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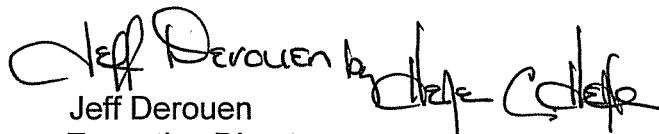
June 1, 2010

## PARTIES OF RECORD

Re: Case Nos. 2009-00356, 2009-00365 and 2009-00418

Attached is a copy of the memorandum which is being filed in the records of the above-referenced cases. 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,

  
Jeff Derouen  
Executive Director

TO/ew

Attachment

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

**TO:** Case File

**FROM:** Todd Osterloh, Staff Attorney

**DATE:** June 1, 2010

**RE:** Case No. 2009-00356  
Case No. 2009-00365  
Case No. 2009-00418  
Informal Conference of May 26, 2010

On May 26, 2010, Commission Staff held an informal conference at the request of Elkhorn Water District and Peaks Mill Water District. Because Northeast Woodford County Water District ("Northeast Woodford") was requesting a similar increase in nonrecurring charges for connections, Commission Staff also invited Northeast Woodford to participate in the conference. A sign-in sheet listing the conference participants is attached to this memorandum.

Beginning the conference, Commission Staff stated that it would prepare minutes of the conference for the case record, that a copy of the 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.

The utilities requested an informal conference to discuss the Commission Staff's Third Information Request and the processing of the case. Commission Staff informed the utilities that, if approved, the utilities' connection charges would be the highest in the state. Commission regulations enable utilities to recover customer-specific costs for certain services, including connection charges, but the fees charged must yield only enough revenue to pay the expenses incurred by the utility. Staff stated that the information that it requested was intended to confirm that the charges requested by the utilities met the standard of the regulation.

The utilities mentioned a few reasons why connection expenses are increasing. First, widening of roads has required water utilities to bore longer distances. Second, road construction practices have changed, and utilities are encountering rock more frequently. Third, automated meter reading technology has increased the cost of meters.

The parties discussed several topics mentioned in the information request. Some water utilities include a "rock clause" in their tariff which allows the utility to charge additional fees for service connections that require additional labor or equipment to bore through rock. The primary advantage for a rock clause is to ensure that individuals requiring services that cost extra are paying for those charges and that other customers are not subsidizing those expenses. One disadvantage for such a provision is potential disagreement between the utility and the prospective customer as to the actual cost of the connection when boring through rock is required. By including a rock clause, the "basic" connection fee may be lower because hourly labor and equipment expenses would likely be reduced.

The parties also discussed the utilities' agreements with Gatewood Water Services. The contracts supplied by the utilities in response to a data request were outdated and, although the contracts had never formally been amended, the boards of the water districts had approved increased costs over the years. Commission Staff explained that this information was important to demonstrate that the utility was not paying less for a contractor to install a meter than what it is charging potential customers for connections.

Staff asked that the utilities provide responses to the Third Information Request by June 15, 2010.

The conference then adjourned.

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CASE NO. 2009-00356

APPLICATION OF NORTHEAST WOODFORD WATER DISTRICT TO  
INCREASE CERTAIN NONRECURRING CHARGES

CASE NO. 2009-00365

APPLICATION OF PEAKS MILL WATER DISTRICT TO INCREASE CERTAIN  
NONRECURRING CHARGES

CASE NO. 2009-00438

APPLICATION OF ELKHORN WATER DISTRICT TO INCREASE CERTAIN  
NONRECURRING CHARGES

SIGN IN

May 26, 2010

PERSON

REPRESENTING

Harold Robinson

Peaks Mill Water

Spencer W. Clark

"

Charles Quarles

"

William A. Brown  
10m York Group

EWD

Benjamin

EWD

JOHN S. DAVIS

NORTHEAST WOODFORD WTR DISTRICT

Rennia Jones

PSC Staff

Nate S. Helwood

GWS

