



Ernie Fletcher
Governor

Mark David Goss
Chairman

Teresa J. Hill, Secretary
Environmental and Public
Protection Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

John W. Clay
Commissioner

Timothy J. LeDonne
Commissioner
Department of Public Protection

July 26, 2007

Carroll F. Cogan
President
Farmdale Development Corporation
1706 Bardstown Road
Louisville, KY 40205

RE: Case No. 2007-00331
Farmdale Development Corporation
(Financing)

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received and has been assigned Case No. 2007-00331. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at (502) 564-3940.

Sincerely,

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

Beth O'Donnell
Executive Director

BOD/tw

RECEIVED

JUL 25 2007

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF FARMDALE DEVELOPMENT)
CORPORATION FOR AUTHORIZATION TO ENTER)
INTO PROMISSORY NOTE) Case No. ___

2007-331

APPLICATION OF FARMDALE DEVELOPMENT CORPORATION

Farmdale Development Corporation ("Farmdale") hereby petitions the Public Service Commission ("Commission") for authorization pursuant to KRS 278.300 to enter into a promissory note issued by Old National Bank, Louisville, Kentucky. In support of its Application, Farmdale hereby states the following:

- 1) Farmdale is a private sewer utility and is subject to the jurisdiction of the Commission under KRS 278.010(3)(f). Farmdale is a Kentucky corporation in good standing with its principal place of business at 1706 Bardstown Road, Louisville, Kentucky 40205. A copy of Farmdale's Articles of Incorporation was filed in "In the Matter of: Application of Farmdale Development Corporation For A Certificate Of Convenience and Necessity To Make Repairs and Surcharge for Same, Case No. 2006-00209" then pending before the Commission. The sole stockholder of Farmdale is Farmdale Utilities, Inc. Carroll F. Cogan is the President and 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) Farmdale owns the Farmdale Wastewater Treatment Plant and collection system

("Farmdale WWTP") located in Franklin County, Kentucky. Farmdale has provided wastewater treatment to its customers since the subject wastewater treatment plant was transferred to it at no charge in approximately 1974. The Farmdale WWTP was originally owned by Charles T. Weaver, Frankfort, Kentucky, and it is impossible to determine the cost to construct the Farmdale WWTP. Farmdale currently has 246 residential customers with a current rate of \$28 per month. The Farmdale WWTP is an above ground package treatment plant with a capacity of 80,000 gallons per day, approximately 13,000 feet of terra cotta clay pipe and a remote lift station.

4) Pursuant to the requirements of KRS 278.300, Farmdale is filing this Application for Authorization to enter into a Promissory Note with Old National Bank, 333 East Main Street, Louisville, Kentucky with a term of five (5) years at an interest rate of 7.75%. No stock will be issued to Old National Bank. The Promissory Note will be secured by the personal guarantee of Carroll F. Cogan. A copy of the Promissory Note is attached hereto as Attachment A.

5) By its Order of April 11, 2007 entered in Case No. 2006-00028, the Commission established base monthly rates for Farmdale in the amount of \$28 per customer and also established a monthly surcharge in the amount of \$9.92 per month for a period of five (5) years or the collection of \$146,307, whichever occurs first. (See Attachment B). A Stipulation and Agreement was entered into in Case No. 2006-00028, and the Commission's April 11, 2007 Order, to which it was attached, found that the Stipulation and Agreement was in the public interest and should be approved. The Stipulation and Agreement provided that Farmdale required certain system improvements and repairs in order to maintain the continuity and reliability of service provided to its customers. These improvements and repairs are listed and described in detail in Appendix A to the Stipulation and Agreement. (See Attachment B). The

reasonable cost of these repairs for purposes of rate recovery, as set forth in the Stipulation and Agreement, is \$146,307. To date, Farmdale has entered into a Standard Services Agreement with Martin's Pipeline Inspection, Inc., effective June 1, 2007, to begin the examination of Farmdale's sewer collection system, cleaning, removal of tree roots and the application of a root treatment. (See Attachment C).

6) Paragraph 7b of the Stipulation and Agreement provided that "Within 90 days of the date of the Order in which such surcharge is authorized, Farmdale will obtain financing for the repairs and improvements set forth in Appendix A. If Farmdale fails to obtain such financing within 90 days of Commission authorization of the surcharge, the proposed surcharge shall be temporarily suspended until Farmdale obtains such financing. If Farmdale fails to obtain such financing within 180 days of Commission authorization of the surcharge, the surcharge shall terminate and all surcharge proceeds shall be refunded."

7) The relevant language of the Stipulation and Agreement further provided:

8. Farmdale intends to finance the cost of the repairs and improvements set forth in Appendix A through a loan from a commercial bank.

9. Farmdale has yet to secure a loan to finance the cost of the repairs and improvements set forth in Appendix A.

10. Any interest expense for loans to finance the cost of the repairs and improvements set forth in Appendix A cannot be determined presently and any estimate of such expense at this time is speculative. Therefore, any surcharge or general rates that are approved in this proceeding for Farmdale should not reflect or include the recovery of any interest expense that may be incurred in the future to finance these repairs and improvements.

11. Provided that Farmdale obtains a loan to finance these repairs and improvements through an arms-length transaction and other terms, the interest expense related to such loan would be reasonable and appropriate for recovery through general rates.

12. Upon obtaining a loan to finance the repairs and improvements, Farmdale intends to apply for a general rate adjustment pursuant to 807 KAR 5:076 to obtain recovery in its general rates for interest expense related to this loan.

13. Commission Staff will assist Farmdale in the preparation of any application for general rate adjustment pursuant to 807 KAR 5:076 to recover interest expense related to any loan to finance the system repairs and improvements set forth in Appendix B.

8) The above quoted language from the Stipulation and Agreement that was approved by the Commission's April 11, 2007 Order in Case No. 2006-00028 clearly reflects that the Commission anticipated that Farmdale was to obtain a loan in order to finance the repairs and improvements necessary at the Farmdale WWTP. Farmdale requests that the record in Case No. 2006-00028 be incorporated by reference in this proceeding.

9) In order to obtain the required financing, Farmdale entered into negotiations with several financial institutions, including Old National Bank, 333 East Main Street, Louisville, Kentucky 40202. As set forth on the attached promissory note, Old National proposed to provide a loan to Farmdale in the principal amount of \$150,000 for a term of five (5) years from June 15, 2007 at an interest rate of 7.75 %. Additionally, a loan commitment fee of \$1,500 was proposed. In order to obtain the required loan, Farmdale entered into the promissory note, subject to the approval of the loan by the Commission.

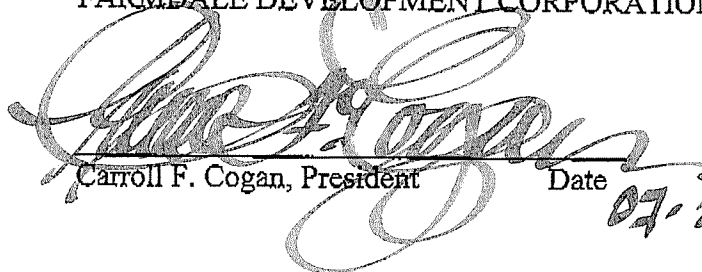
10) The proceeds of the loan to be obtained from Old National Bank will be used to fund the system repairs and improvements set forth on Appendix A to the Stipulation and Agreement approved by the Commission by its April 11, 2007 Order entered in Case No. 2006-00028. The cost of each individual repair is set forth on Appendix A to the Stipulation and Agreement, and these repair items were reviewed carefully by Commission Staff in Case No. 2006-00028.

11) Farmdale files its annual report for 2006 as its financial exhibit and respectfully requests that the requirement to file any additional financial information pursuant to 807 KAR 5:001, Section 11 be waived. (See Attachment D).

12) The repairs and improvements to the Farmdale WWTP, as well as the cost of same, are set forth on Appendix A to the approved Stipulation and Agreement (See Attachment B). Accordingly, Farmdale respectfully requests the waiver of any requirement to file plans of the proposed property to be purchased and/or repaired and for estimates to be arranged according to the uniform system of accounts.

Respectfully submitted,

FARMDALE DEVELOPMENT CORPORATION


Carroll F. Cogan, President Date 07-24-07

STATE OF KENTUCKY)
)
COUNTY OF Franklin)

Signed and sworn to before me by Carroll F. Cogan, as President of Farmdale Development Corporation, this the 24th day of July, 2007.

