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David L. Armstrong
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James W. Gardner
Vice Chairman

Charles R. Borders
Commissioner

September 28, 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

TO/ew

Attachment

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File
FROM: Todd Osterloh, Staff Attorney
DATE: September 25, 2009
RE: Case No. 2008-00346
Conference of September 23, 2009

On September 23, 2009, the Commission held a telephonic informal conference for the purpose of discussing possible settlement offers. The following individuals were present for the teleconference.

Melissa Yates	Purchase Public Service Corp.
Robert Goff	Purchase Public Service Corp.
Todd Osterloh	PSC Staff
Sam Reid	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 ("Purchase") informed Commission Staff that she was preparing a settlement offer to submit to the Commission for its consideration. Purchase's proposed settlement will likely include a requirement that its principal employees attend training seminars sponsored by the Commission. The employees would be most likely to attend the Water District Commissioner Training seminar to be held at Kentucky Dam Village on November 4 and 5, 2009. The settlement would also require that the Chairman of Purchase's board and possibly other board members attend that training or another training sponsored by the Commission.

Commission Staff stated that they would probably recommend that the Commission approve the suggested settlement once it was formalized in writing. Staff suggested that Purchase clearly indicate in its proposal that its board has entrusted primary authority for operating the utility to its employees. Although the board cannot

Case No. 2008-00346

September 25, 2009

Page 2

relinquish ultimate responsibility for the actions of the utility, the present situation may not have occurred if its employees were more aware of utility regulatory requirements.

Staff noted that there was no specific format in which the settlement proposal must be submitted. It recommended that the proposal be similar to that of an Alford plea, in which the utility and directors do not admit it willfully violated the statutory requirements but admit that there is sufficient evidence to support a finding that a penalty may be appropriate under KRS 278.990. Purchase stated that it would likely file the proposed settlement within the next few days.

Staff also indicated that it would recommend that the Commission add other directors who were not made parties in the original show cause order. Counsel for Purchase stated that she would accept service of the show cause order on the additional board members.

The conference then adjourned.