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Charles R. Borders  
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March 22, 2011

PARTIES OF RECORD

Re: Case No. 2010-00222  
Meade County RECC  
Application of Meade County RECC to Adjust Electric Rates

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 Rick Bertelson, Staff Attorney, at 502/564-3940, Extension 260.

Sincerely,

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

Jeff Derouen  
Executive Director

RB/mm

Attachment

## INTRA-AGENCY MEMORANDUM

### KENTUCKY PUBLIC SERVICE COMMISSION

**TO:** File: Case No. 2010-00222

**FROM:** Rick Bertelson, Staff Attorney

**DATE:** March 22, 2011

**RE:** Application of Meade County Rural Electric Cooperative Corporation for an Adjustment of Electric Rates

Pursuant to the Commission's March 18, 2011 notice in the above-styled case, a telephonic informal conference ("IC") was held in this matter on March 21, 2011. In attendance for Commission Staff ("Staff") were Rick Bertelson, Jeff Shaw and Fereydoon Gorjian. In attendance by telephone for Meade County RECC ("Meade County") were Jim Adkins and Meade County's CEO, Burns Mercer.

The purpose of the IC was to discuss Meade County's March 10, 2011 amended request for rehearing in which it seeks to be relieved of the requirement to file a depreciation study at the time of its next general rate case if it files such a case prior to five years from the date of the Commission's February 17, 2011 Order in this matter. In particular, Staff sought information regarding Meade County's accounting procedures in relation to Meade County performing the required depreciation study.

Staff asked why Meade County's plan to replace all of its copper wire conductors with aluminum wire conductors by the end of 2015 might have a material impact on a depreciation study as hypothesized in its request for rehearing. Meade County stated that the \$17.9 million in assets that the new aluminum wire conductors would add to its total plant value (currently \$82.9 million; \$16.1 million of which is for overhead conductors) would be a material addition to the wire and pole balance of the plant. Meade County further stated that its existing copper wire will not be fully depreciated at the time the wire is replaced, resulting in Meade County recording early retirements of those assets, which will require that it adjust its depreciation reserve. That could materially affect the results of a depreciation study, because none of Meade County's plant is fully depreciated at this time. Completing the replacement and knowing how the retirement of its copper wire will impact its depreciation reserve will eliminate one issue of uncertainty in Meade County's future depreciation study.

Meade County, in response to a Staff question, stated that it uses one composite depreciation rate for its wire conductors, both copper and aluminum. Retiring its copper wire prior to performing a depreciation study would avoid potential complications in the event the study indicated that separate rates should be used for the two types of wire.

There being no further questions, the IC was adjourned.

cc: Parties of Record