My commission expires: 3/11/10

Nancy J. Bailey
Notary Public

ATTACHMENT A

PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Cell/Call	Account	Officer	Initials
\$150,000.00	06-15-2007	06-15-2012	20002246091	222 / 51		KFF	

References in the shaded area are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "*****" has been omitted due to text length limitations.

Borrower: FARMDALE UTILITIES, INC.
FARMDALE DEVELOPMENT CORPORATION
1706 BARDSTOWN ROAD
LOUISVILLE, KY 40205

Lender: OLD NATIONAL BANK
205 LOUISVILLE COMMERCIAL LENDING
333 EAST MAIN STREET
LOUISVILLE, KY 40202
(502) 540-7300

Principal Amount: \$150,000.00

Interest Rate: 7.750%

Date of Note: June 15, 2007

PROMISE TO PAY. FARMDALE UTILITIES, INC. and FARMDALE DEVELOPMENT CORPORATION ("Borrower") jointly and severally promise to pay to OLD NATIONAL BANK ("Lender"), or order, in lawful money of the United States of America, the principal amount of One Hundred Fifty Thousand & 00/100 Dollars (\$150,000.00), together with interest at the rate of 7.750% per annum on the unpaid principal balance from June 15, 2007, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

PAYMENT. Borrower will pay this loan in 60 payments of \$3,032.02 each payment. Borrower's first payment is due July 15, 2007, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on June 15, 2012, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any unpaid collection costs; and then to any late charges. The annual interest rate for this Note is computed on a 365/360 basis; that is, by applying the ratio of the annual interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

PREPAYMENT. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment, (whether voluntary or as a result of default), except as otherwise required by law. Except for the foregoing, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse" or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Old National Bank, PO Box 3728, Evansville, IN 47736-3728.

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment or \$50.00, whichever is greater.

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased by 3.000 percentage points. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Insolvency. The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any Guarantor of any of the indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note. In the event of a death, Lender, at its option, may, but shall not be required to, permit the Guarantor's estate to assume unconditionally the obligations arising under the guaranty in a manner satisfactory to Lender, and, in doing so, cure any Event of Default.

Change in Ownership. Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

Cure Provisions. If any default, other than a default in payment is curable and if Borrower has not been given a notice of a breach of the same provision of this Note within the preceding twelve (12) months, it may be cured if Borrower, after receiving written notice from Lender demanding cure of such default, (1) cures the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's reasonable attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction); and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

JURY WAIVER. Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the Commonwealth of Kentucky without regard to its conflicts of law provisions. This Note has been accepted by Lender in the Commonwealth of Kentucky.

CHOICE OF VENUE. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of JEFFERSON County, Commonwealth of Kentucky.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$20.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may

PROMISSORY NOTE (Continued)

Loan No: 20002246091

open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts, and, at Lender's option, to administratively freeze all such accounts to allow Lender to protect Lender's charge and setoff rights provided in this paragraph.

COLLATERAL. Borrower acknowledges this Note is secured by the collateral under any and all existing and subsequent security documents, including mortgages, security agreements and collateral assignments by any Borrower or Guarantor.

COLLATERAL INSPECTION/APPRaisal COST REIMBURSEMENT. Upon such frequency as Lender may determine and whether or not Borrower is in default, Lender shall be entitled to perform and Borrower shall cooperate with examinations, inspections, audits and appraisals as provided herein. Upon advance notice by Lender to Borrower, Borrower shall permit access to its books and records by Lender and by Lender's designated representatives and agents for purposes of inspection, copying and/or auditing. Lender and Lender's designated representatives and agents shall also have the right upon advance notice to examine, inspect and/or appraise any collateral for this Note wherever located. Subject to any limitations under applicable law, Borrower shall reimburse Lender for any professional fees or other expenses incurred by Lender in connection with any examinations, inspections or audits of the books and records of Borrower and/or any examinations, inspections and/or appraisals of such collateral.

FINANCIAL RECORDS. In absence of a more specific agreement, requirement or covenant with regard to the preparation and delivery of financial statements and additional information which may be contained in a Business Loan Agreement between Borrower and Lender, Borrower agrees to furnish Lender with, as soon as available, but in no event later than ninety (90) days after the end of each fiscal year of Borrower, Borrower's balance sheet and income statement for the year ended. Borrower further agrees to furnish Lender with, as soon as available, but in no event later than thirty (30) days after direction to do so from Lender, current interim financial statements, lists of assets and liabilities, agings of receivables and payables, inventory schedules, budgets, forecasts, tax returns, and other reports with respect to Borrower's financial condition and business operations. All financial reports required to be provided by Borrower shall be prepared in accordance with generally accepted accounting principles, applied on a consistent basis, and certified by an authorized officer of Borrower as being true and correct. Borrower also agrees to cause all guarantors of this Note to furnish financial statements and federal income tax returns within thirty (30) days after direction to do so by the Lender. If the required financial statements or financial information required by this Note or any Business Loan Agreement between Borrower and Lender is not delivered to Lender within fifteen days after the date required to do so, Borrower's interest rate on this Note shall be increased 2.500 percentagepoints above the interest rate which would otherwise apply until such time as all of the required financial information is provided to the Lender.

CAPITALIZATION OF LATE CHARGES. Borrower understands and agrees that any late charges imposed under this Note may be added by Lender to the principal amount due under this loan and shall bear interest at the rate then applicable under the terms of this Note.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Each Borrower understands and agrees that, with or without notice to Borrower, Lender may with respect to any other Borrower: (a) make one or more additional secured or unsecured loans or otherwise extend additional credit; (b) alter, compromise, renew, extend, accelerate, or otherwise change one or more times the time for payment or other terms of any indebtedness, including increases and decreases of the rate of interest on the indebtedness; (c) exchange, enforce, waive, subordinate, fail or decide not to perfect, and release any security, with or without the substitution of new collateral; (d) apply such security and direct the order or manner of sale thereof, including without limitation, any non-judicial sale permitted by the terms of the controlling security agreements, as Lender in its discretion may determine; (e) release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorsers, or other guarantors on any terms or in any manner Lender may choose; and (f) determine how, when and what application of payments and credits shall be made on any other indebtedness owing by such other Borrower. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party of guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, EACH BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. EACH BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

FARMDALE UTILITIES, INC.

By: 
CARROLL F. COGAN, PRESIDENT OF FARMDALE UTILITIES, INC.

FARMDALE DEVELOPMENT CORPORATION

By: 
CARROLL F. COGAN, PRESIDENT OF FARMDALE DEVELOPMENT CORPORATION

DISBURSEMENT REQUEST AND AUTHORIZATION

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$150,000.00	06-15-2007	06-15-2012	20002246091	222 / 61			

References in the shaded area are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "*****" has been omitted due to text length limitations.

Borrower: FARMDALE UTILITIES, INC.
 FARMDALE DEVELOPMENT CORPORATION
 1706 BARDSTOWN ROAD
 LOUISVILLE, KY 40205

Lender: OLD NATIONAL BANK
 205 LOUISVILLE COMMERCIAL LENDING
 333 EAST MAIN STREET
 LOUISVILLE, KY 40202
 (502) 540-7300

LOAN TYPE. This is a Fixed Rate (7.750%) Nondisclosable Loan to two Corporations for \$150,000.00 due on June 15, 2012.

PRIMARY PURPOSE OF LOAN. The primary purpose of this loan is for:

- Personal, Family, or Household Purposes or Personal Investment.
- Business (Including Real Estate Investment).

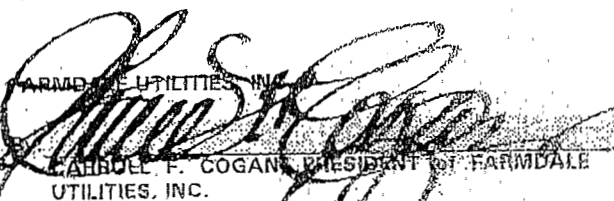
SPECIFIC PURPOSE. The specific purpose of this loan is: TO FINANCE REPAIRS AND IMPROVEMENTS TO WASTEWATER TREATMENT FACILITY.

