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July 18, 2013

Mr. Jack Bragg
Mr. Ronald J. Barrow
Northern Kentucky Water District
2835 Crescent Springs Road
P. O. Box 18640
Erlanger, Kentucky 41018-0640

John N Hughes, Esq.
124 West Todd Street
Frankfort, Kentucky 40601

Re: Case No. 2013-00218
Northern Kentucky Water District

VIA ELECTRONIC MAIL

Gentlemen:

The enclosed memoranda have 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) 782-2590.

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. 2013-00218

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

DATE: July 18, 2013

RE: Conference Call of July 18, 2013

On July 18, 2013, Commission Staff conducted a conference call in this matter to discuss the surcharge that Northern Kentucky Water District currently assesses to its Sub-District H customers. Participating in the conference call were:

John N. Hughes	-	Northern Kentucky Water District
Ron Barrows	-	Northern Kentucky Water District
Jack Bragg	-	Northern Kentucky Water District
John Scheben	-	Northern Kentucky Water District
Gerald Wuetcher	-	Commission Staff

Beginning the conference call, Mr. Wuetcher also 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 inquired about the existing surcharge assessed to Sub-District H customers. Mr. Bragg and Mr. Barrow stated that the surcharge was intended to recover a customer contribution of \$933,842 and the debt service costs associated with borrowing the customer contribution. Mr. Wuetcher noted a discrepancy between documents filed in Case No. 2010-00434 and in Northern Kentucky Water District's Annual Report for the Year Ended December 31, 2012. He stated that a debt service schedule that the water district filed in Case No. 2010-00434 and that Ross, Sinclair and Associates prepared indicated that the total net cost of servicing the customer contribution component was \$1,445,486. This amount was based upon issuing revenue bonds in the amount of \$1,040,000 that matured over a 25-year period. (The debt service schedule is attached as Exhibit D of Northern Kentucky Water District's application.) The water district's Annual Report indicated that the total debt service for the Sub-District H customer component was only \$1,042,078.

Mr. Barrows indicated that the amount listed in the annual report was incorrect. (Mr. Hughes had indicated the same in an e-mail message sent prior to the conference

call. A copy of this message is attached.) Mr. Barrows noted that the bond schedules provided in Case No. 2010-00434 represented the estimated debt service requirement for the customer contribution. He also noted that the actual bond issuance just recently occurred and that the actual debt service requirement would differ from the original projections. He further stated that it was reasonable to base the surcharge on the original projections.

Mr. Wuetcher inquired about the termination date for the surcharge. He noted that the Commission's Order did not appear to establish a date certain for its termination. Mr. Bragg and Mr. Barrows agreed that the surcharge should terminate after 25 years or the collection of the projected debt service requirement of \$1,445,486 was collected, whichever occurred first. Mr. Hughes noted that, when establishing the surcharge for Sub-District I, the Commission found that the surcharge should continue for a period of no more than 25 years with the start of the 25-year period being the later of the date of the Commission Order establishing the surcharge or the first day on which Northern Kentucky Water District assessed the surcharge. Mr. Barrows and Mr. Bragg stated that Northern Kentucky Water District first assessed the Sub-District H surcharge in June 2011.

The conference then adjourned.

Attachment

From: [John N. Hughes](#)
To: [Wuetcher, Jerry \(PSC\)](#)
Subject: RE: Case No. 2013-00218: Northern Kentucky Water District
Date: Thursday, July 18, 2013 9:48:39 AM

After reviewing the questions you raised yesterday, I believe the following information may clarify the issues:

In Exhibit E of the application, "Supplemental Information Required by Commission Orders", sheet 2, Sub District H, the reference to the 2007 bond is incorrect, due to an editing oversight. It should be the 2013 bond which was recently issued. We will file a corrected page for the Annual Report.

The \$1,042,078 surcharge amount in the annual report was the original estimate of the surcharge amount. The correct amount is the \$933,842 listed in Exhibit D. The difference in the two amounts is that the original amount was based on information at the time of the initial sub H filing. The \$933,842 is based on the currently known debt, project cost and number of customers.

Let me know if this helps. Jack

From: Wuetcher, Jerry (PSC) [mailto:JWuetcher@ky.gov]
Sent: Wednesday, July 17, 2013 10:33 AM
To: jnhughes@fewpb.net
Subject: Case No. 2013-00218: Northern Kentucky Water District
Importance: High

Mr. Hughes:

Commission Staff has a few questions regarding the financing portion of the project. More specifically, it is trying to track the debt issued to partially finance the project and for which the surcharge proceeds are to partially cover. Is it possible to either contact Mr. Bragg directly by telephone to ask these questions or to arrange a conference call or 3-way call involving you, Mr. Bragg and Commission Staff?

Gerald E. Wuetcher
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