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David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Charles R. Borders
Commissioner

August 13, 2009

TO: Division of Filings

Re: Case No. 2008-00563
Application of Water Service Corporation of Kentucky for an Adjustment of Rates

Please file in the administrative record of the above-referenced case the enclosed public meeting notes, which were recorded by Commission Staff at the public meetings in Middlesboro, Kentucky on August 12, 2009.

Sincerely,

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

Jeff Derouen
Executive Director

Enclosures

cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WATER SERVICE) CASE NO. 2008-00563
CORPORATION OF KENTUCKY FOR AN)
ADJUSTMENT OF RATES

MINUTES OF THE LOCAL PUBLIC MEETING
MIDDLESBORO COMMUNITY CENTER
MIDDLESBORO, KENTUCKY
AUGUST 12, 2009 5:30 P.M.

Vice Chairman Jim Gardner called the meeting to order at approximately 5:30 p.m., welcoming the attendees and introducing Commissioner Charles Borders and the PSC Staff in attendance. Vice Chairman Gardner gave a brief introductory statement explaining the purpose of the meeting, which was to hear public comments on Water Service Corporation of Kentucky's ("Water Service") application for a rate increase. He informed the attendees that they could also file written comments and that forms for such comments were available at the reception table. After explaining the purpose of the application and the procedure and protocol for the public meeting, Vice Chairman Gardner invited those who had signed up to speak to come forward to give their comments, and each speaker was allowed five minutes to speak.

The following summarizes the ten speakers who provided oral comments at the meeting.

- Wallace R. Wade, Sr. expressed his concern that the increase was not phased in.
- Rolanda York noted how a gradual increase would have benefited customers, particularly those who live on a fixed income.
- John Blackstone was concerned that the proceeds from the rate increase were going to AIG, which he claimed to be a parent company of Water Service. He also stated that, by his calculations, the \$367,000 cost of the Phoenix software would be paid in one year with the rate increase, and he questioned whether that cost should not be spread out over several years.
- State Representative Rick Nelson complimented the local Water Service employees for their work at the water system. He was also concerned with the cost of the Phoenix project that, by his calculations, would be paid off in ten months, with the rate increase generating an additional \$66,000 in

revenues per month. Rep. Nelson was also concerned about the large return on equity that Water Service has proposed.

- Romel Johnson emphasized that the proposed increase will significantly impact her community, based on the economic implications of the proposed increase. She asked that the PSC deny the rate increase or, if necessary, limit the increase to 10%, and she encouraged Water Service to be a community leader in Middlesboro. Ms. Johnson's written comments are attached to these minutes.
- Mr. Jackson noted that several charities, including one with which he is affiliated, help pay the utility bills of individuals who cannot afford to pay their own bills. He questioned how many additional individuals would need assistance if the proposed increase became effective.
- City Councilman Gary Mills emphasized that the individuals in Middlesboro could not afford the rate increase, and he questioned why the cost of the improvements could not be spread over a longer period of time.
- Betty Parks expressed her displeasure with not knowing when Water Service's next rate increase will be.
- City Councilman Everett "Mammaw" Gulley stated that those individuals on a fixed income could not afford to pay for the increase. He stated that Water Service should be permitted to have a fair rate but that the proposed increase was too high.
- Murrell Davis characterized the proposed increase as corporate greed and questioned why the local area had such high-quality ground water when it required high costs of treatment. He also noted that the individuals who are most affected by a rate increase are those who are homebound and could not attend the public meeting.

All persons in attendance were asked to sign in and provide their addresses for the record. The sign-in sheets are attached to these minutes. At the conclusion of the public meeting at approximately 6:15 p.m., Vice Chairman Gardner thanked the speakers and attendants for their participation and then dismissed the meeting. Members of Commission Staff and employees of Water Service were available after the meeting for individual questions.

August 12, 2009

GOOD EVENING, GENTLEMEN OF THE PUBLIC SERVICE COMMISSION:

My name is Romell Johnson, P.O. Box 1557, 114 Park Manor, Middlesboro, Kentucky 40965. I am a customer of Water Service Corporation of Kentucky ("WSCK") and have been either a customer of WSCK or its predecessor(s) in excess of 15 years.