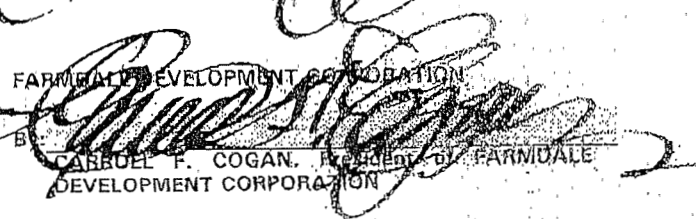
DISBURSEMENT INSTRUCTIONS. Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for making the loan have been satisfied. Please disburse the loan proceeds of \$150,000.00 as follows:

Amount paid to others on Borrower's behalf:	\$148,500.00
\$148,500.00 to FARMDALE DEVELOPMENT CORPORATION	
Total Financed Prepaid Finance Charges:	\$1,500.00
\$1,500.00 Origination Fee	
Note Principal:	\$150,000.00

FINANCIAL CONDITION. BY SIGNING THIS AUTHORIZATION, BORROWER REPRESENTS AND WARRANTS TO LENDER THAT THE INFORMATION PROVIDED ABOVE IS TRUE AND CORRECT AND THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN BORROWER'S FINANCIAL CONDITION AS DISCLOSED IN BORROWER'S MOST RECENT FINANCIAL STATEMENT TO LENDER. THIS AUTHORIZATION IS DATED JUNE 15, 2007.

BORROWER:


 CARROLL F. COGAN, PRESIDENT OF FARMDALE UTILITIES, INC.


 CARROLL F. COGAN, PRESIDENT OF FARMDALE DEVELOPMENT CORPORATION

ATTACHMENT B

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION TO REQUEST COMMISSION)	
APPROVAL FOR AN INCREASE IN FARMDALE)	CASE NO.
DEVELOPMENT CORPORATION SEWAGE)	2006-00028
TREATMENT PLANT'S RATE PURSUANT TO)	
THE ALTERNATIVE RATE FILING PROCEDURE)	
FOR SMALL UTILITIES)	

O R D E R

Farmdale Development Corporation ("Farmdale") applied, pursuant to 807 KAR 5:076, for Commission approval of a monthly rate for sewer service of \$34.49, an 81 percent increase in its current rate, and for the assessment of a monthly surcharge of \$27.92 for 3 years to finance the cost of certain system repairs and improvements. By this Order, the Commission establishes base monthly rates in the amount of \$28.00 per customer. The Commission also establishes a monthly surcharge in the amount of \$9.92 per month for a period of 5 years or the collection of \$146,307.00, whichever occurs first.

BACKGROUND

Farmdale, a Kentucky corporation organized pursuant to KRS Chapter 271B, is a utility subject to Commission jurisdiction. It owns and operates wastewater collection and treatment facilities that serve approximately 246 customers for compensation in the Farmdale Subdivision of Franklin County, Kentucky. It last applied for a rate adjustment in 1997.

REC'D ADD 12 2007

PROCEDURE

On January 12, 2006, Farmdale made its initial application for an adjustment of rates. On June 14, 2006, Farmdale applied for a Certificate of Public Convenience and Necessity ("CPCN") to replace a remote lift station that conveys wastewater to its wastewater treatment facilities in Franklin County, Kentucky, and for authority to assess a monthly surcharge of \$3.99 for a period of 3 years to finance the proposed replacement.¹ On June 14, 2006, Farmdale amended its application in the case sub judice to reflect its CPCN application and requested a separate, revised monthly surcharge of \$25.43. Farmdale's submission of the latter schedule of rates constitutes withdrawal of the original schedule of rates.

STIPULATION AND AGREEMENT

By Order dated February 27, 2007, the Commission ordered that an informal conference be convened on March 14, 2007 to consider the possibility of settlement, the simplification of issues, and any other matters that may aid in the handling and disposition of this case. A hearing was scheduled for March 15, 2007. The applicant Farmdale, the Office of Attorney General of the Commonwealth of Kentucky ("AG"), and customer intervenors Kenny and Marilyn Glass, along with Commission Staff, participated in the informal conference.²

The conference participants, having been unable to resolve all issues at the informal conference, agreed to reconvene on the following morning prior to the hearing

¹ The Commission docketed the CPCN case as Case No. 2006-00209, which was subsequently consolidated back into this Case No. 2006-00028.

² Intervenors Mary Pennington and Beverly J. Hunt did not participate in either the March 14, 2007 informal conference or the March 15, 2007 settlement negotiations and subsequent hearing.

with the goal of resolving some or all of the remaining issues. After significant review and discussion of the issues and their impact on the ratepayers and the utility, the attached Stipulation and Agreement was reached and has been filed with the Commission.³ The following is a brief synopsis of the Stipulation and Agreement:

1. Farmdale's rate should be a monthly rate for service and should be based upon serving 246 customers. Based upon an annual revenue requirement of \$82,629.00 and a customer base of 246 customers, Farmdale's monthly rate should be \$28.00.

2. Farmdale requires certain system improvements and repairs that are listed and described in Appendix A to the Stipulation and Agreement to maintain the continuity and reliability of the service provided to its customers. The reasonable cost of these repairs for purposes of rate recovery is \$146,307.00.

3. Assuming a customer base of 246 customers, a monthly surcharge of \$9.92 for a period of 5 years will generate \$146,307.00. Therefore, Farmdale should be allowed to collect a monthly surcharge of \$9.92 for a period of 5 years or collect \$146,307.00, whichever occurs first, for the purpose of recovering the costs of the repairs and improvements as agreed upon.

4. The loan to fund the surcharge and the completion of the surcharge repairs are to be completed pursuant to the timeline provided in the Stipulation and Agreement. Failure to timely obtain financing or complete the surcharge projects may

³ The AG participated in the conference held in this matter on March 14, 2007 and the settlement negotiations held prior to the scheduled hearing on March 15, 2007 and thereafter stated on the record that he had no objection to the terms of the attached Stipulation and Agreement.

result in suspension of the surcharge or termination of the surcharge and the refund of all surcharge proceeds.

The signatories to the Stipulation and Agreement agree that it is a mutually satisfactory resolution of all of the issues in this case. Therefore, they urge the Commission to accept this Stipulation and Agreement in its entirety. While the overall reasonableness of the Stipulation and Agreement is an important factor, the Commission is bound by law to act in the public interest and review all elements of the Stipulation and Agreement. In determining whether the results of the proposed settlement are in the public interest and beneficial to the ratepayers, the Commission considered the considerable effort made by the signatories to reach this Stipulation and Agreement and the participation of intervenors to ensure that a wide range of interests are represented.

5. The Stipulation and Agreement sets forth only the amount of revenue agreed to and not the underlying calculations and adjustments. In determining the overall reasonableness of the proposed total annual revenue requirement of \$82,629.00, the Commission evaluated Farmdale's proposed adjustments to capital, rate base, operating revenues, and operating expenses in light of our normal rate-making treatment. In addition, consideration was given to the rates of return on common equity authorized by the Commission in recent rate cases. Based upon a review of all of these factors and the evidence of record, the Commission finds that the annual revenue resulting from the Stipulation and Agreement falls within a range reasonable for both Farmdale and its ratepayers and will result in fair, just, and reasonable rates.

6. In determining the overall reasonableness of the proposed surcharge of \$9.92 per month for 5 years, the Commission carefully evaluated the requested improvements to be funded by the surcharge and determined that certain improvements and repairs were necessary and that \$146,307.00 is needed to fund these improvements and repairs. Farmdale initially requested a 3-year surcharge. However, the Commission agrees that by extending the surcharge an additional 2 years, the longer 5-year surcharge period, among other things, will more fairly allocate the expense to customers who will benefit from the improvements. A monthly surcharge of \$9.92 for a period of 5 years or the collection of \$146,307.00, whichever occurs first, for the purpose of recovering the costs of the necessary repairs and improvements is reasonable for both Farmdale and its ratepayers and will result in fair, just, and reasonable rates.

Based upon a review of all aspects of the Stipulation and Agreement, an examination of the record, and being otherwise sufficiently advised, the Commission finds that the Stipulation and Agreement is in the public interest and should be approved. The Commission's approval of this settlement is based solely on its reasonableness in toto and does not constitute the approval of any particular rate-making adjustment or revenue allocation.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Farmdale in its application are denied.
2. The rates and terms set forth in the Stipulation and Agreement are approved for service rendered by Farmdale on and after the date of this Order and will

produce gross annual revenues that are reasonable and will fund and ensure the necessary system improvements and repairs.

3. Within 30 days from the date of this Order, Farmdale shall file with this Commission revised tariff sheets setting out the rates and charges approved herein.

Done at Frankfort, Kentucky, this 11th day of April, 2007.

