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Teresa J. Hill
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Christopher L. Lilly
Commissioner
Department of Public Protection

August 15, 2006

PARTIES OF RECORD:

RE: Case No. 2005-00450
ADJUSTMENT OF RATES OF SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION

Enclosed please find a memorandum that has been filed in the record of the above-referenced case. Any comments regarding this memorandum's content should be submitted to the Commission within five days of receipt of this letter. Questions regarding this memorandum should be directed to Tim Blakley at (502) 564-3940, extension 442.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell
Executive Director

Attachment

Allen Anderson
Manager
South Kentucky R.E.C.C.
P. O. Box 910
925-929 N. Main Street
Somerset, KY 42502-0910

Lawrence Cook
Assistant Attorney General
Office of the Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

Honorable Darrell L. Saunders, P.S.C.
Attorney at Law
700 Master Street
P.O. Box 1324
Corbin, KY 40702

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Main Case File - Case No. 2005-00450

FROM: Tim Blakley, Team Leader
TMB

DATE: August 15, 2006

SUBJECT: August 14, 2006 Informal Conference

Pursuant to the Commission Staff's Notice dated August 11, 2006, an informal conference was held on August 14, 2006. Attached to this memorandum is a list of the participants. The purpose of the conference was to discuss the proposed unanimous settlement agreement signed by South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") and the Attorney General ("AG").

The Staff indicated that it had completed its review of the proposed settlement agreement and indicated that it could recommend the settlement to the Commissioners as a reasonable resolution of the issues in the case. The Staff inquired about South Kentucky's request to eliminate the mandatory capital credit provision from the previous general rate case settlement agreement. The AG indicated it was agreeable to this provision being eliminated. The Staff noted that in all previous situations, the cooperative had in place a formal Equity Management Plan. South Kentucky indicated it was willing to submit a statement in the record that it would develop, adopt, and implement a formal Equity Management Plan within six months after the date of the final Order in this case. The Staff indicated that it believed this was a reasonable suggestion and one it could recommend to the Commission.

The Staff encouraged South Kentucky to continue to monitor its depreciation expense and depreciation rates.

Attachment

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CASE NO. 2005-00450

ADJUSTMENT OF RATES OF SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION

SIGN IN

August 14, 2006

PERSON

REPRESENTING

Darrell Saunders

South KY RECC

James R. Adkins

South Kentucky RECC

Betsy Blackford

OMB

Isaac Dean

PSC - Financial Analysis

Anita Mitchell

PSC - Legal

JOHN SHUPP

PSC - Engineering

Daryl Yowley

PSC - Financial Analysis

Tim Blakley

PSC - Financial Analysis