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AUG 08 2011

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

PUBLIC SERVICE
COMMISSION

In the Matter of:

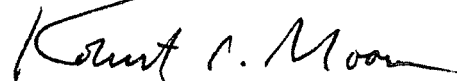
APPLICATION OF FARMDALE DEVELOPMENT) CASE NO.
CORPORATION FOR AN ADJUSTMENT OF RATES) 2011-00048

NOTICE OF FILING AND
MOTION FOR SUBMISSION ON EXISTING RECORD

Farmdale Development Corporation and Commission Staff give notice of the filing of Stipulations, a copy of which is attached.

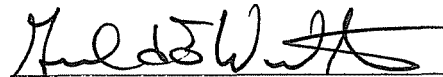
Farmdale Development Corporation withdraws its request for hearing in this matter and moves for submission of this matter for decision based upon the existing record.

Respectfully submitted,



Robert C. Moore
Hazelrigg & Cox, LLP
415 West Main Street
Frankfort, Kentucky 40601

Counsel for Farmdale Development
Corporation



Gerald E. Wuetcher
Public Service Commission
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Counsel for Commission Staff

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In the Matter of:

APPLICATION OF FARMDALE DEVELOPMENT) CASE NO. 2011-00048
CORPORATION FOR RATE ADJUSTMENT)

STIPULATION

Pursuant to 807 KAR 5:001, Section 4(6), Farmdale Development Corporation ("Farmdale Development") and Commission Staff stipulate for purposes of this proceeding only:

1. The calendar year ending December 31, 2009, should be used as the test period to determine the reasonableness of Farmdale Development's existing and proposed rates.

2. Based upon pro forma test-period operations, Farmdale Development's pro forma annual revenues are \$91,451.

3. Based upon pro forma test-period operations, Farmdale Development's pro forma total operating expenses, after adjusting for known and measurable changes, is \$92,468. Appendix A provides a breakdown of Farmdale Development's pro forma operating expenses.

4. Farmdale Development has Interest on Long-term Debt or Other Interest Expense of \$7,665.

5. Farmdale Development's pro forma amortization expense of \$8,967 includes rate case expenses of \$4,362 for legal expenses (\$2,362) and rate consultant fees (\$2,000) that Farmdale Development incurred to pursue its rate adjustment application. These expenses are amortized over a three-year period.

6. Combined pro forma Owner/Manager Fee expense and Maintenance of Treatment & Disposal expense is \$10,611.

7. Farmdale Development's pro forma insurance expense is \$543.

8. An operating ratio of 0.88 should be used to determine Farmdale Development's total revenue requirements.

9. No provision should be made for federal or state income taxes on Farmdale Development's net income.

10. Applying an operating ratio of 0.88 to Farmdale Development's pro forma total operating expenses of \$92,558 produces a revenue requirement without interest expense of \$105,179. When interest expense is considered, Farmdale Development has a total revenue requirement of \$112,844, or \$21,393 in additional annual revenue than Farmdale Development's current rate produces.

11. Given Farmdale Development's end of test-period customer level of 234 customers and considering the effects of rounding, a monthly rate of \$40.19 will produce the required total revenue requirement.

12. A monthly rate of \$40.19 is a fair, just and reasonable rate for the services that Farmdale Development currently provides to its customers.

13. Notwithstanding any provision of this Stipulation to the contrary, Farmdale Development reserves the right to assert that an Owner/Manager Fee of \$6,000 or greater is appropriate and reasonable for a utility of its size and the nature of its operations and that in PSC Case No. 2007-00436 the Commission properly determined the Owner/Manager fee for this utility should be \$6,000.

14. Notwithstanding any provision of this Stipulation to the contrary, Farmdale Development maintains that its use of Farmdale Water District to collect its bills for

sewer service is reasonable and that the fees paid for such service are reasonable. Nothing in this Stipulation should preclude or prejudice Farmdale Development from asserting this position in future Commission proceedings.

15. Commission Staff maintains that, notwithstanding any provision of this Stipulation, under some circumstances the employment of a consultant and attorney to prepare an application under the procedures set forth in 807 KAR 5:076 may be unreasonable and a utility's payment of fees for such services may also be unreasonable and appropriately and lawfully excluded from recovery through utility rates.

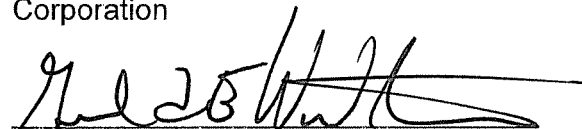
16. Farmdale Development maintains that, based upon the Commission's rulings authorizing the payment of fees to a consultant and an attorney to prepare an application and allowing the amortization of fees paid for such services and recovery through utility rates, attorneys fees and consultants fees are generally reasonable and should be recovered through utility rates.

Respectfully submitted,



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Counsel for Farmdale Development
Corporation



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Counsel for Commission Staff

APPENDIX A

Owner/Manager Fee/ Maintenance of Treat. & Disp.	\$ 10,611
Sludge Hauling	2,650
Utility Service-Water	2,202
Other Labor, Materials	8,570
Fuel & Power Expense	17,508
Chemicals	1,840
Routine Maintenance Fee	13,020
Maintenance of Collection Sys	1,565
Agency Collection Fee	9,154
Maintenance of Other Plant	98
Office Supplies and Other	844
Outside Services Employed	9,504
Regulatory Commission Expense	250
Insurance Expense	543
Rent	600
Depreciation Expense	1,747
Amortization Expense	8,967
Taxes Other Than Income	2,885
Total Operating Expenses	\$92,558