By the Commission

ATTEST:



Executive Director

Case No. 2006-00028

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2006-00028 DATED April 11, 2007.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION TO REQUEST COMMISSION)
APPROVAL FOR AN INCREASE IN FARMDALE)
DEVELOPMENT CORPORATION SEWAGE) CASE NO. 2006-00028
TREATMENT PLANT'S RATE PURSUANT TO)
THE ALTERNATIVE RATE FILING PROCEDURE)
FOR SMALL UTILITIES)

STIPULATION AND AGREEMENT

This Stipulation and Agreement is made and entered March 30, 2007, by and between the Staff of the Public Service Commission of Kentucky ("Commission Staff"), Farmdale Development Corporation ("Farmdale"), and Marilyn and Kenny Glass.

WITNESSETH:

WHEREAS, Farmdale, a corporation organized pursuant to KRS Chapter 271B, owns and operates wastewater collection and treatment facilities that serve approximately 246 customers in the Farmdale Subdivision of Franklin County, Kentucky;

WHEREAS, Farmdale is a utility whose rates and service are subject to the jurisdiction of the Public Service Commission ("Commission");

WHEREAS, on January 12, 2006, Farmdale applied, pursuant to 807 KAR 5:076, for Commission approval of a monthly rate for sewer service of \$34.49, an 81 percent increase in its current rate, and for the assessment of a monthly surcharge of \$27.92 for 3 years to finance the cost of certain system repairs and improvements;

WHEREAS, the Commission docketed Farmdale's application as Case No. 2006-00028;

WHEREAS, on June 14, 2006, Farmdale applied for a Certificate of Public Convenience and Necessity to replace a remote lift station that conveys wastewater to its wastewater treatment facilities in Franklin County, Kentucky and for authority to assess a monthly surcharge of \$3.99 for a period of 3 years to finance the proposed replacement;

WHEREAS, the Commission docketed Farmdale's application for a Certificate of Public Convenience and Necessity and a surcharge as Case No. 2006-00209;

WHEREAS, on June 14, 2006, Farmdale amended its application in Case No. 2006-00028 to reflect its application in Case No. 2006-00209 and requested a monthly surcharge of \$25.43;

WHEREAS, on February 26, 2007, the Commission granted Farmdale's application for a Certificate of Public Convenience and Necessity to replace its lift station, but deferred all issues related to that facility's cost and financing to Case No. 2006-00028;

WHEREAS, on February 26, 2007, Commission Staff issued a report of its findings and recommendations regarding Farmdale's proposed rate adjustment;

WHEREAS, in its report Commission Staff found that, based upon Farmdale's operations for Calendar Year 2005 and considering pro forma adjustments as well as adjustments for known and measurable changes, Farmdale's pro forma operating expenses were \$70,714 and its revenue requirement was \$80,357;

WHEREAS, in its report, Commission Staff did not recommend approval of Farmdale's proposed surcharges;

WHEREAS, since the issuance of Commission Staff's report, Farmdale has submitted additional evidence regarding the cost of and need for the proposed repairs;

NOW, THEREFORE, the Signatories stipulate and agree:

1. Based upon its operations for Calendar Year 2005 and considering pro forma adjustments as well as adjustments for known and measurable changes, Farmdale's pro forma operating expenses are \$72,714.

2. An operating ratio of 88 percent should be applied to Farmdale's pro forma operating expenses to determine Farmdale's total annual revenue requirement. When such ratio is applied to the stipulated operating expenses, a total annual revenue requirement of \$82,629 results.

3. Farmdale's rate should be a monthly rate for service and should be based upon serving 246 customers. Based upon an annual revenue requirement of \$82,629 and a customer base of 246 customers, Farmdale's monthly rate is \$28.00.

4. A monthly rate of \$28.00 is a fair, just, and reasonable rate for the sewer services that Farmdale provides.

5. Farmdale requires the system improvements that are listed and described in Appendix A to maintain the continuity and reliability of the service provided to its customers. The reasonable cost of these repairs for purposes of rate recovery is \$146,307.

6. Assuming a customer base of 246 customers, a monthly surcharge of \$9.92 for a period of five years will generate \$146,307.

7. A monthly surcharge of \$9.92 for a period of five years or collection of \$146,307, whichever occurs first, for the purpose of recovering the costs of the repairs

and improvements set forth in Appendix A is fair, just and reasonable, provided the following conditions are imposed:

a. Assessment and collection of the surcharge may begin upon Commission approval.

b. Within 90 days of the date of the Order in which such surcharge is authorized, Farmdale will obtain financing for the repairs and improvements set forth in Appendix A. If Farmdale fails to obtain such financing within 90 days of Commission authorization of the surcharge, the proposed surcharge shall be temporarily suspended until Farmdale obtains such financing. If Farmdale fails to obtain such financing within 180 days of Commission authorization of the surcharge, the surcharge shall terminate and all surcharge proceeds shall be refunded.

c. Farmdale will complete the repairs and improvements set forth in Appendix A in accordance with the time schedule set forth in Appendix B.

d. Until all repairs and improvements are completed, Farmdale will file with the Commission and serve upon all parties in Case No. 2006-00028, a monthly written report on the status of such repairs and improvements. Farmdale will file this report no later than the last business day of the month. It will also provide Commission Staff with reasonable access to its facilities to inspect and verify the status of such repairs and improvements.

e. Upon completion of the 5-year period, Farmdale will apply to the Commission for a general rate adjustment.

f. If Farmdale fails to comply with any stated condition, the Commission may terminate the surcharge immediately and may order all collected surcharge proceeds be refunded.

8. Farmdale intends to finance the cost of the repairs and improvements set forth in Appendix A through a loan from a commercial bank.

9. Farmdale has yet to secure a loan to finance the cost of the repairs and improvements set forth in Appendix A.

10. Any interest expense for loans to finance the cost of the repairs and improvements set forth in Appendix A cannot be determined presently and any estimate of such expense at this time is speculative. Therefore, any surcharge or general rates that are approved in this proceeding for Farmdale should not reflect or include the recovery of any interest expenses that may be incurred in the future to finance these repairs and improvements.

11. Provided that Farmdale obtains a loan to finance these repairs and improvements through an arms-length transaction and under reasonable terms, the interest expense related to such loan would be reasonable and appropriate for recovery through general rates.

12. Upon obtaining a loan to finance the repairs and improvements, Farmdale intends to apply for a general rate adjustment pursuant to 807 KAR 5:076 to obtain recovery in its general rates for interest expense related to this loan.

13. Commission Staff will assist Farmdale in the preparation of any application for general rate adjustment pursuant to 807 KAR 5:076 to recover interest expense related to any loan to finance the system repairs and improvements set forth in Appendix B.

14. Nothing in this Stipulation and Agreement limits Farmdale's right to apply for a general rate adjustment while the surcharge is in effect.

15. Each signatory waives all right to a hearing in this matter and to cross-examine any witness unless the Commission disapproves this Stipulation and Agreement.

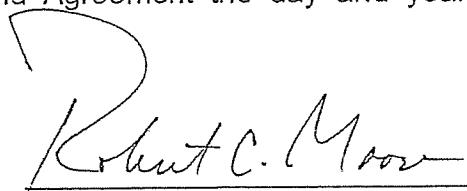
16. This Stipulation and Agreement is subject to the Commission's acceptance and approval.

17. If the Commission fails to accept and approve this Stipulation and Agreement in its entirety, this proceeding shall go forward and neither the terms of this Stipulation and Agreement nor any matters raised during settlement negotiations shall be binding on any signatory.

18. If the Commission accepts and adopts this Settlement Agreement in its entirety and enters an order in this proceeding to that effect, Farmdale and Kenny and Marilyn Glass shall not apply for rehearing in this proceeding nor bring an action for review of that order.

19. This Settlement Agreement is submitted for the purpose of resolving the administrative proceedings referenced herein and is not binding upon the signatories in any other judicial or administrative proceeding.

IN WITNESS WHEREOF, Commission Staff, Farmdale, and Kenny and Marilyn Glass, have executed this Stipulation and Agreement the day and year first above written.



Robert C. Moore
Hazelrigg and Cox, LLP
Post Office Box 676
Frankfort, Kentucky 40602

Counsel for Farmdale Development
Corporation

Kenny Glass

Kenny Glass, Pro Se
223 Briarwood Drive
Frankfort, Kentucky 40601

Marilyn Glass

Marilyn Glass, Pro Se
223 Briarwood Drive
Frankfort, Kentucky 40601

A. Ralt Cowan

Gerald Wuetcher
Robert Cowan
Post Office Box 615
Frankfort, Kentucky 40602

Counsel for Commission Staff

HAVE SEEN AND DO NOT OBJECT:

David Edward Spenard

David Edward Spenard
Assistant Attorney General
1024 Capital Center Drive
Frankfort, Kentucky 40601

Counsel for Office of Attorney General

APPENDIX A

SYSTEM REPAIRS AND IMPROVEMENTS

- Installation of Remote Lift Station Cost: \$30,425

Perform all repairs and install all facilities for which the Commission issued a Certificate of Public Convenience and Necessity in Case No. 2006-00209. A description of all equipment and services is set forth in the price quote of September 27, 2005 that Smither Consulting Company provided.

