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March 27, 2015

PARTIES OF RECORD

Re: Case No. 2015-00019

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 David Spenard, Commission Counsel, at 502-782-2580.

Sincerely,


Jeff Derouen
Executive Director

DES/ph

Attachments

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 2015-00019

FROM: David Spenard, Staff Attorney *DS*

DATE: March 27, 2015

RE: Informal Conference of March 24, 2015

In accordance with the Commission Staff's March 23, 2015 notice, an informal conference was held in this matter on March 24, 2015 to discuss the status of and issues in this case. Attending the conference were:

David Edward Spenard	-	Commission Staff
Eddie Beavers	-	Commission Staff
George Wakim	-	Commission Staff
Ken Taylor	-	Kenvirons, Inc., South Anderson Water District
Dotty Watts	-	South Anderson Water District
Thomas M. Jones	-	North Mercer Water District

At the start of the informal conference, Mr. Spenard stated that Commission Staff would prepare minutes of the conference for the case record, that a copy of the minutes would be provided to all parties, and that all parties would be given an opportunity to submit written comments upon those minutes. Mr. Spenard stated that the views of Commission Staff were not binding on the Commission, and he provided a summary concerning the wholesale contract between the South Anderson Water District ("South Anderson") and the North Mercer Water District ("North Mercer") and the establishment of KY PSC Case No. 2015-00019.

Mr. Jones, counsel for North Mercer, discussed the history of North Mercer, the characteristics of its drinking water system, and its efforts to obtain sources of supply of drinking water.

Commission Staff stated that the wholesale contract includes a provision through which South Anderson may increase rates and charges to North Mercer based upon the Producer Price Index (formerly Wholesale Price Index). Commission Staff discussed Commission precedent concerning the use of indexing provisions and noted that South Anderson, in response to a data request contained in the Commission's Order of January 20, 2015 in this case, indicated that it has not sought to increase rates to North Mercer by use of this provision. Commission Staff suggested that the parties consider modifying the contract and removing the indexing provision. Mr. Taylor

confirmed that South Anderson had not utilized the indexing provision. Mr. Jones stated that he had prepared the contract and provided background information regarding the inclusion of the provision.

The parties expressed a concern regarding modification and potential negative consequences associated with Rural Development loan agreements. The parties stated that they would contact a representative in the Kentucky office of Rural Development to determine if the removal of the indexing provision would pose a problem. Commission Staff stated that there was no desire to create a problem with Rural Development. The parties stated that they were willing to consider elimination of the indexing provision.

Commission Staff stated that the wholesale contract includes language regarding rate adjustments that could be read as inconsistent with the statutes and administrative regulations that govern rate adjustments. Commission Staff suggested that the parties consider modifying the contract and adding language that makes it clear that any adjustment in rates would be in accordance with the applicable statutes and regulations. The parties made a request for Commission Staff to provide guidance regarding the language that would be helpful. Commission Staff indicated that it would provide guidance.

Commission Staff identified the various procedures for future rate adjustments.

There being no further business, the informal conference adjourned.

Attachment

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF THE CONTRACT)
FILING OF SOUTH ANDERSON WATER) CASE NO.
DISTRICT TO PROVIDE WHOLESALE WATER) 2015-00019
SERVICE TO NORTH MERCER WATER)
DISTRICT)

SIGN IN

March 24, 2015

PERSON

REPRESENTING

David E. Smith
Eddie Beavers
Ken Taylor
Dotty Watts
GEORGE WAKIM
Thomas M. Jones

P.S.C. Staff
" "
Kenvirons, Inc. - S.A.W.D.
SAWD
PSC Staff
North Mercer Water Dist

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