First, let me take this opportunity to both welcome you to Middlesboro, Bell County, Kentucky and to thank you for holding this public meeting to provide us, the ratepayers affected by the proposed rate increase, an opportunity to speak directly with you.

I regret receiving the Commission's May 6, 2009 Order denying my request for intervention in this particular case, but I thank you for your statement that the Commission would CAREFULLY consider the comments in my motion and carefully consider the comments that will be entered in the record of this case today.

Let me emphatically state that I oppose the rate increase requested by the WSCK for the following reasons:

a. A rate increase of such magnitude in our troubled economy is unduly burdensome to the residents and businesses of Middlesboro, Kentucky.

✓(1) **The City of Middlesboro, with a population of 10,389, has lost approx. 20 businesses in the last eighteen (18) months or less.**

✓(2) The jobless rate in Bell County (not available for just the City of Middlesboro) is currently 13.3% for the month of June, 2009. The nation's is approx. 9.5%.

✓(3) As an indicator of the economic conditions in the City of Middlesboro, the Middlesboro Independent School System district wide provides free lunch to 69% of its school population.

⊕ ✓(4) The City of Middlesboro's monthly sewer bill is tied directly to the water bill from WSCK. The sewer portion of the sewer bill is calculated as \$3.23 per 1,000 gallons of water usage. Should a person fail to pay their water bill, they would not only face disconnection of water

service but also would not be provided trash collection or sewer services by the City.

- ✓(5) The rate increase requested by WSCK is a fixed, not a variable, rate. It is not a one-time request or is there the possibility that the rate will decrease.

- ✓(6) We can anticipate that the increased water rate will be passed on by local businesses to local consumers.] For example, car washing services, hospital, nursing homes, motels/hotels, car dealers, schools, restaurants, produce markets, ice distributors, and any other business that use larger than normal water supply will no doubt pass on the rate increase to local consumers.

- (7) During the summer months, the City of Middlesboro provides "free" use of the local swimming pool.] This activity provides a means of keeping youth off of the street corners and provides a means for a family facing economic pressures to enjoy at no cost a time of relaxation and family togetherness. [Faced with a 50.8% water rate increase, the City will have to make some tough decisions regarding the pool.] The water rate increase would inevitably lessen the public's enjoyment.

- (8) The public's health could be impacted.] Some of the Middlesboro local restaurants post their Health Department ratings. There are very few "A's". [Businesses, not only restaurants, may choose to lessen their use of water to save money in their daily operations and thus expose the public to all types of health risks.]

- ✓ b. A rate increase of 50.8% could certainly deter new businesses from coming to the Middlesboro area and could possibly deter existing businesses from expanding.
 - (1) There are two (2) industrial parks located in the city limits of Middlesboro, i.e., Whitmer Industrial Park and the Bell County Training and Technology Park.

 - (2) To my knowledge, there is one (1) industry located in these industrial parks.

- (3) These parks have or are applying to receive federal and/or state dollars. Two of the items that industry looks at in choosing a site to locate to are (i) the availability of utilities and their respective costs and (ii) the opinion of existing industries. Despite the federal and/or state funding, these industrial parks could remain literally empty because of a 50.8% water rate increase.
- (4) It is possible that such a rate increase could deter existing industries from expanding or, at the least, lead them to consider moving to a friendlier economic area.
- ✓ (5) Finally, as a citizen of Middlesboro, I oppose the rate increase as excessive and object to the negative financial impact it places on myself and other Middlesboro residents.

✓ **Gentlemen of the PSC**, I stand in the gap, today, to speak for the masses, the citizens of Middlesboro affected by this rate increase, who are right now working trying to hold onto their jobs, or who are home trying to get their child ready for the first day of school on tomorrow, or who are in Wednesday night prayer service praying for our state and nation, or for those who don't want the increase but will not come out to meetings because they no longer trust our government to "have their back", and I say to you as clearly as I can that we ask that:

1. WSCK not be permitted the 50.8% rate increase requested because of the above stated economic reasons;
2. Conversely, if WSCK is granted a rate increase that it be 10% or less regardless of WSCK's reasons; and
3. WSCK be encouraged to realize that it must be a community leader, not a community destroyer.

THANK YOU FOR YOUR CONSIDERATION.