- Small Plant Maintenance Cost: \$ 3,050

- Supervision Cost: \$ 2,640

Addresses the cost of supervising the system repair work listed immediately below.

- System Repairs Cost: \$26,402

A description of the services involved is contained in the price quote that Martin's Pipeline Inspection submitted. These services include an examination of Farmdale's sewer collection mains with a video camera, main cleaning, removal of tree roots and the application of a root treatment. Services do not include repair of sewer collection mains, misaligned piping, and manholes.

- Chlorine Tank Cost: \$17,225

A description of the necessary equipment and necessary installation services is contained in the price quote that Smither Consulting Company provided.

- Standby Blower Motor Assembly Cost: \$ 7,815

A description of the necessary equipment is contained in the price quote that Tipton Environmental International, Inc. provided November 20, 2006. Installation services are also included in this cost.

- Lagoon Pumping and Cleaning Cost: \$58,750

A description of the pumping and cleaning services is set forth in the price quote of H&A Resource Management, which is found at Attachment E of Farmdale's Answer to Commission Staff's First Information Request.

APPENDIX B

TIMETABLE FOR COMPLETION OF
SYSTEM REPAIRS AND IMPROVEMENTS

Repair/System Improvement	Completion Within Number of Days After Issuance of Commission Order
Installation of Remote Lift Station	180 days
Completion of System Repairs (Video of collection mains, removal of tree roots, application of root treatment)	270 days
Replacement of Chlorine Tank	360 days
Purchase/Installation of Standby Blower Motor Assembly	360 days
Small Plant Maintenance	360 days
Removal of Sludge from Lagoon	360 days

ATTACHMENT C

STANDARD SERVICES AGREEMENT

THIS AGREEMENT is made on June 1, 2007 between Farmdale Development Corporation (“Buyer”) and Martin’s Pipeline Inspection, Inc., (“Service Provider”) collectively referred to as the “Parties”.

RECITALS

The Buyer wishes to be provided with the Services (defined below) by the Service Provider and the Service Provider agrees to provide the Services to the Buyer on the terms and conditions of this Agreement.

1. Key Terms

1.1 Services

The Service Provider shall provide the following services (“Services”) to the Buyer in accordance with the terms and conditions of this Agreement.

CCTV, Cleaning/Root Cutting and Root X treatment for approximately 13,200 lineal feet in the Farmdale Development Corporation’s service area located in Frankfort, KY per quote of Service Provider dated November 20, 2006, attached hereto as Exhibit A. All work to be performed will be in WinCan Format and in DVD format.

1.2 Delivery of the Services

- a. **Start date:** The service Provider shall commence providing the Services by June 30, 2007.
- b. **Completion date:** The Service Provider shall complete the Services by 120 Calendar Days from the start date in June 2007. Service Provider will provide a written report upon completion of the services.

1.3 Site

The Service Provider shall provide the Services at the following Site: Farmdale Subdivision located in Franklin County, Kentucky.

1.4 Price

- a. As consideration for the provision of the Services by the Service Provider, the price for the provision of the Services is to be determined by CCTV inspection footage (approximately 13,200 lineal feet) and billed per the Services Provider's quote dated November 20, 2006 and attached hereto as Exhibit A.

1.5 Payment

- a. The Buyer agrees to pay the Price to the Service Provider within 30 days after completion of the project, and receipt of the Services Provider's invoice.
- b. The Service Provider shall invoice the Buyer for the Services that are provided to the Buyer in full within 3 days after the Completion of the project.
- c. The Buyer agrees if payment is not made to Service Provider after 30 days of receipt of the Service Provider's correct invoice, Buyer will pay a 2% late charge per month added to the outstanding balance of Invoice.
- d. The method of payment of the Price by the Buyer to the Service Provider shall be by check sent to the following address:
Martin's Pipeline Inspection, Inc.
P. O. Box 5343
Paris, KY 40362-5343
- e. Any charges payable under this Agreement are exclusive of any applicable

taxes, tariff surcharges or other like amounts assessed by any governmental entity against the Service Provider arising as a result of the provision of the Services by the Service Provider to the Buyer under this Agreement and such shall be payable by the Buyer to the Service Provider in addition to all other charges payable hereunder.

2. **General terms**

2.1 **Intellectual Property Rights**

The Service Provider agrees to grant to the Buyer a non-exclusive, irrevocable, royalty free license to use, copy and modify any elements of the Material not specifically created for the Buyer as part of the Services. With respect to the Material specifically created for the Buyer as part of the Services, the Service Provider assigns the full title guarantee to the Buyer and all of the copyright, other intellectual property rights and any other data or material used or subsisting in the Material, whether finished or unfinished. If any third party intellectual property rights are used in the Material, the Service Provider shall ensure that it has secured all necessary consents and approvals to use such third party intellectual property rights for the Service Provider and the Buyer. For the purposes of this Clause 2.1, "Material" shall mean the materials, in whatever form, used by the Service Provider to provide the Services and the film, video, products, systems programs or processes, in whatever form, produced by the Service Provider pursuant to this Agreement.

2.2 **Warranty**

- a. The Service Provider represents and warrants that:
 - i. it will perform the Services with reasonable care and skill; and

- ii. The Services and the Materials provided by the Service Provider to the Buyer under this Agreement will not infringe or violate any intellectual property rights or other right of any third party.

2.3 Limitation of liability

- a. Subject to the Buyer's obligation to pay the Price to the Service Provider, either party's liability in contract, tort or otherwise, (including negligence), arising directly out of or in connection with this Agreement or the performance or observance of its obligations under this Agreement and every applicable part of it shall be limited to the aggregate of the Price.
- b. To the extent it is lawful to exclude the following loss and subject to the Buyer's obligation to pay the Price, in no event shall either party be liable for any loss of profit, goodwill, loss of business, loss of data or any other indirect or consequential loss or damage whatsoever.
- c. Nothing in this Clause 2.3 will serve to limit, waive or exclude either Party's liability for death or personal injury arising from its own negligence.

2.4 Term and Termination

- a. This Agreement shall be effective on June 1, 2007, and shall continue, unless terminated sooner in accordance with Clause 2.4(b), until the Completion Date.
- b. Either Party may terminate this Agreement upon notice in writing if:
 - i. the other party is in breach of any material obligation contained in this Agreement, which is not remedied (if the same is capable of being remedied) within 30 days of written notice from the other Party; or,

- ii. a voluntary arrangement is approved, a bankruptcy or an administrative order is made or a receiver or administrative receiver is appointed over any of the Party's assets or any undertaking or a resolution or petition to wind up the other Party's business is passed or presented (other than for the purposes of amalgamation or reconstruction) or any analogous procedure in the state of incorporation of either party or if any circumstances arise which entitle the Court or a creditor to appoint a receiver, administrative receiver or administrator or to present a winding-up petition or make a winding-up order in respect of the other Party's business.
- c. Any termination of this Agreement (howsoever occasioned) shall not affect any accrued rights or liabilities of either Party nor shall it affect the coming into force or the continuance in force of any provision hereof which is expressly or by implication intended to come into or continue in force on or after such termination.

2.5 Relationship of the Parties

The Parties acknowledge and agree that the Services performed by the Service Provider, its employees, agents of sub-contractors, shall be as an independent contractor and that nothing in this Agreement shall be deemed to constitute a partnership, joint venture, agency relationship or otherwise between the parties.

2.6 Confidentiality

The Service Provider will not use, copy, adapt, alter or part with possession of any information of the other which is disclosed or otherwise comes into its

possession under or in relation to this Agreement and which is of a confidential nature. This obligation will not apply to information which the Service Provider can prove was in its possession at the date it was received or obtained or which the recipient obtains from some other person with good legal title to it or which is in or comes in the public domain otherwise than through the default or negligence of the recipient or which is independently developed by or for the recipient. The Buyer may use, communicate or distribute to third parties any information or material provided to it by the Service Provider.

