

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

In the Matter of:

APPLICATION OF FARMDALE DEVELOPMENT )  
CORPORATION FOR A CERTIFICATE OF )  
CONVENIENCE AND NECESSITY, AUTHORITY )  
TO MAKE REPAIRS AND SURCHARGE FOR SAME )

MAY 22 2006

PUBLIC SERVICE  
COMMISSION

Case No. 2006-00209

**PETITION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY**

Comes the Petitioner, Farmdale Development Corporation (hereinafter "Farmdale"), by counsel, and hereby petitions the Commission for the issuance of a Certificate of Convenience and Necessity authorizing Farmdale to replace the remote lift station to its wastewater treatment facility in Franklin County, Kentucky, and for authorization to implement a surcharge to pay for the replacement of the remote lift station. The following information is filed in support of this Application for Certificate of Convenience and Necessity.

1. Farmdale is a Kentucky for-profit corporation formed on February 1, 1973, and it is currently in good standing. Farmdale's address is 1706 Bardstown Road, Louisville, Kentucky. The sole stockholder of Farmdale is Farmdale Utilities, Inc. Carroll F. Cogan is the sole stockholder of Farmdale Utilities, Inc.

2. The registered agent of Farmdale is Carroll F. Cogan, 1706 Bardstown Road, Suite 200, Louisville, Kentucky 40205-1212.

3. The Farmdale Wastewater Treatment Plant and Collection System ("Farmdale WWTP") is located in Franklin County, Kentucky. Farmdale has provided wastewater treatment to its customers since it took over the subject wastewater treatment plant in approximately 1974.

Farmdale currently has 246 residential customers with a current rate of 19.05 per month. The maximum potential total gross annual revenue for Farmdale is \$56,235.60 per year, although the total revenue received in 2004 was \$52,995 and the total revenue received in 2005 was \$53,979.

4. The Farmdale WWTP has been in operation since the late 1960s. Since Farmdale has owned the wastewater treatment plant and collection system, it has performed repairs and preventative maintenance on a routine basis, including maintenance and repairs to the remote lift station. However, due to the age of the remote lift station, and as described in more detail in Paragraph 5 herein, it can longer merely be repaired and needs to be replaced. The cost to replace the remote lift station is 30,425.00 (See Attachment A).

5. The remote lift station for the Farmdale WWTP has been in operation since the late 1960's. This remote lift station, consisting of a 60" by 10' fiberglass basin, two 5 horsepower 230 volt 3 phase grinder pumps, guide rail assemblies and control panel, is in very bad condition and needs to be replaced immediately.

During the informal conference held at the Public Service Commission on Thursday, April 20, 2006 in Case No. 2006-00028, Commission Staff was advised of the failing condition of the remote lift station and the need to immediately replace same. The fiberglass basin requires replacement, as do the two pumps installed in the lift station and the guide rails. The summary of recent repair activities at the remote lift station attached hereto as Attachment B, reflects that the Number 1 pump at the remote lift station was removed on February 8, 2006 after it failed and was then delivered to Quality Electric for repair. Temporary on-site repairs were made to the Number 2 pump, and it was reinstalled and placed back in service. Service was again performed

on the Number 2 pump on February 9, 2006 and February 18, 2006, in an attempt to keep the remote lift station operational. On February 24, 2006, the Number 1 pump was picked up from Quality Electric after the repairs to same had been completed and it was reinstalled in the remote lift station. The Number 2 pump was then removed and delivered to Quality Electric for repair. This pump was reinstalled after repair by Quality Electric.

The cost of the on-site repairs to the pumps, the repairs by Quality Electric and the re-installation of the pumps, which is only a temporary fix, was \$5,238.56. A new Ebara 5 horsepower grinder pump has been ordered at a cost of \$2,701.41, plus freight and tax and an installation cost of \$400 will be incurred when it is placed into the remote lift station when the old Number 1 and Number 2 pumps fail. Therefore, the total cost incurred by Farmdale to temporarily keep the remote lift station operational is \$8,339.97. The cost of the new grinder pump and installation of same, \$3,101.41, is included in the \$30,425 cost to replace the entire lift station. Farmdale will continue to incur extraordinary costs to keep the worn out remote lift station and pumps operational if it is not authorized to replace the remote lift station and pumps.

