

HAZELRIGG & COX, LLP

ATTORNEYS AT LAW

415 WEST MAIN STREET

P.O. Box 676

FRANKFORT, KENTUCKY 40602-0676

DYKE L. HAZELRIGG (1881-1970)

LOUIS COX (1907-1971)

WILLIAM P. CURLIN, JR.
DANDRIDGE F. WALTON
JOHN B. BAUGHMAN
ROBERT C. MOORE
CLAYTON B. PATRICK
SQUIRE N. WILLIAMS III
J. SCOTT MELLO
SARAH K. MELLO

FAX: (502) 875-7158
TELEPHONE: (502) 227-2271

April 16, 2008

RECEIVED

APR 16 2008

PUBLIC SERVICE
COMMISSION

Via Hand-Delivery

Ms. Stephanie Stumbo
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602-0615

Re: In the matter of application of Farmdale Development Corporation for an Adjustment in Rates pursuant to the Alternative Rate Filing Procedure for Small Utilities, Case #2007-00436 - Comments to the Memorandum Concerning the March 27, 2007, Informal Conference

Dear Ms. Stumbo:

The following comments are being submitted on behalf of Farmdale Development Corporation ("Farmdale") in response to your letter of April 2, 2008, and the Memorandum Concerning the March 27, 2007, Informal Conference prepared by Ms. Tiffany Bowman.

1) Depreciation Expense: In addition to the matters discussed as noted by Ms. Bowman, the parties also discussed the points raised by Farmdale in its Written Comments to Staff's Report on Farmdale Development Corporation filed with the Commission on February 21, 2008. Additionally, it was Farmdale's understanding that Commission Staff had agreed to depreciate \$1,635,29 over five (5) years rather than seven (7) years because of the labor costs involved in the item. If Farmdale's understanding is incorrect, then Farmdale agrees that no agreement was reached on this issue.

2) Maintenance of Treatment and Disposal: In addition to the matters discussed as noted by Ms. Bowman, the parties also discussed the points raised by Farmdale in its Written Comments to Staff's Report on Farmdale Development Corporation filed with the Commission on February 21, 2008. Additionally, it was Farmdale's understanding that Commission Staff had agreed that \$597.52 of this item was an annual expense, due to the provisions of 807 KAR 5:071, Section 7(4) which require Farmdale to make inspections of collecting sewers and manholes on a scheduled basis at intervals not to exceed one (1) year, unless conditions warrant more frequent inspections. If Farmdale's understanding is incorrect, then Farmdale agrees that no agreement was reached on this issue.

3) Sludge Hauling: In addition to the matters discussed as noted by Ms. Bowman, the parties also discussed the points raised by Farmdale in its Written Comments to Staff's Report on Farmdale Development Corporation filed with the Commission on February 21, 2008. Additionally, Farmdale hereby submits the Affidavit of Larry Smither (Attachment A) stating that on at least two (2) occasions, Martin Sanitation processed a load of sludge from the subject WWTP at no charge because it was already on site pumping and cleaning the lagoon. Farmdale also submits as Attachment B, the report reflecting that invoices issued by Martin's Sanitation in 2008 totaling \$850.00 were for sludge hauling services performed in 2007. Accordingly, not counting the sludge processed for which Farmdale was not charged, the invoiced amount for sludge hauled in 2007 was \$4,250.00. Farmdale agrees that no agreement was reached on this issue.

4) Fuel/Power for pumping: In addition to the matters discussed as noted by Ms. Bowman, the parties also discussed the points raised by Farmdale in its Written Comments to Staff's Report on Farmdale Development Corporation filed with the Commission on February 21, 2008. Farmdale agrees that no agreement was reached on this issue.

5) Interest Expense: In addition to the matters discussed as noted by Ms. Bowman, the parties also discussed the points raised by Farmdale in its Written Comments to Staff's Report on Farmdale Development Corporation filed with the Commission on February 21, 2008. Farmdale agrees that no agreement was reached on this issue.

6) Owner/Manager Fee: In addition to the matters discussed as noted by Ms. Bowman, the parties also discussed the points raised by Farmdale in its Written Comments to Staff's Report on Farmdale Development Corporation filed with the Commission on February 21, 2008. Farmdale also pointed out the no owner/manager fee has been paid by Farmdale for a number of years due to insufficient revenue. Farmdale agrees that no agreement was reached on this issue.

