



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

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

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Daniel E. Logsdon Jr.
Commissioner

August 14, 2015

PARTIES OF RECORD

Re: Case No. 2015-00039

Attached is a copy of a memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the memorandum, please do so within five days of receipt of this letter. Any questions regarding this memorandum should be directed to David Spenard, Commission Staff Attorney, at (502) 782-2580.

Sincerely,


Jeff Derouen
Executive Director

DES/ch

Attachment

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 2015-00039

FROM: David Spenard, Staff Attorney

DATE: August 14, 2015

RE: Informal Conference of August 6, 2015

Pursuant to the Commission Staff's August 6, 2015 notice, an informal conference was held in this matter on August 6, 2015 to discuss the status of and issues in this case. Attending the conference were:

David Edward Spenard	-	Commission Staff
David P. Foster	-	Commission Staff
Jason Green	-	Commission Staff
Scott Lawless	-	Commission Staff
James D. Rice	-	Commission Staff
Mark Rasche	-	Commission Staff
Sam Reid	-	Commission Staff
Cynthia C. Thompson	-	City of Augusta (by telephone)
Gretchen England	-	City of Augusta (by telephone)
Gerald E. Wuetcher	-	Bracken County Water District (by telephone)
Diana Moran	-	Bracken County Water District (by telephone)

At the start of the conference, Mr. Spenard 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. Spenard stated that the views of Commission Staff were not binding on the Commissioners.

Commission Staff noted that the procedural schedule for the proceeding had been suspended and the proceeding was being held in abeyance, at the joint request of the parties, in order to afford the parties the opportunity to engage in settlement negotiations. Staff noted that the reports of the parties regarding the settlement discussions that have been filed into the record, and the reports indicated that the parties' settlement negotiations included the issue of the control or ownership of the Augusta Water Treatment Plant ("Augusta WTP). Staff noted that, while the parties are free to engage in discussions concerning the control or ownership of the Augusta WTP, the only issue before the Commission in this proceeding is the reasonableness of the

proposed increase in the city of Augusta's wholesale rate to Bracken County Water District ("Bracken District").

Staff further noted that Augusta had filed its proposed new water rate on January 8, 2015 and that the Commission, pursuant to KRS Chapter 278, has a statutorily imposed ten-month period in which to take action on the request. Staff stated that it had a concern that there was a need to take the case out of abeyance before August 24, 2015, the date by which Augusta and Bracken District proposed to file another [3rd] report regarding their settlement discussions, so that the Commission could enter an Order rendering a decision on the matter within the statutory deadline.

During the discussions, Counsel for Bracken District confirmed that the scope of the negotiations between the parties had included a proposal for Bracken District to take over control and operation of the Augusta WTP. Counsel for Bracken District also stated that no settlement had been reached on the control/ownership issue or the issue of the reasonableness of the proposed new wholesale rate. He further stated that the rate issues could be discussed the following week. Counsel for Augusta agreed with the assessment that the scope of the negotiations had included issues other than the rate issue. Counsel for Augusta stated that the focus of settlement discusses could be placed upon just the rate issues.

Staff stated that while it could not bind the Commission, it was likely that the Commission would enter an Order, prior to August 24, 2015, that would take the case out of abeyance and reestablish a procedural schedule. Staff stated that while the parties were free to negotiate, in order for the Commission to process the case and meet the statutorily imposed deadline, a hearing date of September 2, 2015, had been identified and was being considered. Staff discussed this date with the parties.

Counsel for Bracken District stated that the ten-month period [pursuant to KRS 278.190(3)] runs from January 8, 2015 to November 7, 2015. Counsel for Bracken District stated that Bracken District anticipated sponsoring a witness to testify, regarding policy, at a formal hearing. Staff stated that because of the extended period of time that the procedural schedule had been held in abeyance, the normal or standard pre-hearing procedural schedule (in which Bracken District would pre-file testimony, Augusta and Staff would have two weeks to submit questions, and Bracken District would have two weeks for responding to the questions) did not appear as a reasonable option. Staff stated that Augusta had not pre-filed any testimony in the case and it was likely that, given the time limitation, Augusta and Bracken District would be asked to simultaneously pre-file testimony.

Staff discussed the issue of notice of publication with Counsel for Augusta in order to identify the amount of lead time that Augusta would need to publish notice of a formal hearing. Bracken District questioned the need for publication of notice in a wholesale rate proceeding given that there was a single customer and the customer was a party to the case. Counsel for Augusta noted that the procedural schedule had

identified an informal conference to be scheduled prior to the hearing and asked whether another informal conference would be scheduled. Staff noted that another informal conference would likely be held.

Commission Staff thanked the parties for their participation in the informal conference. Staff noted that the parties are free to engage in discussions regarding the ownership of the Augusta WTP; however, that was not the issue before the Commission. Staff encouraged the parties to consider focusing any settlement discussions on the reasonableness of Augusta's proposed new rate.

There being no further business, the informal conference adjourned.

Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE WHOLESALE)
WATER SERVICE RATES OF THE CITY OF) CASE NO. 2015-00039
AUGUSTA)

SIGN IN

August 6, 2015

PERSON

REPRESENTING

David Edward Spencer	Commission Staff
Scott Lawless	PSC
David A. Varker	Commission Staff
Sam Reid	PSC
Jason Green	PSC
JAMES RICE	PSC
Mark Rasche	PSC
Cynthia C. Thompson	City of Augusta (By telephone)
Grubbs England	City of Augusta
Gerald E. Wuestcher	Brecken County Water District
Diane Moran	Brecken County Water District

*Bracken County Water District
1324 Brooksville Germantown Road
P. O. Box 201
Brooksville, KY 41004

*City of Augusta
219 Main Street
Augusta, KY 41002

John Laycock
Mayor
City of Augusta
219 Main Street
Augusta, KY 41002

*Diana Moran
Office Manager
Bracken County Water District
P. O. Box 201
Brooksville, KY 41004

*Honorable Cynthia C Thompson
Attorney at Law
202 E. Riverside Drive
Augusta, KENTUCKY 41002

*Gerald E Wuetcher
Attorney at Law
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KENTUCKY 40507-1801