6. On or about January 13, 2006, Farmdale submitted to the Public Service Commission an application for adjustment in rates pursuant to the alternative rate filing procedures for small utilities. This rate case has been assigned Case No. 2006-00028. Farmdale was eligible to apply under the alternative rate filing procedures for small utilities because it has less than 500 customers, has less than \$300,000 in gross annual revenue, has timely filed its annual reports for the past year and the two previous years and the utility's records are kept separate from any other commonly-owned enterprise. Farmdale seeks to increase its present rate from \$19.05 per month to a proposed rate of \$35.59 per month.

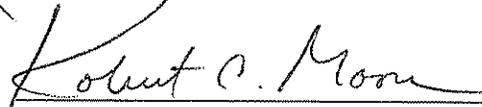
7. Farmdale does not have the revenue available to pay the \$30,425 cost of the remote lift station for the Farmdale WWTP. Farmdale's maximum possible gross annual revenue, before the consideration of expenses, is \$56,235.60 per year. Therefore, the \$30,425.00 cost of the remote lift station will have to be financed. Farmdale is unable to obtain the necessary financing to enable it to replace the remote lift station through a conventional commercial loan. In order to obtain a loan to finance the replacement of the remote lift station, Carroll Cogan, the sole shareholder of Farmdale Utilities, Inc., the company that owns the Farmdale WWTP, will have to guarantee the loan or provide sufficient collateral for the loan from his personal assets. In order to avoid incurring this liability for an inordinate period of time, as well as to minimize the interest cost to rate payers, Farmdale requests authorization to impose a surcharge to recover the \$30,452 cost of the remote lift station over a three year period, plus the interest in the amount of \$4,918 that would be incurred in financing this amount over a three year period using a ten percent (10%) interest rate. Accordingly, each of Farmdale's 246 customers would be required to pay a surcharge of 3.99 per month.

8. Farmdale further requests an expedited review of this Petition for Certificate of Convenience and Necessity. As set forth above, the replacement of the remote lift station at a cost of \$30,425, is necessary to ensure the operation of the Farmdale WWTP in compliance with the applicable regulations of the Public Service Commission and the Kentucky Division of Water. The replacement of the remote lift station needs to be implemented immediately. As discussed during the informal conference held at the Public Service Commission on Thursday, April 20, 2006 in Case No. 2006-00028, and as set forth in Paragraph 5 herein, the Public Service Commission has been advised of the failing condition of the remote lift station and the need to

immediately replace same in order to continue to serve Farmdale's customers. Accordingly, the applicant requests expedited review of this Petition for Certificate of Convenience and Necessity,

For these reasons, Farmdale respectfully requests that a Certificate of Convenience and Necessity be issued authorizing it to replace the remote lift station to the Farmdale WWTP at a cost of \$30,425 and the recovery of this cost plus interest in the amount of \$4,918.00 through a surcharge in the amount of 3.99 per month to be paid by the ratepayers over a three (3) year period.

Respectfully Submitted,



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Hazelrigg and Cox  
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Frankfort, Kentucky 40602-0676  
Attorney for Farmdale Development  
Corporation

**Smither Consulting Company**  
**P. O. Box 1077**  
**Louisville, KY 40014**

September 27, 2005

Revised Quote

Mr. Carroll Cogan  
Farmdale Utilities  
1706 Bardstown Road  
Louisville, KY 40205

Re: Farmdale WWTP

Dear Mr. Cogan:

For your information, the following items of repair or replacement need to be considered for the very near future at the referenced facility:

1. The old grating on top of the lift station at the plant is deteriorated to the point that it is unsafe to step on. New grating needs to be installed.

\$1,405.00 Installed

2. The larger plant needs new diffuser drop pipes complete with diffusers. There are fourteen (14) drops in all.

\$4,120.00 Installed

3. The small plant needs to be cleaned, scraped and painted outside and to the water line on the inside.

\$3,050.00

4. The small plant also needs a standby blower motor assembly. If the existing blower, which is quite old, should need repair there would then be nothing to aerate that plant. A new Roots 45 UR4I blower-motor assembly, complete with mounting base, all accessories, duplex control panel and installation would cost

\$9,320.00

ATTACHMENT A

5. The existing chlorine contact tank is in very bad condition and needs to be replaced with a new 1700 gallon steel tank.