Exhibit

Businesses That Have Closed

Dawahares Clothing
Firehouse Video
Video Box
P T Pros, Inc.
Charlie Dogs
Domino's
Shoe Department
China Star
Friedman's Jewelers
Steve & Barrys
Kay-Bee Toy Store
Underground Attitude
Goody's
Dholakia & Dholakia
Sterchi's Factory Direct Furniture Store
SGS Minerals Services (f/k/a Commercial Testing)
Highway Oil
Joy Food Store
Flowers From the Heart

1

PUBLIC MEETING - SIGN-IN SHEET

Water Service Corp. - Case No. 2008-00563

Middlesboro - August 12, 2009

PLEASE PRINT LEGIBLY

Name	Address	DO YOU WISH TO SPEAK?	
1 ✓ Wallace R. Wade SR		YES	NO
2 Betty Coleman		YES	NO
3 William Rogers		YES	NO
4 Samuel R. Coleman, Jr		YES	NO
5 Mary west		YES	NO
6 ✓ Rolanda York		YES	NO
7 Deborah Blackstone		YES	NO
8 ✓ Lou Blackstone		YES	NO
*9 ✓ Rick Nelson		YES	NO
10 James Leonard		YES	NO
Merk Davis		YES	

2

PUBLIC MEETING - SIGN-IN SHEET

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Middlesboro - August 12, 2009

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Name	Address	DO YOU WISH TO SPEAK?
1 Gary Miller	Flat Lick Ky	YES <input checked="" type="radio"/> NO
2 Guy Bait	middlesboro ky	YES <input checked="" type="radio"/> NO
3 Wilbur L Wood	102 Ironwood Rd	maybe YES <input checked="" type="radio"/> NO
4 James Boel	224 nutwood rd	YES <input checked="" type="radio"/> NO
5 Jim Browning	124 N. 10 th St Middlesboro, Ky	YES <input checked="" type="radio"/> NO
6 Romell Johnson	POB 1557, Middlesboro	<input checked="" type="radio"/> YES NO
7 Crystal Rogers	111 Greenwood Rd Middlesboro Ky	YES <input checked="" type="radio"/> NO
8 Sue Wgat	607 South 35th St m'boro	YES <input checked="" type="radio"/> NO
9 Susan Hulley	1403 Chester Ave m'boro	YES <input checked="" type="radio"/> NO
10		YES NO

NO

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Name	Address	DO YOU WISH TO SPEAK?	
1 <u>Bobbie Brooks</u>		YES	<input checked="" type="radio"/> NO
2 <u>Harold Martin</u>		YES	<input checked="" type="radio"/> NO
3 <u>Betty Parks</u>	<u>Phelps Lane</u>	<input checked="" type="radio"/> YES	<input checked="" type="radio"/> NO
4 <u>STEPHEN VAN KITH</u>		YES	<input checked="" type="radio"/> NO
5 <u>Susan Ahmed</u>		YES	<input checked="" type="radio"/> NO
6 <u>James Johnson</u>	<u>Middlesboro Ky</u>	YES	<input checked="" type="radio"/> NO
7 <u>Barbara Hamble</u>		YES	NO
8 <u>Richard Blackburn</u>		YES	<input checked="" type="radio"/> NO
9 <u>Alberta Blackburn</u>		YES	<input checked="" type="radio"/> NO
10 <u>Gary Mills</u>	<u>City Council</u> <u>124 Alpine Rd</u>	<input checked="" type="radio"/> YES	NO

PUBLIC MEETING - SIGN-IN SHEET

Water Service Corp. - Case No. 2008-00563

Middlesboro - August 12, 2009

PLEASE PRINT LEGIBLY

chester Ave

Name	Address	DO YOU WISH TO SPEAK?	
		YES	NO
1 John P. Pagan Jr	111 GREENWOOD M'boro	YES	NO
2 Kenneth "Mormon" Gully	city Council	<u>YES</u>	NO
3 Billie M. Parker		<u>YES</u>	NO
4 Beba Stauder		YES	<u>NO</u>
5 Heather Laska	Charlotte NC	YES	<u>NO</u>
6 Cynthia Davis	M'boro, Ky	YES	<u>NO</u>
7 Maxwell Davis	M'boro, Ky	YES	NO
8 Nancy Baxter	M'boro	YES	NO
9 Bob Boston	M'boro	YES	<u>NO</u>
10		YES	NO