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John W. Clay  
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May 15, 2009

## PARTIES OF RECORD

Re: Case No. 2008-00346

Attached is a copy of the 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 informal conference memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact M. Todd Osterloh at 502/564-3940, Extension 439.

Sincerely,

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

Jeff Derouen  
Executive Director

Attachment

**INTRA-AGENCY MEMORANDUM**

**KENTUCKY PUBLIC SERVICE COMMISSION**

**TO:** Case File  
**FROM:** Todd Osterloh, Staff Attorney  
**DATE:** May 15, 2009  
**RE:** Case No. 2008-00346  
Conference of May 13, 2009

On May 13, 2009, the Commission held a telephonic informal conference for the purpose of discussing the substantive and procedural issues of this case. The following individuals were present for the teleconference.

Melissa Yates	Purchase Public Service Corp.
Jennifer Beck Walker	Purchase Public Service Corp.
Mark Davis	Purchase Public Service Corp.
Adam Scott	Purchase Public Service Corp.
Todd Osterloh	PSC Staff
Sam Reid	PSC Staff
Dennis Jones	PSC Staff
Sam Bryant	PSC Staff
Mark Frost	PSC Staff
Jason Green	PSC Staff
James Rice	PSC Staff

Beginning the conference, Commission Staff stated that it 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. Staff also noted that its statements and opinions are not necessarily binding on the Commission.

Counsel for Purchase Public Service Corporation and its officers and directors (collectively "PPSC") reiterated the position that was addressed in their show cause response filed on April 24. She emphasized the dire financial condition of the utility, stating that the corporation had less than \$1,000 in reserves. She also stated that the corporation's board members were strictly volunteers.

Commission Staff questioned whether the board members identified in the Commission's Order of April 3, 2009 were the appropriate individuals to be included within this investigation. Staff noted the differences between the records from the

Secretary of State's office and the minutes of the 2008 board meeting. PPSC agreed that some of the board members have changed, and stated that it would provide a list of board members and duration of service for members who have served on the PPSC board since the car accident that destroyed the Holifield Heights sewer facility.

PPSC posed the possibility of settlement. Staff stated that it recommended that, instead of settlement, PPSC file a proposal directly to the Commissioners. There were a couple of reasons articulated. First, a settlement with Commission Staff may lead to false hopes because ultimately the Staff's agreement and recommendation is not binding on the Commissioners. Second, the unique facts of this case may make it difficult to get consensus from the Staff. Should PPSC desire to file a proposal for the Commissioners to consider, PPSC and Staff could discuss the proposal prior to its filing, so that Staff can offer its insight on whether the proposal may be accepted by the Commission.

In terms of substantive options that may assist in resolving this case, Staff noted the civil penalties listed in KRS 278.990. In addition to (or in lieu of) a civil penalty, Staff suggested that the Commission may be receptive to mandating that PPSC members attend a training seminar sponsored by the Commission. PPSC could offer to host a Commission training seminar on utility regulation for its members and employees (plus, potentially, other utility managers in western Kentucky). In addition, PPSC members could attend the water district commissioner training to be held at Kentucky Dam Village State Resort Park on November 4-5. Staff noted that the water district commissioner training focuses on regulation of water utilities, but that some concepts span all utility industries.

PPSC stated that it would consider whether it would submit a proposal to the Commission and that it would contact Commission Staff in the next couple of weeks to set up another informal conference.

The conference then adjourned.