7) Agency Collection Fee: In addition to the matters discussed as noted by Ms. Bowman, the parties also discussed the points raised by Farmdale in its Written Comments to Staff's Report on Farmdale Development Corporation filed with the Commission on February 21, 2008. Additionally, at the suggestion of Commission Staff, the Electric and Water Plant Board ("Plant Board") of the City of Frankfort was contacted a second time concerning providing billing services for Farmdale. As indicated in the April 1, 2008 letter to Paula Reardon with the Plant Board, Ms. Reardon indicated that the Plant Board does not wish to perform billing services for Farmdale (Attachment C). Bluegrass Energy was also contacted concerning providing billing services to Farmdale, as indicated in the

Ms. Stephanie Stumbo
April 16, 2008
Page Three

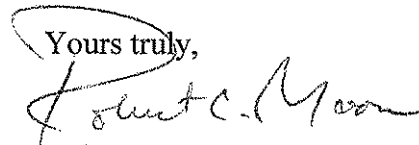
April 1, 2008 letter to Donald Smothers with Bluegrass Energy (Attachment D). Mr. Smothers indicated that he would have an answer to this inquiry in approximately sixty (60) days. Farmdale agrees that no agreement was reached on this issue.

8) Customer Number and Surcharge: It was Farmdale's understanding that Commission Staff was going to use the number of customers as listed in Farmdale's Application.

In addition to the above items, Farmdale discussed the fact that it is incumbent upon the Commission to grant a rate that will enable it to effectively and efficiently operate the subject WWTP. Farmdale also pointed out that the subject WWTP is currently being operated in an efficient manner and is in compliance with the applicable regulations of the Commission and the Division of Water. Staff's recommended decreases would result in the operation of the WWTP at a deficit and the WWTP could not be operated in an efficient and effective manner. Staff's recommended changes might save Farmdale's customers pennies on the front end, but would result in the payment of substantially higher rates in the future, which higher rates would be needed to make the "catchup" repairs and improvements to the WWTP. Farmdale emphasized that this would be unfair to both Farmdale and its customers, and the adjustments recommended by the Staff should be rejected. Farmdale also advised the parties that its owner can no longer afford to subsidize the operation of the subject WWTP.

Farmdale is hereby requesting that a formal hearing be scheduled in this matter, and that it be scheduled on one of the following days: April 25, 28, 29 and 30 or May 19, 20, 21, 22, 23, 27, 28, 29 or 30, 2008. Farmdale is also generally available from the 1st through the 25th of June, 2008.

Please feel free to contact me should you wish to discuss these comments.

Yours truly,

Robert C. Moore

RCM/neb
cc: Carroll Cogan
David Edward Spenard
Kenny and Marilyn Glass
Tiffany Bowman

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

APR 17 2008

**PUBLIC SERVICE
COMMISSION**

In the Matter of:

APPLICATION OF FARMDALE DEVELOPMENT)
CORPORATION FOR AN ADJUSTMENT IN RATES) CASE NO. 2007-00436
PURSUANT TO THE ALTERNATIVE RATE FILING)
PROCEDURE FOR SMALL UTILITIES)

AFFIDAVIT OF LAWRENCE W. SMITHER

Comes the affiant, Lawrence W. Smither, and after being sworn, states as follows:

- 1) That my name is Lawrence W. Smither and my business address at Smither Consulting Company is P. O. Box 1077, 3906 North Camden Lane, Crestwood, Kentucky 40014.
- 2) That in addition to being the owner of Smither Consulting Company, I am also an employee and owner of Covered Bridge Utilities, Inc., which has operated the Farmdale WWTP for Farmdale Development Corporation since approximately May 2005. Since May of 2005, I have been listed by the Kentucky Division of Water as the operator of record of the Farmdale WWTP. Additionally, Covered Bridge Utilities, Inc. has performed repair work at the Farmdale WWTP.
- 3) During August and September of 2007, I was frequently on site at the Farmdale WWTP in order to assist and/or oversee the work performed by Martin's Sanitation in pumping and cleaning the lagoon at the Farmdale WWTP site.
- 4) In pumping and cleaning the lagoon, Martin's Sanitation had to dispose of liquids from the lagoon. The liquids generated in this process were treated by the Farmdale WWTP, after testing to insure that the Farmdale WWTP was not adversely effected.

ATTACHMENT A

5) In return for processing the liquid generated during the pumping and cleaning of the lagoon, Martin's Sanitation processed at least two (2) loads of sludge that had built up at the Farmdale WWTP for no charge. If the loads of sludge had not been processed by Martin's Sanitation at no charge, Farmdale WWTP would have been required to pay for same.

Further the affiant sayeth naught.

LAWRENCE W. SMITHER

STATE OF KENTUCKY)
)SS.
COUNTY OF FRANKLIN)

SUBSCRIBED AND SWORN TO before me by Lawrence W. Smither, on this the _____
day of _____, 2008.

My commission expires: _____.

