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August 14, 2012

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West Carroll Water District
P. O. Box 45
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Mr. Mark Bates
Mr. Denny Jackson
10179 Hwy 421 N
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Crawford, Baxter & James
523 Highland Avenue
P.O. Box 353
Carrollton, Kentucky 41008

Genon Ginn Hensley, Esq.
3003 Bushmill Park Road
Louisville, Kentucky 40241

Re: Case No. 2012-00170
City of Milton

Ladies 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. 2012-00170

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

DATE: August 13, 2012

RE: Informal Conference of June 18, 2012

On June 18, 2012, an informal conference was held in this matter. Attending this conference were:

Ruth Baxter	-	West Carroll County Water District
Bill Osborne	-	West Carroll County Water District
Vicki Edwards		West Carroll County Water District
Mark Bates	-	City of Milton
Genon Hensely		City of Milton
Denny Jackson		City of Milton
Gerald Wuetcher	-	Commission Staff

In its Order of May 14, 2012, which established this proceeding, the Commission directed that the conference be held. Representatives of West Carroll Water District ("WCWD") participated by telephone.

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 May 14, 2012. Mr. Wuetcher advised that Commission Staff was available and should be contacted if any questions arose while the city of Milton ("Milton") 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 Milton and

WCWD 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 Milton to withdraw its current rate proposal. He cautioned that neither party was required to accept Commission Staff's findings and recommendations.

Both parties indicated that they discuss the matter among themselves and advise the Commission if they reached any agreement regarding a rate adjustment.

The conference then adjourned.

cc: Parties of Record