2.7 Notices

Any notice which may be given by a Party under this Agreement shall be deemed to have been duly delivered if delivered by hand, first class mail, facsimile transmission or electronic mail to the address of the other Party as specified in this Agreement or any other address notified in writing to the other Party. Subject to any applicable local legal provisions to the contrary, any such communication shall be deemed to have been made to the other Party, if delivered by:

- a. first class mail, 2 days from the date of posting;
- b. hand or by facsimile transmission, on the date of such delivery or transmission;
- c. Electronic mail, when the Party sending such communication receives confirmation of such delivery by electronic mail; and,
- d. to Buyer: Carroll Cogan, Farmdale Development Corporation, 1706 Bardstown Road, Louisville, KY 40205. To Service Provider: Martin's Pipeline Inspection, Inc., P. O. Box 5343, Paris, Kentucky 40362-5343.

2.8 Miscellaneous

- a. The failure of either party to enforce its rights under this Agreement at any time for any period shall not be construed as a waiver of such rights.
 - b. If any part, term or provision of this Agreement is held to be illegal or unenforceable neither the validity nor enforceability of the remainder of this Agreement shall be affected.
 - c. Neither Party shall assign or transfer all or any part of its rights under this Agreement without the written consent of the other Party.
 - d. This Agreement may not be amended for any other reason without the prior written agreement of both Parties.
 - e. This Agreement constitutes the entire understanding between the Parties relating to the subject matter hereof unless any representation or warranty made about this Agreement was made fraudulently and, save as may be expressly referred to or referenced herein, supersedes all prior representations, writings, negotiations or understandings with respect hereto.
-
- f. Neither Party shall be liable for failure to perform or delay in performing any obligation under this Agreement if the failure or delay is caused by any circumstances beyond its reasonable control, including but not limited to acts of God, war or civil commotion. If such delay or failure continues for at least 7 days, the Party not affected by such delay or failure shall be entitled to terminate this Agreement by notice in writing to the other.
 - g. Clauses 2.3, 2.5, 2.6, 2.7 and 2.8 of this Agreement shall survive any termination or expiration of this Agreement.
 - h. This Agreement shall be governed by the laws of Kentucky and the parties agree to submit disputes arising out of or in connection with this Agreement to Kentucky state courts located in Jefferson County, Kentucky.

AS WITNESS the hands of the Parties hereto or their duly authorized representatives the day and year first above written.

BUYER
Farmdale Development Corporation

Carroll Cogan, President

SERVICE PROVIDER
Martin's Pipeline Inspection, Inc.

Michael J. Thornton, President

ATTACHMENT D

Utility Type: Sewer Utilities Period: 1/1/2006

Farmdale Development Corporation

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- [Services Performed by Independent CPA](#)
- [Additional Information Required](#)
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- [General Information 4](#)
- [General Information 5.](#)
- [General Information 6.](#)
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- [Sewer Plant Statistics - Plant Valuation 1 - 3](#)
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- [Sewer Plant Statistics - Physical Data of Sewer Plant](#)
- [Sewer Plant Statistics - Treatment Plant Operating Statistics](#)
- [Sewer Plant Statistics - Customer Statistics End of Year](#)
- [Sewer Plant Statistics - Industrial Customers Served](#)
- [Sewer Plant Statistics - Pumping Stations](#)
- [Sewer Plant Statistics - Mains \(Feet\)](#)
- [Sewer Plant Statistics - Service Laterals and Stubs](#)

42000 Farmdale Development Corporation						
Title Page (Ref Pg. 0)						
	Name of Respondent	Addr Line 1	Addr Line 2	City	State	Zip
Sewer Utilities						
Annual Report of						
Respondent	Farmdale Development Corporation	1706 Bardstown Road		Louisville	KY	40205

42000 Farmdale Development Corporation**Principal Payment and Interest Information (Ref Pg. 0)**

	Amount	Yes/No
Amount of Principal Payment During Calendar Year	\$0.00	
Is Principal Current?		Y
Is Interest Current?		Y

42000 Farmdale Development Corporation		
Services Performed by Independent CPA (Ref Pg. 0)		
	Yes/No	A/C/R
Are your financial statements examined by a Certified Public Accountant?		
Enter Y for Yes or N for No	Y	
If yes, which service is performed?		
Enter an X on each appropriate line		
Audit		
Compilation		
Review		

42000 Farmdale Development Corporation

Additional Information Required (Ref Pg. 0)

Case Num	Date	Explain

42000 Farmdale Development Corporation	
General Information 1. (Ref Pg. 1)	
Exact name of utility making this report.	
(Use the words "The", "Company" or "Incorporated" only when part of the corporate name.)	
	Farmdale Development Corporation

42000 Farmdale Development Corporation					
General Information 2 - 3 (Ref Pg. 1)					
	name	Address	city	state	Phone
Give the location, including street and number, and TELEPHONE NUMBER of the principal office in KY.					
principal office in KY	Farmdale Development Corporation	1706 Bardstown Road	Louisville	KY	5022383301
Name, title, address and telephone number with area code of the person to be contacted concerning this report					
	Carroll F. Cogan, President	same			

42000 Farmdale Development Corporation	
General Information 4 (Ref Pg. 1)	
	List
Name of State under the laws of which respondent is incorporated and the date of incorporation.	Kentucky 1973

42000 Farmdale Development Corporation**General Information 5. (Ref Pg. 1)**

	Date
Date sewer utility began operations	1973

42000 Farmdale Development Corporation**General Information 6. (Ref Pg. 1)**

City or Town	Community or Subdivision	County
Frankfort	Farmdale Area	Franklin

42000 Farmdale Development Corporation**General Information 7. (Ref Pg. 1)**

	Count
Number of Full-time employees	0
Number of Part-time employees	0

42000 Farmdale Development Corporation**Principal Officers (Ref Pg. 1)**

Title	Last Name	First Name	Bus. Address	Salary or Fee
President	Cogan	Carroll F.	1706 Bardstown Road, Louisville, KY 40205	\$9,600.00
Vice President	Cogan	Martin	same	\$0.00
Secretary/Treasurer	Cogan	Doris	same	\$0.00

42000 Farmdale Development Corporation		
Balance Sheet - Assets and Other Debts (Ref Pg. 2)		
	Balance First of Yr	Balance End of Yr
UTILITY PLANT		
Utility Plant (101-109)	\$286,089.00	\$288,440.00
less: Accum. Prov. for Depr., Depletion and Amortization (110)	\$115,522.00	\$115,640.00
Net Utility Plant	\$170,567.00	\$172,800.00
OTHER PROPERTY AND INVESTMENTS		
Non-Utility Property (121)		
less: Accum. Prov for Depr. and Amort. of Non-Utility Property (122)		
Net non-Utility Property		
Other Investments (124)		
Special Funds (125)		
Total Other Property and Investments		
CURRENT AND ACCRUED ASSETS		
Cash and Working Funds (131)	\$2,671.00	\$981.00
Temporary Cash Investments (132)		
Notes Receivable (141)		
Customer Accounts Receivable (142)	\$3,870.00	\$3,878.00
Other Accounts Receivable (143)		
Accum. Prov. For Uncollectible Accts - CR (144)		
Notes Receivable from Assoc. Companies (145)		
Accounts Receivable from Assoc Companies (146)		
Materials and Supplies (150)		
Prepayments (166)		
Other Current and Accrued Assets (170)	\$0.00	
Total Current and Accrued Assets	\$6,541.00	\$4,859.00
DEFERRED DEBITS		
Unamortized Debt Expense (181)		\$9,500.00
Extraordinary Property Losses (182)		
Other Deferred Debits (183)		\$0.00
Total Deferred Debits		\$9,500.00

TOTAL ASSETS AND OTHER DEBITS	\$177,108.00	\$187,159.00
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42000 Farmdale Development Corporation		
Balance Sheet - Liabilities and Other Credits (Ref Pg. 3)		
	Balance First of Yr.	Balance End of Yr.
EQUITY CAPITAL		
Common Capital Stock (201)		
Preferred Capital Stock (204)		
Other Paid-In Capital (207)	\$1,618.00	\$1,618.00
Discount on Capital Stock (213)		
Capital Stock Expense (214)		
Appropriated Retained Earnings (215)		
Unappropriated Retained Earnings (216)	(\$301,913.00)	(\$345,410.00)
Non-Corporate Proprietorship (218)		
Total Equity Capital	(\$300,295.00)	(\$343,792.00)
LONG-TERM DEBT		
Bonds (221)		
Advances From Associated Companies (223)		
Other Long-Term Debt (224)		
Total Long-Term Debt		
CURRENT AND ACCRUED LIABILITIES		
Notes Payable (231)		
Accounts Payable (232)	\$274,595.00	\$332,069.00
Notes Payable to Associated Companies (233)		
Accounts Payable to Associated Companies (234)	\$42,800.00	\$38,874.00
Customer Deposits (235)		
Taxes Accrued (236)		
Interest Accrued (237)		
Other Current and Accrued Liabilities (238)		
Total Current and Accrued Liabilities	\$317,395.00	\$370,943.00
DEFERRED CREDITS		
Advances for Construction (252)		
Other Deferred Credits (253)		
Accum. Deferred Investment Tax Credits (255)		

