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Michael & Marsha Stafford

April 20, 2007

Executive Director
Public Service Commission
211 Sower Boulevard
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APR 23 2007

PUBLIC SERVICE
COMMISSION

**RE: CASE NO. 2007-00093
APPALICATION OF APPALACHIAN WASTE CONTROL FOR
AN ADJUSTMENT IN RATES PURSUANT TO THE ALTERNATIVE
RATE FILING PROCEDURE FOR SMALL UTILITIES AND
REQUEST FOR INTERIM RELIEF**

QUESTION

Should the application by Appalachian Waste Control for an interim rate increase be granted?

ANSWER

No. The evidence presented at the hearing before the PSC on 10 April 2007 did not provide supporting factual evidence to grant the rate increase as requested.

RATIONALE

Appalachian Waste Control through the court appointed receiver and the Division Of Water have requested a rate increase. However, the evidence they presented during the hearing did not support the requested rate. The main witness was Mark Ellis with the Prestonsburg Utilities. Prestonsburg Utilities agreed to operate the systems until they are repaired or connected to the Paintsville Utilities. Mr. Ellis

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testified his employees are coming to inspect and chlorinate the systems approximately three times per week. In the application for rate increase under the heading of Transportation it was estimated someone would visit each plant once a day, 7 days per week. Mr. Ellis's testimony contradicts that part of the application, stating once the plants are operating according to the regulations a visit to the plant once a week is all that is needed.

He also, testified the treatment plants at Berkshire and Richmond Hills are operating within the regulations indicating they only need weekly inspection and cleaning.

The 3 remaining plant are designated as "pass through" plants. Mr. Ellis indicated they need more extensive work. The Neil Price plant may possibly be connected to a plant nearby that is serving a connecting subdivision. Paradise Valley must have the plant replaced. The plant at Preston Estates needs a new plant or be connected to Paintsville Utilities. Paintsville Utilities has a line approximately 1 mile from Preston Estates.

Two of the plants have been repaired and operating within all regulations. The plant at Preston Estates can be replaced for approximately \$ 20,000.00 or a line can be installed to connect with the Paintsville Utilities at a cost of approximately \$ 52,000.00. This estimate is based on local contracting rates of \$ 100.00 per foot. Preston Estate will need to replace approximately 100 feet of service line going into the plant. The remaining 2 plants can be replaced for approximately \$ 20,000.00 each.

The number of homes served by the five plants is estimated at 90. However no one has attempted to travel through the various subdivisions and count the number residences.

A Franklin Circuit Court action was file concerning the five plants. As a result of the civil action filed, Squire N. Williams was appointed Special Master Commissioner to act as Receiver for the 5 sewer treatment plants. The Master Commissioner entered into a contract with Mark Ellis, Superintendent, Prestonsburg Utilities, to operate the 5 plants on a temporary term. The hearing testimony indicated the fee to be paid to Prestonsburg Utilities is \$ 60.00 per residence per month, based on 90 residences. The contracted fee is unconscionable as Paintsville


Utilities has one of the highest sewer rates in Kentucky and they charge an amount twice the water bill. It was also disclosed during the hearing that the contract amount can be altered by the Kentucky Public Service Commission (PSC).

The previous operators of the plants have a long history of violations as per the testimony of employees of the Division Of Water. The lack of enforcement has led to the dilapidated condition of some plants. But, the Division Of Water does not want to be held accountable and are supporting the request for the rate increase. Exhibit A, in the application for the rate increase states the previous owner of Appalachian Waste Control failed to file an annual report for the past 3 years.

CONCLUSIONS

The residence being served by the five plants should not be forced to pay for the misdeeds of the previous plant operators and the lack of enforcement of violations by the Ky. Division Of Water. A rate increase, if granted, should not be greater than \$ 30.00 per month per residence. That rate indicates a gross income of \$ 32,400.00 per year. If a rate increase is granted over \$ 30.00 per month per residence, then this commission should review this again in 4 months when actual cost will be available. It is also recommended any further hearings on this matter be held at a time and place that is convenient for the effected residences.

Submitted this 20th day of April, 2007 by:



Michael Stafford, Preston Estate Residence

A copy of this letter was mailed by regular U.S. Mail, first class to:

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