<u>Jim Taylor</u>	<u>Overland Development</u>
<u>Roger Hall</u>	<u>Big Sandy Water District</u>
<u>Bill Hardin</u>	<u>Big Sandy - Commissioner</u>
<u>Charles Shockey</u>	<u>Big Sandy - Commissioner</u>
<u>Teresa Brown</u>	<u>Big Sandy - office manager</u>
<u>Jimmy Blannon</u>	<u>Big Sandy</u>
<u>James Rice</u>	<u>PSC</u>
<u>Scott Lawless</u>	<u>PSC</u>
<u>Jason Green</u>	<u>PSC</u>
<u>Mark Frost</u>	<u>PSC</u>
<u>Jonathan Beyer</u>	<u>PSC</u>
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