Total Deferred Credits		
Operating Reserves (261-265)		
Contributions in Aid of Construction (271)	\$160,008.00	\$160,008.00
ACUMULATED DEFERRED INCOME TAXES		
Accum. Def. Income Taxes-Accel. Amort (281)		
Accum. Def. INcome Taxes-Lib. Depr. (282)		
Accum. Def. Income Taxes-Other (283)		
Total Accum. Deferred Income Taxes		
TOTAL LIABILITIES AND OTHER CREDITS	\$177,108.00	\$187,159.00

42000 Farmdale Development Corporation	
Summary of Utility Plant (Ref Pg. 4)	
	Amount
UTILITY PLANT	
In Service:	
Plant in Service Classified (from pg 5 line 40) (101)	\$288,440.00
Completed Construction Not Classified (102)	
Utility Plant in Process of Reclassification (103)	
Utility Plant Purchased or Sold (106)	
Total In Service	\$288,440.00
Utility Plant Leased to Others (104)	
Property Held for Future Use (105)	
Construction Work in Progress (107)	
Utility Plant Acquisition Adjustments (108)	
Other Utility Plant Adjustments (109)	
Total Utility Plant (to pg 2 line 4)	\$288,440.00
Less:	
Accumulated Provision for Depreciation and Amort. of Utility Plant (to pg 2 line 6) (110)	\$115,640.00
Net Utility Plant (to pg 2 line 7)	\$172,800.00

42000 Farmdale Development Corporation		
Accum. Prov. for Depreciation and Amortization of Utility Plant (Ref Pg. 4)		
	Item	Amount
Balance Beginning of Year		\$115,522.00
Accruals for Year:		
Depreciation		\$118.00
Amortization		
Other Accounts (detail)		
Total Accruals for Year		\$118.00
Credit Adjustments (describe)		
Total Credits for Year		
Net Charges for Plant Retired:		
Book Cost of Plant Retired (same as pg 5 line 40)		
Add: Cost of Removal		
Less: Salvage		
Net Charges for Plant Retired		
Debit Adjustments (describe)		
Total Debit Adjustments for Year		
Balance End of Year		\$115,640.00

42000 Farmdale Development Corporation						
Sewer Utility Plant In Service (Ref Pg. 5)						
	Depr	Balance Beg	Additions	Retirements	ReClass	Balance En
	Rate	of Year			(Debit- Credit)	of Year
INTANGIBLE PLANT						
Organization (301)		\$650.00	\$0.00	\$0.00	\$0.00	\$650.00
Franchises and Consents (302)						
Misc. Intangible Plant (303)						
Total Intangible Plant		\$650.00	\$0.00	\$0.00	\$0.00	\$650.00
LAND AND STRUCTURES						
Land and Land Rights (310)		\$2,240.00	\$0.00	\$0.00	\$0.00	\$2,240.00
Structures and Improvements (311)						
Total Land and Structures		\$2,240.00	\$0.00	\$0.00	\$0.00	\$2,240.00
COLLECTION PLANT						
Collection Sewers - Force (352.1)						
Collection Sewers - Gravity (352.2)		\$161,508.00	\$0.00	\$0.00	\$0.00	\$161,508.00
Other Collection Plant Facilities (353)						
Services to						

Customers (354)						
Flow Measuring Devices (355)						
Total Collection Plant		\$161,508.00	\$0.00	\$0.00	\$0.00	\$161,508.00
PUMPING PLANT						
Receiving Wells and Pump Pits (362)						
Pumping Equipment - Electric (363A)						
Pumping Equipment - Diesel (363B)						
Pumping Equipment - Other (363C)						
Total Pumping Plant (364)						
TREATMENT AND DISPOSAL PLANT						
Oxidation Lagoon (372)						
Treatment and Disposal Equipment (373)		\$121,691.00	\$2,351.00	\$0.00	\$0.00	\$124,042.00
Plant Sewers (374)						
Outfall Sewer Lines (375)						
Other Treatment and Disposal Plant Equip. (376)						
Total Treatment						

and Disposal Plant (371)		\$121,691.00	\$2,351.00	\$0.00	\$0.00	\$124,042.00
GENERAL PLANT (372)						
Office Furniture and Equipment (391)						
Transportation Equipment (392)						
Stores Equipment (393A)						
Tools, Shop and Garage Equipment (393B)						
Laboratory Equipment (393C)						
Power Operated Equipment (393D)						
Communication Equipment (393E)						
Other Tangible Property (393F)						
Total General Plant						
TOTAL SEWER PLANT IN SERVICE		\$286,089.00	\$2,351.00	\$0.00	\$0.00	\$288,440.00

42000 Farmdale Development Corporation						
Capital Stock (Ref Pg. 6)						
	Class and Series (a)	No. of Shares Auth. (b)	Par Val per Share of Par Val Stk. (c)	Stated Val Per Share of NonPar stk (d)	Outstanding Shares (e)	Outstanding Amount (f)
	Common	300	\$0.00	0	150	\$0.00
Total		300	\$0.00	0	150	\$0.00

42000 Farmdale Development Corporation							
Long-Term Debt (Ref Pg. 6)							
	Class and Series	Orig. Issue Amt	Date of Issue (b)	Date of Maturity (c)	Outstanding Balance (d)	Interest Rate (e)	Interest Amt (f)
List each Original Issue Amount Class and Series of Obligation							
		\$0.00			\$0.00	0.0000	\$893.00
Total		\$0.00			\$0.00	0.0000	\$893.00

42000 Farmdale Development Corporation					
Notes Payable (Ref Pg. 6)					
	Name of Payee (a)	Date Of Note (b)	Date of Maturity (c)	Interest Rate (d)	Balance End of Year (e)
(Include Notes Payable to Associated Companies Under This Heading)					
Total					

42000 Farmdale Development Corporation					
Interest Accrued (Ref Pg. 6)					
	Description of Obligation (a)	Int. Accr. Balance First of Yr (b)	Int. Accr. During Yr (c)	Int. Paid During Yr (d)	Int. Accr. Balance End of Yr (e)
		\$0.00	\$893.00	\$0.00	\$0.00
Total		\$0.00	\$893.00	\$0.00	\$0.00

42000 Farmdale Development Corporation**Other Current and Accrued Liabilities (Ref Pg. 7)**

	Description	Amount
Total (must agree with pg 3 Acct 238)		

42000 Farmdale Development Corporation			
Statement of Retained Earnings For the Year (Ref Pg. 7)			
	Item (a)	This Year (b)	Last Year (c)
UNAPPROPRIATED RETAINED EARNINGS (216)			
Balance Beginning of Year		(\$301,913.00)	(\$284,566.00)
Balance Transferred From Income (435)		(\$43,497.00)	(\$17,347.00)
Appropriations of Retained Earnings (436)			
Dividends Declared-Preferred Stock (437)			
Dividends Declared-Common Stock (438)			
Adjustments to Retained Earnings (439)			
Balance End of Year		(\$345,410.00)	(\$301,913.00)

42000 Farmdale Development Corporation			
Statement of Income for the Year (Ref Pg. 8)			
	Description	Number Customers (b)	Amount (c)
OPERATING REVENUES			
Flat Rate Revenues-General Customers:			
	Residential Revenues (521.1)	241	\$53,273.00
	Commercial Revenues (521.2)		
	Industrial Revenues (521.3)		
	Revenues From Public Authorities (521.4)		
	Total (521)	241	\$53,273.00
Measured Revenues - General Customers: (483)			
	Residential Revenues (522.1)		
	Commercial Revenues (522.2)		
	Industrial Revenues (522.3)		
	Revenues From Public Authorities (522.4)		
	Total (522)		
	Revenues From Public Authorities (523)		
	Revenues From Other Systems (524)		
	Miscellaneous Sewage Revenues (526)		
	Total Sewage Service Revenues (521-526)	241	\$53,273.00
OTHER OPERATING REVENUES			
	Customers Forfeited Discounts (532)		
	Miscellaneous Operating Revenues (536)		
	Total Other Operating Revenues		
	Total Operating Revenues		\$53,273.00
OPERATING EXPENSES			
	Total Sewer Operation and Maint.		