Notary Public

Sludge Hauling

Category Report 3

1/1/2007 through 3/28/2008

3/28/2008

Page 1

2007

2008

Date	Num	Description	Memo	Category	Amount
1/9/2007	1245	Martin's Sanit. #7951 Pumping L.S. 08 A/P		Sludge hauling	-700.00
1/26/2007	1248	Martin's Sanit. #8258 Pump Digester x 2/06 A/P		Sludge hauling	-500.00
2/13/2007	1259	Martin's Sanit. #8258 Pump Digester x 2 08 A/P		Sludge hauling	-350.00
5/8/2007	1291	Martin's Sanit. #8715 Pumped digester		Sludge hauling	-425.00
7/10/2007	1321	Martin's Sanit. #9756 Wet Well basin digester		Sludge hauling	-425.00
8/10/2007	1331	Martin's Sanit. #9756 skimming clarifier		Sludge hauling	-425.00
9/10/2007	1347	Martin's Sanit. #10061 Small Plant Clarifier		Sludge hauling	-425.00
10/8/2007	1363	Martin's Sanit. #10399 Pumping Digester x2		Sludge hauling	-850.00
11/12/2007	1378	Martin's Sanit. #10734 Pumping Treat. Plt x2		Sludge hauling	-450.00
12/11/2007	1394	Martin's Sanit. #10734 Pumping Treat. Plt x2		Sludge hauling	-400.00
1/1/2007 - 12/31/2007					-4,950.00
1/15/2008	1410	Martin's Sanit. #11382 Partial 07 A/P		Sludge hauling	-225.00
2/15/2008	1418	Martin's Sanit. #11382 Balance 07 A/P		Sludge hauling	-200.00
3/21/2008	1427	Martin's Sanit. #11661 07 A/P		Sludge hauling	-425.00
1/1/2008 - 3/28/2008					-850.00

OVERALL TOTAL	-5,800.00
TOTAL INFLOWS	0.00
TOTAL OUTFLOWS	-5,800.00
NET TOTAL	-5,800.00

ATTACHMENT B

436

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April 3, 2008


Paula Rearden
Frankfort Electric and Water Plant Board
P. O. Box 308
Frankfort, Kentucky 40602

Re: Billing and Collection Services for the Farmdale Development Corporation

Dear Paula:

Pursuant to our telephone conversation on Monday, March 31, 2008, it is my understanding that the Electric Water Plant Board of the City of Frankfort does not perform billing services for any third parties with the exception of the City of Frankfort's Sewer Department. Additionally, the Plant Board does not wish to perform billing services for the Farmdale Development Corporation. Thank you for discussing this matter with me and please contact me if my understanding is incorrect.

Yours truly,


Robert C. Moore

RCM/neb

cc: Carroll Cogan
Warner Caines

ATTACHMENT C

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SARAH K. MELLO

FAX: (502) 875-7158

TELEPHONE: (502) 227-2271

April 1, 2008

Via Facsimile - 859-885-2854

Donald Smothers

Bluegrass Energy

P.O. Box 990

Nicholasville, Kentucky 40340-0990

Re: Farmdale Development Corporation ("Farmdale")

Dear Mr. Smothers:

As we discussed during our telephone conversation on April 1, 2008, I represent Farmdale, which owns and operates a wastewater treatment plant in Franklin County, Kentucky. The streets served by the Farmdale WWTP are Cherry Lane, Strawberry Lane, Stable Lane, Furrow Lane, Apple Lane, Briarwood Hill, Farmers Lane and Plumb Street. Farmdale is interested in determining whether Bluegrass Energy can provide billing and collection services to the Farmdale WWTP customers, since Farmdale's customers may also be customers of Bluegrass Energy. Therefore, the amounts due Farmdale could be included on the bills Bluegrass Energy mails to its customers.

Farmdale has approximately 246 customers that are billed on a monthly basis. The base sewer rate is \$28 per month and there will be an additional surcharge of \$9.92 per month, for a total monthly bill of \$37.92 per month. If Bluegrass Energy is able to perform the billing and collection services, the bills would issued on a monthly basis, with payment to made to your company, and the amounts remitted to Farmdale at the end of each month, along with an accounting. Of course, the sewer charge could be included on Bluegrass Energy's bill. Please advise me as to whether Bluegrass Energy can provide the requested billing and collection services and the cost to perform same. I would also like to know if Bluegrass Energy would require that the entire bill be paid, instead of allowing a customer to indicate whether any payment should be first credited to the amount owed for electricity. In our experience, requiring a customer to pay the entire bill results in fewer delinquencies for the sewer services.

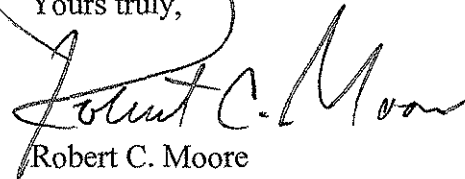
As we also discussed, the representatives of the Public Service Commission ("Commission") have indicated that rendering such billing and collection services would be an ancillary activity of Bluegrass Energy and would not be subject to regulation by the Commission. I advised Ms. Tiffany Bowman (502-564-3940), counsel for the Commission, that you may be calling her to discuss this issue, and she will either address this issue with you or direct you to the person that can address this issue.

ATTACHMENT D

Donald Smothers
April 1, 2008
Page Two

Thank you for your attention to this matter, and I look forward to receiving a response to this request.

Yours truly,



Robert C. Moore

RCM/neb
cc: Carroll Cogan