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August 9, 2011

Mr. Robert M. McGuire
Mr. Danny Clarkston
Cannonsburg Water District
P.O. Box 1535
Ashland, Kentucky 41105

Ms. Carryn Lee
Lee Utility Consulting
900 Argyll Drive
Danville, Kentucky 40422

Sharon E. Rowsey, Esq.
P.O. Box 807
Ashland, Kentucky 41105

Re: Case No. 2011-00217
Cannonsburg Water District

Ladies and Gentlemen:

The enclosed memorandum has been filed in the record of the above-referenced case. Any comments regarding this memorandum's contents should be submitted to the Commission within five days of receipt of this letter. Any questions regarding this memorandum should be directed to Gerald Wuetcher, Executive Advisor, at (502) 564-3940, Extension 259.

Sincerely,

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

Jeff Derouen
Executive Director

gw
Enclosure

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 2011-00271

FROM: Gerald Wuetcher **GEW**
Executive Advisor

DATE: August 8, 2011

RE: Telephone Conference Call of August 5, 2011

On August 5, 2011, the Commission conducted a telephone conference in this case. Participating were:

Danny Clarkston	-	Cannonsburg Water District
Sharon Hambrick	-	Cannonsburg Water District
Carryn Lee	-	Cannonsburg Water District
Sharon Rowsey	-	Cannonsburg Water District
Eddie Beavers	-	Commission Staff
Dennis Jones	-	Commission Staff
George Wakim	-	Commission Staff
Gerald Wuetcher	-	Commission Staff

Commission Staff convened the conference on its own motion.

Beginning the conference, Mr. Wuetcher stated that Commission Staff 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. Wuetcher noted that Cannonsburg Water District's submission of July 25, 2011 had failed to cure all of the deficiencies in its application. He noted that the water district had not explained why no written testimony had been include with its application or provide any grounds in support of its request for a waiver from the requirement for written testimony. Ms. Lee stated that the water district was of the opinion that testimony regarding the water district's financial condition would be provided at the hearing on emergency rate relief and that this testimony would be an adequate substitute for any written testimony. Mr. Wuetcher requested that the water district submit its basis for a waiver in writing to the Commission. He stated that this submission could take the form of a letter to the Commission's Executive Director.

Mr. Wuetcher then noted that KRS 278.190(3) required a hearing on any request for emergency or interim rate relief. He stated that Commission Staff was trying to

determine available days on which the Commission could hear the water district's request and inquired as to the availability of the water district and its counsel. Ms. Rowsey stated that she would be available after August 15, 2011. Mr. Clarkston stated that the water district's representatives would be available after that date. Mr. Clarkston and Mr. Wuetcher discussed whether members of Cannonsburg Water District's Board of Commissioners must attend the hearing. Mr. Wuetcher advised that the failure of at least one member of the Board of Directors to attend the hearing might be misinterpreted. He suggested that at least one commissioner attend. Mr. Wuetcher noted that once he learned of the available dates for a hearing, he would contact the water district to ensure the water district's availability.

Mr. Wuetcher noted that KRS 278.190(3) permits emergency or interim rate relief only upon a showing that the water district's credit or operations would be materially impaired or damage by the failure to permit the proposed rates to become effective during the suspension period. He suggested that the water district present testimony on its current financial condition and the consequences of any delay in placing the proposed rates into effect. He advised the water district to expect questions on this issue as well as questions on the level of its non-revenue water during the test year.

Mr. Wuetcher inquired about \$402,676 of non-operating revenue that Cannonsburg Water District reported during the test year but did not consider when determining its revenue requirements. Mr. Clarkston stated that this amount represented a grant from the Kentucky Infrastructure Authority for several projects.

The conference then adjourned.

cc: Parties of Record