Expenses (from pg 9)			\$94,442.00
Depreciation Expense (403)			\$118.00
Amortization Expense (from pg 10) (404-407)			
Taxes Other Than Income taxes (from pg 10) (408.1)			\$1,142.00
Total Income Taxes-Utility Operations (from pg 10)			\$175.00
Total Sewage Operating Expenses			\$95,877.00
Net Operating Income			(\$42,604.00)
OTHER INCOME			
Income from NonUtility Operations (417)			
Interest and dividend Income (419)			
Miscellaneous Nonoperating Income (421)			
Other Accounts (Specify Acct. No & Title)			
Total Other Income			
OTHER DEDUCTIONS			
Interest on Long-Term Debt (427)			\$893.00
Amortization of Debt Discount and Expense (428)			
Interest on Debt to Associated Companies (430)			
Other Interest Expense (431)			
Taxes Other than Income Taxes 408.2 (from pg 10)			
Total Income Taxes-Nonutility Operations (from pg 10)			
Other Accounts (Specify Acct. No. and Title)			
Total Other Deductions			\$893.00
Net Income			(\$43,497.00)

42000 Farmdale Development Corporation	
Sewer Operation and Maintenance Expenses (Ref Pg. 9)	
	Amount (b)
OPERATION EXPENSES	
Supervision and Engineering (700) :	
Owner/Manager-Management Fee (700-A)	\$9,600.00
Other Expenses (700-B)	
Labor and Expenses (701):	
Collection System-Labor, Materials and Expenses (701-A)	
Pumping System-Labor, Materials and Expenses (701-B)	
Treatment System (701-C) :	
Sludge Hauling	\$5,450.00
Utility Service - Water Cost	\$1,646.00
Other-Labor, Materials and Expense	\$7,485.00
Rents (702)	
Fuel and Power Purchased for Pumping and Treatment (703)	\$19,150.00
Chemicals (704)	\$2,402.00
Miscellaneous Supplies and Expenses (705):	
Collection System (705-A)	
Pumping System (705-B)	
Treatment an Disposal (705-C)	
Total Operation Expenses	\$45,733.00
MAINTENANCE EXPENSES	
Supervision and Engineering (710) :	
Routine Maintenance Service Fee (710-A)	\$11,370.00
Internal Supervision and Engineering (710-B)	
Maintenance of Structures and Improvements (711)	
Maintenance of Collection Sewer system (712)	\$350.00
Maintenance of Pumping System (713)	
Maintenance of Treatment and Disposal Plant (714)	\$19,712.00
Maintenance of Other Plant Facilities (715)	\$1,540.00
Total Maintenance Expenses	\$32,972.00
CUSTOMER ACCOUNTS EXPENSES	
Supervision (901)	
Meter Reading Expenses and Flat Rate Inspections (902)	
Customer Records and Collection Expenses (903):	

Agency Collection Fee (903-A)	\$7,991.00
Internal Labor, Materials and Expenses (903-B)	
Uncollectible Accounts (904)	
Miscellaneous Customer Accounts Expenses (905)	
Total Customer Accounts Expenses	\$7,991.00
ADMINISTRATIVE AND GENERAL EXPENSES	
Administrative and General Salaries (920)	
Office Supplies and Other Expenses (921)	\$278.00
Outside Services Employed (923)	\$5,709.00
Insurance Expenses (924)	\$543.00
Employee Pensions and Benefits (926)	
Regulatory Commission Expense (928)	\$590.00
Transportation Expenses (929)	
Miscellaneous General Expenses (930)	\$26.00
Rents (931)	\$600.00
Maintenance of General Plant (932)	
Total Administrative and General Expenses	\$7,746.00
TOTAL SEWER OPERATION AND MAINTENANCE EXPENSES (to pg 8)	\$94,442.00

42000 Farmdale Development Corporation**Taxes Other Than Income Taxes (Ref Pg. 10)**

	Item (a)	Amount (b)
Payroll Taxes		
Property Taxes		\$1,023.00
Utility Regulatory Commission Assessment		\$89.00
Other (specify)		
	Filing Fees	\$30.00
Total (Same as Page 8 line 27 plus 44)		\$1,142.00

42000 Farmdale Development Corporation	
Operating and Non-Operating Income Taxes (Ref Pg. 10)	
	Amount (b)
Income Taxes-Federal (409.1)	
Income Taxes - State (409.1)	\$175.00
Income Taxes - Other (409.1)	
Provisions for Deferred Income Taxes (410.1)	
Income Taxes Deferred in Prior Years - Credit (411.1)	
Investment Tax Credits - Net (412.0)	
Total Income Taxes - Util. Operating Income (to pg 8 line 28)	\$175.00
Income Taxes - Federal (409.2)	
Income Taxes - State (409.2)	
Income Taxes - Other (409.2)	
Provisions for Deferred Income (410.2)	
Income Taxes Deferred in Prior Years - Credit (411.2)	
Investment Tax Credits - Net (412.4)	
Total Inc. Taxes - Nonutil. Op. Income (to pg 8 line 45)	

42000 Farmdale Development Corporation**Amortization Expense (Ref Pg. 10)**

	Amount (b)
Amortization of Limited - Term Utility Plant (404)	
Amortization of Other Utility Plant (405)	
Amortization of Utility Plant Acquisition Adjustments (406)	
Amortization of Property Losses (407)	
Amortization of Rate Case Expense	
Total Amortization Expense (to pg 8 line 26)	

42000 Farmdale Development Corporation		
Sewer Plant Statistics - Plant Valuation 1 - 3 (Ref Pg. 11)		
	Description	Percentage
What method of valuation was used with reference to Sewer Utility Plant in Service Appearing on page two line four: Original Cost, Estimated Cost, Original Cost Study?	Original Cost	
What percentage of Sewer Utility Plant in Service was recovered, by the developer of hte subdivision, through the sale of lots?		63.0000
If less than one-hundred percent of the utility plant was recovered, please designate what portion (collection lines, treatment plant, etc.) of the plant that represents non-contributed plant	Treatment Plant	158,508.0000

42000 Farmdale Development Corporation			
Sewer Plant Statistics - Plant Valuation 4. (Ref Pg. 11)			
	Last Name	First Name	date
By whom were the books of account audited? What was the date of the last audit?			
If unaudited in the past twelve months, when and by whom is the next audit anticipated?			

42000 Farmdale Development Corporation	
Sewer Plant Statistics - Physical Data of Sewer Plant (Ref Pg. 11)	
Date of Construction of original Plant	1973
Type of treatment process	2 Stage
Date and additional GPD Capacity of subsequent additions to plant	1976 and 1977 - 55000
Population for which plant is designed including population equivalent of industrial waste load	200

42000 Farmdale Development Corporation			
Sewer Plant Statistics - Treatment Plant Operating Statistics (Ref Pg. 11)			
		Total	Cost
Total gallons received during the year			
Total gallons received on maximum day			
Maximum G.P.D. Capacity of the sewage treatment plant		80,000	
Routine maintenance service fee			
Cost per month			\$1,085.00
Contract Expires	Open Contract		
Sludge hauling			
Cost per load			\$150.00
Average number of gallons per load		3,000	
Number of loads this year		36	

42000 Farmdale Development Corporation				
Sewer Plant Statistics - Customer Statistics End of Year (Ref Pg. 12)				
	Type	Num of Customers	Bi-Month or Month Billing	Number of bills
Residential				
Single Family		241	Monthly	12
Apartments/Condominiums				
Commercial				
Industrial				
Other				
Total		241		12

42000 Farmdale Development Corporation

Sewer Plant Statistics - Industrial Customers Served (Ref Pg. 12)

Name	Type of Industry	Gallons	Pretreatment of Wastes

42000 Farmdale Development Corporation

Sewer Plant Statistics - Pumping Stations (Ref Pg. 12)

Location	Size of Motor	Type of Motor	Gals per Day

42000 Farmdale Development Corporation**Sewer Plant Statistics - Mains (Feet) (Ref Pg. 12)**

Kind of Pipe	Diameter	Num of Feet	additions	removed	Feet End of Year
Terra Cotta Clay	8"	0	0	0	0

42000 Farmdale Development Corporation**Sewer Plant Statistics - Service Laterals and Stubs (Ref Pg. 12)**

	Count
Number of service laterals owned by the utility at end of year	
Number of stubs as of end of year	
Number of service laterals owned by others	