\$17,225.00 Installed

Note: I would recommend that this be done after the tertiary lagoon is pumped down and cleaned out and before the secondary effluent is routed back into the lagoon.

6. The remote lift station, which consists of a 60" x 10' fiberglass basin, two (2) 5 H.P. 230 volt 3 phase grinder pumps, guide rail assemblies and control panel, is also in very bad condition and needs to be completely replaced.

\$30,425.00

Note: This price includes taking down the fence, removing trees, excavating around the existing station, furnishing the new fiberglass basin, pumps, control panel, taking out the old station, installing the new, making external piping connections, electric connections, back fill, finish grade, and reinstall the fence. Does not include tank truck expense to haul sewage away while station is out of service.

The above pricing is good to the end of 2005. After that some increase may be necessary. Steel prices keep going up and the supplier of the lift station will probably have an increase of about 3 to 4% after the first of the year.

No sales tax has been included.

If you have any questions or need additional information, please let me know.

Sincerely,

  
Lawrence W. Smither

**Farmdale**  
**Remote Lift Station - Cherry Lane**

2/7/06

The operator found that neither of the lift station pumps would pump anything. He tried turning them off and on several times and reversing them, to hopefully kick out some obstruction that may have them clogged up. Nothing helped.

2/8/06

Servicemen found that the #1 pump was burnt up and needed repair. They pulled the pump and took it to Quality Electric for repair.

They pulled the #2 pump, cleaned the impeller and made a temporary repair to some holes they found in the pump volute.

Reinstalled the pump and placed it back in service. It pumped some but not very much.

Cost of work - - \$799.58

Note: During this visit the servicemen found that the upper guide rail bracket and the guide rails for the #1 pump were completely rusted apart.

2/9/06

The servicemen had to return on this date because the operator reported to them that the #2 pump could not keep up with the flow into the station.

They pulled the pump again, cleaned the impeller and cutters, reinstalled and placed it back in service.

It was a little better this time but still could not keep up during peak flow periods.

Cost of work - - \$242.56

2/17/06

Operator found that the pump had stopped pumping again.

2/18/06 (Saturday)

Servicemen pulled the pump, cleaned the volute, the impeller and cutters.

They picked up some epoxy from a store in Frankfort and tried to repair the holes in the volute again.

ATTACHMENT B

(2)

They reinstalled the pump and it pumped better this time.

Cost of work -- \$533.08

2/24/06

The servicemen picked up the #1 pump from Quality Electric that had been repaired and took it to the lift station. They pulled out the #2 pump and installed the repaired pump.

They took the #2 pump to Quality Electric for repair.

Cost of work -- \$402.56

Note: In repairing the #1 pump Quality Electric rewound the motor stator, replaced the bearing, O-rings, seals and shaft sleeve. They also welded the holes in the pump volute. They reused the worn impeller and cutters.

Pump Repair -- \$1,785.76

3/23/06

Servicemen picked up the #2 pump from Quality Electric and took it to the lift station.

They had a vacuum truck pump down and clean out the lift station wet well. Then the servicemen were able to get down to the check valves so that they could clean them. They did remove an accumulation of rags in the valve flappers that had them partially clogged up.

They made a temporary repair to the #1 upper guide rail bracket and guide rails so that they could be used.

They pulled and cleaned the #1 pump again. Then installed both pumps and placed them in service. The pumps were doing much better.

Cost of work -- \$631.92

Vacuum Truck -- \$500.00

Note: Quality Electric welded the holes in the volute. They informed us that the impeller and cutters are worn out.

Pump Repair -- \$343.10

(3)

One (1) new Ebara 5 H.P. grinder pump has been ordered at a cost of \$2,701.41 plus freight and tax. The installation of the new pump will cost approximately \$400.00.

Total of all items - - \$8,339.97  
(Includes the new pump)

It is important that you know that the pump discharge piping in the lift station is in very bad condition. So when the servicemen are working in the station they have to be very careful with this because it could break off.