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David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Charles R. Borders
Commissioner

September 18, 2009

PARTIES OF RECORD

Re: Case No. 2009-00041

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 18, 2009
RE: Case No. 2009-00041
Conference of September 15, 2009

On September 15, 2009, the Commission held an informal teleconference in this case at the Commission's offices in Frankfort, Kentucky. The purpose of the meeting was to discuss the concerns of Commission Staff on the wholesale rate in this case.

The following individuals participated in the informal conference:

Commission Staff:
Eddie Beavers, Financial Analysis Division
Sam Reid, Financial Analysis Division
Bob Robards, Engineering Division
Todd Osterloh, Legal Division

City of Burkesville:
Ed Peretto, Water Works Manager
Brenda Spears, City Clerk
Lindsey Bell, City Attorney

Cumberland County Water District:
Johnny Carter, Water District Manager
Elizabeth Cornwall, Office Manager

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.

Mr. Carter advised that the Cumberland County Water District Board of Directors met on September 14 and approved the settlement offered by Burkesville in relation to the city's proposed rate increase. The basic terms of the agreement included a base rate of \$3.43 per 1,000 gallons, which would be adjusted based on a cost-of-service

study, and for which any overpayment or underpayment would be refunded to the appropriate entity after the cost-of-service study was conducted.

Burkesville stated that it will draft a written agreement to formalize this arrangement and file it with the Commission. Commission Staff suggested that the parties consider including terms in the agreement related to the following topics:

- When the cost-of-service study will be prepared
- Who will conduct the study, and if no individual or entity can be named at this time, the agreement should indicate a process for selection of the preparer
- A statement by the city that it will maintain its accounts consistent with the IAW Uniform System of Accounts to ensure that a detailed cost-of-service study can be conducted
- If refunds are required, the period over which refunds will be made
- Whether there will be interest to be paid on refunds, and if so, at what rate
- The process by which the parties will review the cost-of-service study

Burkesville stated that it could probably draft the written agreement by the end of September. Commission Staff noted that the statutory deadline of KRS 278.180 for the Commission to enter a final order is October 12, 2009 and that the Commission should be able to issue an order by the deadline as long as the agreement is reasonable and filed by September 30, 2009. If the agreement is not filed by that date, the parties may need to have further discussions with Commission Staff regarding the Commission proceedings.

The conference then adjourned.