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April 27, 2012

Mr. Edward Wesley
Mr. C. Andrew Greynolds
East Casey County Water District
690 S. Wallace Wilkinson Blvd
Liberty, Kentucky 42539

Mayor Steve Sweeney
Ms. Sharleen Rodgers
City of Liberty
P. O. Box 127
Liberty, Kentucky 42539

Re: Case No. 2012-00139
City of Liberty

Ms. Rodgers 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/Attorney, 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. 2012-00139

FROM: Gerald Wuetcher **GPW**
Executive Advisor/Attorney

DATE: April 27, 2012

RE: Informal Conference of April 26, 2012

On April 26, 2012, an informal conference was held in this matter. Attending this conference were:

Steve Sweeney	-	City of Liberty
Andy Greynolds	-	East Casey County Water District
Edward Wesley	-	East Casey County Water District
Sam Reid	-	Commission Staff
Gerald Wuetcher	-	Commission Staff

In its Order of April 11, 2012, which established this proceeding, the Commission directed that the conference be held.

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

Mr. Wuetcher then reviewed the procedure that the Commission uses to review applications for rate adjustment. He further explained the process that the Commission uses to determine a utility's revenue requirement and to allocate costs among various customers. Commission Staff then discussed each component of Appendix B of the Commission's Order of April 11, 2012. Mayor Sweeney stated that the City of Liberty ("Liberty") understood the nature of the Commission's request for information. Mr. Wuetcher advised that Commission Staff was available and should be contacted if any questions arose while Liberty was preparing its response to the Commission's Order.

Mr. Wuetcher suggest an alternative to the current rate proceeding. He noted that Commission Staff had previously prepared rate studies for municipal utilities. Such a study could possibly serve as a basis for resolving the dispute between Liberty and East Casey County Water District ("East Casey District") regarding the proper wholesale water rate. Mr. Wuetcher noted that such study generally takes about five months and

would be less expensive than a formal Commission proceeding. He further noted that, upon completion of the study, Commission Staff would make a presentation to both parties and explain its findings and recommendations. Mr. Wuetcher stated that Commission Staff could not guarantee completion of the study within five months but would exercise its best efforts to do so. He also stated that a Commission Staff Report would only be performed outside a formal proceeding and would require Liberty to withdraw its current rate proposal. He cautioned that neither party was required to accept Commission Staff's findings and recommendations.

Mayor Sweeney and Mr. Greynolds indicated interest in the use of a Commission Staff study. Each stated that he lack authorization to agree to such study at this time and must bring the proposal to his respective board or council for consideration. The next meeting of each board is at least two weeks away. Mr. Wuetcher stated that he would submit to a written proposal to each party within the next week for its consideration. Each party can then advise Commission Staff on their position after its respective board or council has reviewed.

The conference then adjourned.

cc: Parties of Record