



Ernie Fletcher
Governor

Teresa J. Hill, Secretary
Environmental and Public
Protection Cabinet

Timothy J. LeDonne
Commissioner
Department of Public Protection

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

Mark David Goss
Chairman

John W. Clay
Vice Chairman

Caroline Pitt Clark
Commissioner

October 29, 2007

PARTIES OF RECORD:

Case No. 2007-00374
South Kentucky RECC

Attached is a copy of the informal conference memorandum which is being filed in the record of the above-referenced case. If you wish to make any comments regarding the contents of the memorandum, please do so within five days of receipt of this letter. Should you have any questions regarding the memorandum, please contact Quang Nguyen at 502/564-3940, Extension 256.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell", written over the word "Sincerely,".


Beth O'Donnell
Executive Director

QN:v

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Main Case File – Case No. 2007-00374

FROM: Quang D. Nguyen, Staff Attorney 

DATE: October 26, 2007

RE: Application of South Kentucky Rural Electric Cooperative Corporation for Approval to Purchase the Fixed Assets of the Monticello Electric Plant Board, Monticello, KY

On October 25, 2007, pursuant to South Kentucky Rural Electric Cooperative Corporation's ("South Kentucky") request, Commission Staff held an informal conference at the Commission's offices. In attendance at the informal conference were representatives of South Kentucky and Commission Staff. A list of the attendees is attached to this memo.

The purpose of the meeting was to discuss any outstanding issues in the matter. South Kentucky provided a chronology of the proposed transaction between South Kentucky and the Monticello Electric Plant Board ("MEPB"). South Kentucky believes that the transaction has overwhelming support from the citizens of Monticello and that the transaction will likely be approved by the voters in the upcoming general election on November 6, 2007. South Kentucky informed Commission Staff that the agreement between it and MEPB requires a closing within 30 days of the general election. Consequently, South Kentucky discussed its desire and need to have the Commission render the final Order as soon as possible.

In response to questions posed by Commission Staff, South Kentucky stated that it is highly confident that RUS will provide a lien accommodation in the near future. South Kentucky also responded that MEPB customers have not been informed of potential rate impacts upon being transitioned to South Kentucky's rates because, with rate changes expected for Tennessee Valley Authority ("TVA") in the near future and the potential change to MEPB customers if the transfer does not occur, the rate impact is not known with certainty. However, South Kentucky stated that a few MEPB customers have contacted it about the rate impact and were given the information based on current rates. Commission Staff requested, and South Kentucky agreed, that final financial entries with updated account balances would be provided subsequent to the consummation of the transaction. In addition, South Kentucky stated that, although it is assuming the customer deposit and related accrued interest liabilities, it would receive a cash account from MEPB equal to the total of the two liabilities.

South Kentucky stated that TVA has announced that it will be increasing its wholesale power rates sometime in 2008. Assuming that the transaction has been approved by the Commission and that South Kentucky has adopted the MEPB rates as an addendum to South Kentucky's current rates with an expiration date of December 31, 2008, South Kentucky inquired how this increase could be reflected in the base rates for MEPB customers given that the TVA is not regulated by the Commission and that the MEPB customers would be governed by South Kentucky's tariff addendum. South Kentucky suggested that the effect of the potential increase in TVA's wholesale rates could be addressed through a filing pursuant to KRS 278.455. Commission Staff advised South Kentucky to file a response to the informal conference memo expressing in writing South Kentucky's proposed solution.

There being no further questions, the informal conference was adjourned.

cc: Parties of Record

