



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

Linda Breathitt
Commissioner

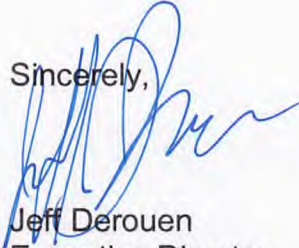
October 2, 2014

PARTIES OF RECORD

Re: Case No. 2014-00136

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 please do so within five days of receipt of this letter. If you have any questions, please contact Jonathan Beyer, Commission Counsel, at 502/782-2581.

Sincerely,



Jeff Derouen
Executive Director

Attachment

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File – Case No. 2014-00136

FROM: Jonathan Beyer, Staff Attorney

DATE: October 2, 2014

RE: Telephone Calls of September 29, 2014 and October 2, 2014

On September 29, 2014, I spoke with Bill Robertson from Paducah Water and a representative from West McCracken Water District (“West McCracken WD”). I discussed, separately, with both individuals the pending Application of Lovelaceville Water Company (“Lovelaceville”) to abandon its facilities. Both representatives indicated that they were aware of the situation facing Lovelaceville.

West McCracken had discussed a proposal to takeover the Lovelaceville system at an earlier board meeting. The proposal was voted down due to the cost involved with an acquisition, which West McCracken believed it could not afford. Moreover, West McCracken currently experiences pressure issues in the area nearest Lovelaceville, which would further complicate an interconnection. The board considered and rejected both connecting to the Lovelaceville system as well as operating it as a separate stand-alone division.

Paducah Water estimated the cost of connecting with the Lovelaceville system to be approximately \$1 million. Due largely to this financial cost, Mr. Robertson stated that Paducah Water is financially unable to and therefore not interested in acquiring Lovelaceville.

On October 2, 2014, I spoke with Dan Bowles with Cunningham Water District (“Cunningham WD”). Mr. Bowles similarly stated that Cunningham WD is financially unable to take over Lovelaceville. The Cunningham WD board is well aware of the Lovelaceville situation partly for the reason that Eric Young, Lovelaceville’s Owner/Operator is also the certified operator for Cunningham WD. Mr. Bowles stated that any likelihood of taking over Lovelaceville was further eliminated due to customers leaving the system and drilling wells. Regardless, he stated that due to Cunningham WD’s small size, with only approximately 110 customers, it could not afford the significant infrastructure improvements that would be required to run the Lovelaceville system.