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Mark David Goss
Chairman

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Vice Chairman

Caroline Pitt Clark
Commissioner

October 29, 2007

PARTIES OF RECORD:

RE: Case No. 2006-00315

APPLICATION OF NORTHERN KENTUCKY WATER DISTRICT FOR A
CERTIFICATE OF CONVENIENCE AND NECESSITY FOR THE
CONSTRUCTION OF SUB DISTRICT F WATER MAIN EXTENSIONS,
FINANCING AND SURCHARGE

Case No. 2007-00131

APPLICATION OF NORTHERN KENTUCKY WATER DISTRICT FOR A
CERTIFICATE OF CONVENIENCE AND NECESSITY FOR THE
CONSTRUCTION OF SUB DISTRICT G WATER MAIN EXTENSIONS,
FINANCING AND SURCHARGE

Case No. 2007-00135

APPLICATION OF NORTHERN KENTUCKY WATER DISTRICT FOR AN
ADJUSTMENT OF RATES AND ISSUANCE OF BONDS

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 Mark Frost at (502) 564-3940, extension 274.

Sincerely,

Beth O'Donnell
Executive Director

Attachments

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Main Case File No. 2006-00315
Main Case File No. 2007-00131
Main Case File No. 2007-00135

FROM: Mark Frost

DATE: October 30, 2007

SUBJECT: Northern Kentucky Water District

Pursuant to Commission Staff's request, an informal conference was held on October 19, 2007. Attached hereto are the names of those that participated in the informal conference.

Beginning the conference, Commission Staff stated that it would prepare minutes of the conference for the case record, that a copy of these minutes would be provided to all parties, and that all parties would be given an opportunity to submit written comments upon those minutes.

The following is a brief description of the issues that were discussed at the informal conference:

- The outstanding procedural matters in Case No. 2006-00315, Sub-district F proceeding, and the need for a hearing.
- NKWD explained that its response in Case No. 2007-00398¹ had been drafted and a copy had been sent to the AG's office. NKWD is waiting for the AG's comments before submitting the revised depreciation study to the Commission.
- The AG stated that based upon their expert's preliminary review of NKWD's depreciation study, they have some concerns with the study. In the AG's view NKWD should request the Commission to reconsider its finding that the main rehabilitation costs should be expensed rather than capitalized. This would eliminate the potential problem NKWD could have

¹ Case No. 2006-00398, Application of Northern Kentucky Water District for Approval of Depreciation Study.

if it attempts to use bond proceeds to fund the main rehabilitation projects. NKWD stated that this issue was not raised in this current proceeding and that funding the main rehabilitation with bond proceeds is currently not a problem.

- Commission Staff discussed their proposed adjustments to the revenue requirement contained in NKWD's Application. NKWD stated that Commission Staff's proposed adjustments are acceptable and agreed to revise its revenue requirement schedule in the application in Case No. 2007-00135 to reflect Commission Staff's adjustments. The AG stated that they would not object to NKWD's revision.

The informal conference was adjourned for lunch at 11:45 a.m. at which time Mr. Spenard and Mr. Hughes stated that they would not return for the discussion of Case No. 2006-00315, the surcharge for Sub-district F.

When the informal conference reconvened, NKWD explained the process it uses to select the areas that will be served in a sub-district. They also discussed the reason for the \$30 cap on the sub-district surcharges and what costs they recover through the surcharge proceeds. Commission Staff requested NKWD to file additional evidence to sufficiently explain their procedure for selecting and funding the sub-districts by use of a surcharge.

cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of: **NORTHERN KENTUCKY WATER DISTRICT**
CASE NO. 2007-00135
CASE NO. 2006-00315
CASE NO. 2007-00131

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October 19, 2007 Informal Conference
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Please sign in:
NAME

REPRESENTING

Mark Frost	PSC - Staff
JACK BRACE	NK&WD
Ron Lquan	//
Jack Hyslop	v
Paul Hoptal	//
W. Hain	NK&WD
David Edward Spensard	Office of the Attorney General
Scott Lawless	PSC
Eddie Beavers	PSC
J. R. Goff	PSC
Sam Reid	PSC
JAMES DICE	//
George Watkins	//