



Ernie Fletcher
Governor

Teresa J. Hill, Secretary
Environmental and Public
Protection Cabinet

Timothy J. LeDonne
Commissioner
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Commonwealth of Kentucky
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Mark David Goss
Chairman

John W. Clay
Commissioner

January 31, 2007

TO: PARTIES OF RECORD
RE: Case No. 2006-00398
Northern Kentucky Water District

Enclosed please find a memorandum that 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. Questions regarding this memorandum should be directed to J.R. Goff at 502/564-3940, Extension 261.

Sincerely,

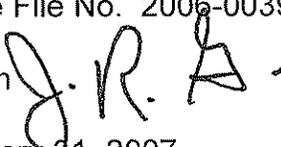
A large, stylized handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell
Executive Director

vh/
Enclosure

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 2006-00398
FROM: Team 
DATE: January 31, 2007
SUBJECT: Northern Kentucky Water District
Informal Conference

An informal conference was held on January 25, 2007. In attendance were Commission Staff, Northern Kentucky Water District ("Northern Kentucky"), and representatives of the Attorney General's Office. Attached is a sign-in sheet with the names of the attendees and telephone participants.

The informal conference was held at the request of Commission Staff to discuss issues regarding Northern Kentucky's depreciation study. Northern Kentucky is proposing approximately \$2,191,000 in annual increases to its depreciation expenses.

Commission Staff expressed concerns about the validity of the depreciation study conducted by Northern Kentucky's consultant, Black & Veatch. Northern Kentucky does not have comprehensive records of historical additions and retirements; therefore, an actuarial analysis could not be performed. It appears that the study compared depreciable lives from utilities with no common characteristics to Northern Kentucky or from utilities that had conducted their own depreciation studies.

Commission Staff, Northern Kentucky, and representatives of the Attorney General's Office discussed necessary content of the depreciation study and how it could be addressed by Northern Kentucky. Northern Kentucky agreed to supplement its responses to address the concerns of Commission Staff. Dates would then be considered for a new procedural schedule.

There also was conversation about a possible settlement of the matter, but any further consideration of settlement was postponed until the supplemental filing by Northern Kentucky.

The meeting was adjourned.

cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY)
WATER DISTRICT FOR APPROVAL OF) CASE NO. 2006-00398
DEPRECIATION STUDY)

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January 25, 2007 Informal Conference
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Please sign in:

NAME	REPRESENTING
<u>Mike Mazonos (by telephone)</u>	<u>OAG</u>
<u>David Spenard</u>	<u>OAG</u>
<u>Mark Hofland</u>	<u>NKWD</u>
<u>RICHARD AMERSON</u>	<u>NKWD</u>
<u>Jack Wylor</u>	<u>NKWD</u>
<u>RON LOVAN</u>	<u>NKWD</u>
<u>JACK BRAGG</u>	<u>NKWD</u>
<u>Mark Frost</u>	<u>PSC - staff</u>
<u>Jason Green</u>	<u>PSC - staff</u>
<u>JAMES D. RICE</u>	<u>PSC</u>
<u>Scott Lawless</u>	<u>PSC staff</u>
<u>Bob Roberts</u>	<u>PSC ENGINEERING</u>
<u>Sam Heid</u>	<u>PSC staff</u>
<u>Gerald Wulter</u>	<u>PSC staff</u>
<u>Jess Thompson</u>	<u>PSC staff</u>
<u>George Wakim</u>	<u>PSC</u>
<u>J. R. GOFF</u>	<u>PSC staff</u>

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY)
WATER DISTRICT FOR APPROVAL OF) CASE NO. 2006-00398
DEPRECIATION STUDY)

=====
January 25, 2007 Informal Conference
=====

Please sign in:

NAME

REPRESENTING

LARRY LOOS

B&U (Tele)

Kim Winslow

B&U (Tele)
