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May 24, 2006

TO: PARTIES OF RECORD
RE: Case No. 2006-00028
Farmdale Development Corporation

Enclosed is 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 Robert Cowan at 502/564-3940, Extension 247.

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. 2006-00028

FROM: J. Robert Cowan, Staff Attorney *JRC*

DATE: May 15, 2006

RE: Application of Farmdale Development Corporation For an Adjustment of Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities

Farmdale Development Corporation ("Farmdale") filed a motion requesting an informal conference. An informal conference was held on April 20, 2006, at the Commission offices and by telephone pursuant to a Notice from the Commission. Participating in the conference were the following: attorney Robert Moore, Marty Cogan, Larry Smither, and Carroll F. Cogan for Farmdale; Marilyn Glass and Kenny Glass as intervening parties; attorney David Edward Spenard by telephone for the Office of Attorney General of the Commonwealth of Kentucky; and George Wakim, Jack Kaninberg, Bob Robards, Gerald Wuetcher, Jess Thompson, and J. Robert Cowan for the Commission.

After explaining the procedure, there was a discussion regarding Farmdale's motion for an informal conference wherein Farmdale stated it had incurred substantial costs in making repairs to its aging system. In its motion, Farmdale requested expedited approval of \$30,425, reduced by \$2,701.40 at the conference. The parties discussed the reasons that Farmdale had not filed a rate case since 1997 if the facility had been allowed to fall into such disarray. On behalf of Farmdale, Carroll F. Cogan explained that he felt that it might not have been worth the expense to pursue a rate increase prior to this time. Mr. Spenard was concerned that Farmdale had allowed so much time to pass and permitted the system to fall into such disrepair and now wanted expedited treatment.

Intervening parties Marilyn Glass and Kenny Glass made several comments during the conference voicing dismay over several matters including the physical appearance of the facility. They also expressed concern over an encounter they had had with an individual supposedly responsible for maintenance of the facility. In particular, they stated that the individual did not know where the facility was located. Farmdale representatives disputed the comments made by Mr. and Mrs. Glass.

The majority of the conference focused on Farmdale's application. In its application, Farmdale identified \$247,300 in improvements and repairs and requested an 86.82 percent increase in sewer rates and an additional 3-year \$27.92 monthly surcharge. In light of the substantial expenditures, Commission Staff advised that it would likely be more appropriate for Farmdale to request a certificate of public convenience and necessity. Farmdale agreed that it might be more expeditious to pursue this course.

The conference was then adjourned.