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Chairman

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Charles R. Borders  
Commissioner

August 5, 2011

## PARTIES OF RECORD

Re: Case No. 2011-00160  
Owen Electric Cooperative, Inc.  
Alleged Failure to Comply with KRS 278.042

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 Quang Nguyen, Staff Attorney, at 502/564-3940, Extension 256.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jeff Derouen".

Jeff Derouen  
Executive Director

QN/dl

Attachments

**INTRA-AGENCY MEMORANDUM**  
**KENTUCKY PUBLIC SERVICE COMMISSION**

**TO:** Case File

**FROM:** Quang D. Nguyen, Staff Attorney

**DATE:** August 5, 2011

**RE:** Case No. 2011-00160  
Owen Electric Cooperative, Inc. – Alleged Failure to Comply with KRS 278.020 and Commission Order

Pursuant to the Commission Staff's notice of July 29, 2011, an informal conference was held at the Commission's offices on August 1, 2011. A list of the attendees is attached hereto. The purpose of the conference was to discuss the issues relating to the Commission's Order issued on June 21, 2011 directing Owen Electric Cooperative, Inc. ("Owen") to show cause why it should not be penalized for failure to comply with KRS 278.020(1) and the Commission's August 5, 2009 Order in Case No. 2009-00010.<sup>1</sup>

The alleged violations arose from Owen undertaking the construction of certain projects contained in its 2010–2011 Construction Work Plan ("CWP") prior to obtaining a Certificate of Public Convenience and Necessity ("CPCN"). At the outset of the conference, representatives from Owen acknowledged that a CPCN should have been obtained before beginning the construction. Owen explained that its 2010–2011 CWP was not timely filed with the Commission due to a miscommunication between its engineering and finance departments, which was compounded by a personnel change in the office of vice president of engineering in 2009. Owen stated that it has developed internal procedures to ensure that future construction work plans will be filed and in a timely manner. These procedures include the establishment of a detailed check list for preparing and seeking approval of construction work plans, written procedures detailing division responsibilities to be included in Owen's employee manual, the creation of job descriptions for those personnel involved in the construction work plan process, and the restructuring of the responsibility for regulatory affairs under the finance department.

Staff asked, and Owen responded to, a few clarifying questions and suggestions relating to the construction work plan process (i.e., the timeline associated with the

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<sup>1</sup> Application of Owen Electric Cooperative, Inc. for an Order Pursuant to KRS 278.300 and 807 KAR 5:001, Section 11, and Related Sections, Authorizing the Cooperative to Obtain a Loan Under the RUS/CoBank Co-Lending Program not to Exceed \$28,083,000 at any One Time from Rural Utilities Service and CoBank (Ky. PSC, August 5, 2009).

development of a CWP and Owen's interactions with RUS and the RUS field representative) and the CWP checklist document. Owen accepted the changes suggested by Staff to the checklist and will file a copy of the revised checklist and the written procedures to be included in the employee manual within 10 days. Lastly, Owen also agreed to pay a penalty of \$3,000 in full resolution of this matter. Staff indicated that it will draft a settlement agreement for Owen's review and execution within a few weeks.

There being no further discussions, the conference was adjourned.

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

OWEN ELECTRIC COOPERATIVE, INC. )  
ALLEGED FAILURE TO COMPLY WITH KRS ) CASE NO.  
278.020 ) 2011-00160  
)

SIGN IN

August 1, 2011

PERSON

REPRESENTING

<u>Quang D. Nguyen</u>	<u>PSC</u>
<u>RICHARD RAFF</u>	<u>PSC</u>
<u>Chris Whelan</u>	<u>PSC</u>
<u>MARK STALLONS</u>	<u>Owen Electric</u>
<u>James Bridges</u>	<u>OWEN Electric</u>
<u>Rebecca Ott</u>	<u>Owen Electric</u>
<u>Jim Crawford</u>	<u>Owen Elect</u>
<u>JEFF JOHNSON</u>	<u>PSC</u>
<u>Ron Handzick</u>	<u>PSC</u>