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February 16, 2011

Mr. Mark Williams
Mr. Richard O. Moss
Monroe County County Water District
205 Capp Harlan Road
Tompkinsville, Kentucky 42167

Ms. Melissa A. Melton
101 Burch Court
Frankfort, Kentucky 40601

Wes Stephens, Esq.
215 North Main Street
Tompkinsville, Kentucky 42167

Re: Case No. 2010-00453
Monroe County Water District

Ms. Melton and Gentlemen:

The enclosed memorandum has been filed in the record of the above-referenced case. Any comments regarding this memorandum's contents should be submitted to the Commission within five days of receipt of this letter. Any questions regarding this memorandum should be directed to Gerald Wuetcher, Executive Advisor, at (502) 564-3940, Extension 259.

Sincerely,

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

Jeff Derouen
Executive Director

gw
Enclosure

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 2010-00453

FROM: Gerald Wuetcher
Executive Advisor

DATE: February 16, 2011

RE: Conference of January 26, 2011

On January 26, 2011, Commission Staff held a conference in this case in the Commission's offices in Frankfort, Kentucky. Attending were:

Jana Dubree	-	Monroe County Water District
Ricky Ross	-	Monroe County Water District
Mark Williams	-	Monroe County Water District
Melissa Melton	-	Kentucky Rural Community Assistance Program
Kim Padgett	-	Kentucky Rural Community Assistance Program
John Rauch	-	Great Lakes Rural Community Assistance Program
Sam Bryant	-	Commission Staff
Mark Frost	-	Commission Staff
Sam Reid	-	Commission Staff
James Rice	-	Commission Staff
Gerald Wuetcher	-	Commission Staff

Mark Stephens, Monroe County Water District's ("Monroe District") legal counsel, participated by conference call. Commission Staff called the conference to discuss deficiencies in Monroe County Water District's ("Monroe District") application.

Beginning the conference, Mr. Wuetcher stated that Commission Staff 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.

Noting that Monroe District had requested a deviation from the requirement of publishing notice of its proposed rate adjustment for three consecutive weeks, Mr. Wuetcher inquired whether Monroe District had published notice of its application for three consecutive weeks in the newspaper of general circulation in Monroe County. Ms. Melton and Ms. Dubree indicated that the local newspaper had published notice of the proposed rates for three consecutive weeks and that the requested deviation was no longer necessary. Ms. Dubree stated that an affidavit of publication and tear sheets would be submitted within the next 10 days.

Mr. Frost then stated that the application failed to meet several of the requirements set forth in 807 KAR 5:011, Section 10(6). He noted that some of the deficiencies could be easily corrected or that the water district could request and likely receive a deviation. Mr. Frost, however, noted that the water district's application was lacking a complete description and quantified explanation for its proposed adjustments and evidentiary support for those adjustments. He further noted that Monroe District would need a pro forma income statement that reflected these adjustments. Ms. Melton stated that the water district would require at least 45 days to assemble this information.

Mr. Frost suggested that Monroe District consider withdrawing its current application and requesting Commission Staff assistance in preparing a new application. He noted that Monroe District proposed to use Calendar Year 2008 as its test period and this period was over two years old. He stated that the utility would be required to adjust its operations to reflect all known and measurable changes. Commission Staff, furthermore, would likely review the utility's 2009 operations and proposed adjustments based upon 2009 operations. He noted the utility's application should reflect these changes. Since Commission Staff would be required to conduct a field review to review Monroe District's present application and would be examining the water district's records for 2009, Mr. Frost stated, some delay in a final rate adjustment could be avoided if Commission Staff conducted a review of Monroe District's 2009 records as part of a rate case assistance visit and prepare an application for rate adjustment for Monroe District based upon that review. Should Monroe District file the prepared application, Commission Staff will have already completed its field review and be able to proceed immediately to issue a report of its findings and recommendations.

Mr. Frost described the assistance that Commission Staff provides to water utilities when providing rate case assistance. He noted that any application that Commission Staff prepares for a water utility is subject to the water utility's revision. Upon receiving a prepared application, Monroe District may make revisions to ensure the application reflects the water district's position.

Ms. Melton inquired whether, if Commission Staff conducted such a review, officials from Kentucky Rural Community Assistance Program ("RCAP") could participate. Mr. Wuetcher stated that Commission Staff had no objections to RCAP's participation.

Mr. Williams and Ms. Dupree indicated that Monroe District would like to consider Mr. Frost's proposal. They noted that Monroe District's Board of Commissioners would meet shortly. After the Board considered the matter, it would advise the Commission of its decision.

cc: Parties of Record