

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF THE R. A. WILLIAMS)
DEVELOPMENT CO., INC. D/B/A)
CEDARBROOK TREATMENT PLANT FOR THE) CASE NO. 2008-00042
APPROVAL OF THE PROPOSED INCREASE IN)
RATES FOR WATER SERVICE)

**ANSWERS OF R. A. WILLIAMS CONSTRUCTION COMPANY, INC., TO DATA
REQUESTS**

Comes R.A. Williams Construction Company, Inc. (Hereinafter "R.A. Williams"), and for its Answers to the Data Requests Appended to the Commission's May 29, 2008, Order, states as follows:

Data Request No. 1: Page 2 of the application is a pro forma income statement. In its filing of May 9, 2008 ("Amendment"), R. A. Williams Construction Company d/b/a Cedarbrook Treatment Plant ("Applicant") proposed to amend its rate application to include operating expenses that were incurred in the calendar year 2006 to operate the wastewater facilities, but were not reported by Applicant in its 2006 Annual Report. Provide an amended pro forma income statement reflecting the omitted operating expenses.

Answer: The amended pro forma income statement reflecting the omitted operating expenses is attached hereto as Attachment A.

Data Request No. 2: Exhibit B of the application contains the calculations of Applicant's requested revenue requirement and proposed rates. Provide a calculation of the revenue requirement determination and the proposed rate that reflects impact of the omitted operating expenses. Include all workpapers, calculations, and assumptions used to calculate the revenue requirement and the rate.

Answer: See Attachment B.

Data Request No. 3: Explain in detail why the operating expenses listed in the May 9, 2008 filing were not reported by Applicant in its 2006 Annual Report.

Answer: The operating expenses listed in the May 9, 2008 filing of R.A. Williams were not reported by R.A. Williams in its 2006 Annual Report because it was not aware that it should, or could, include these administrative costs in its Annual Report. Of course, in order to operate the Cedarbrook WWTP, R.A. Williams has incurred these administrative costs. As Commission Staff is aware, R.A. Williams is a construction company, and is operating this WWTP by default. Since this is not R.A. Williams' line of business, it was not aware that these indirect costs should be attributed to the operation of the WWTP. Nor was it advised by Commission personnel that these costs should be included. It is important to note that even without the allocation of these indirect administrative costs, the Cedarbrook WWTP consistently operated at a loss. R.A. Williams has made every effort to review the costs incurred through 2006 and believes that it has accurately estimated the administrative expenses incurred in operating the Cedarbrook WWTP. However, in hindsight, the allocation of these costs at the time they were incurred would have made it easier to allocate same.

Data Request No. 4: In its explanation to the pro forma outside services adjustment, Applicant references a management contract it has with Covered Bridge Utilities ("Covered Bridge").

a. Provide a copy of Applicant's management contract with Covered Bridge.

Answer: The management contract with Covered Bridge is attached as Attachment C.

b. List the services that Covered Bridge provides to Applicant under the terms of the management agreement.

Answer: Pursuant to the management agreement, Covered Bridge undertook to perform the services necessary to manage the wastewater system, including but not limited to the following services:

- a) Supervise the daily operation of the facility, application of chemicals as needed and performance of daily maintenance and repairs as needed;
- b) Communicate with the private laboratory performing the required analysis to comply with the requirements of the KPDES permit;

- c) Perform a consulting inspection and complete an inspection report sheet thereafter on a monthly basis;
- d) Perform the necessary accounting services, including the payment of bills and a written report of the status of the account. This service did not include billing of customers and collection of amounts owed; and,
- e) Provide consulting services in preparing the documents necessary to transfer the subject WWTP to Cedarbrook Utilities, LLC.

Data Request No. 5: In its filing of May 9, 2008, Applicant states that “[t]hese expenses were incurred in 2006, as they have been incurred in each year that R. A. Williams operated the subject WWTP.” Provide a schedule comparing each expense listed in the May 9, 2008 filing with those incurred in calendar years 2004 and 2005.

Answer: Please see the attached schedule detailing the expenses incurred in the allocated amounts which are based upon the costs incurred by R.A. Williams. (See Attachment D). A review of this schedule reflects that the costs are similar from year to year.

Data Request No. 6: In its May 9, 2008 filing, Applicant proposes to increase its pro forma expenses by \$900 to reflect employee expenses. Provide a schedule listing each employee, the hourly billing rate(s) for each service, the hourly employee wage rate, the service(s) provided, and the hours spent performing each service. Include invoices to support the service analysis provided in this response.

Answer: On a monthly basis, R.A. Williams assigns to an administrative assistant the job of preparing billing statements, mailing out billing statements and notices, filing documents, contacting customers, collecting cash receipts and posting them. The administrative assistant is billed at the rate of \$25 per hour. The administrative assistant’s rate of pay, with benefits, is \$14.40 per hour. The duties of the administrative assistant include preparing billing statements, mailing out billing statements and notices, filing documents, contacting customers, collecting cash receipts and posting

them. It is estimated that the administrative assistant spends an average of 3 hours per month performing the above-described tasks for Cedarbrook. See Attachment E.

Data Request No. 7: In its May 9, 2008 filing, Applicant proposes to increase its pro forma expenses by \$1,200 to reflect accounting expenses. Provide a schedule listing each employee, the hourly billing rate(s) for each service, the hourly employee wage rate, the service(s) provided, and the hours spent performing each service. Include invoices to support the service analysis provided in this response.

Answer: Ms. Susan Daugherty, CPA, performs the accounting services for the utility. The accounting expenses are estimated at \$100 per hour, which is the billing rate used by Ms. Daugherty when performing accounting functions for other businesses. Ms. Daugherty's current rate of pay with benefits is \$39.00 per hour. The services provided include overseeing the billing process and responding to all issues involved in the operation of the plant, including issues regarding plant operation and any issues involving the transfer of the WWTP, rate increases, and communications with the Kentucky Division of Water and Commission personnel. Ms. Daugherty is a certified public accountant ("CPA"), and although at times the services of a CPA would not be required, her knowledge and experience is certainly beneficial in dealing with the above issues. R.A. Williams estimates that Ms. Daugherty spends one hour per month performing duties for Cedarbrook in addition to the time spent in preparing reports as stated in the Answer to Data Request No. 8. Please note that at times, such as during the month of May, 2008, Ms. Daugherty has spent up to 10 to 15 hours in a month responding to requests made by the Commission or addressing issues raised by the Division of Water, etc. See Attachment E.

Data Request No. 8: In its May 9, 2008 filing, Applicant proposes to increase its pro forma expenses by \$2,000 to reflect report preparation services. Provide a schedule listing each employee providing the service, the hourly billing rate(s) for each service, the hourly employee wage rate, the

service(s) provided, and the hours spent performing each service. Include invoices to support the service analysis provided in this response.

Answer: R.A. Williams employs Ms. Daugherty to prepare the required reports. As stated in the Answer to Data Request No. 7, Ms. Daugherty's hourly billing rate is \$100 per hour, and her current rate of pay with benefits is \$39.00 per hour. Ms. Daugherty spends approximately 20 hours per year preparing the required returns for the utility that must be filed with the Internal Revenue Service, the Kentucky Revenue Cabinet, the Kentucky Secretary of State and the Commission. See Attachment E.

Data Request No. 9: To reflect accounting and bookkeeping fees that were reportedly incurred in 2006, Applicant is proposing to increase its pro forma operating expenses by \$4,100, which will result in an increase to the monthly rate of approximately \$7.61 per customer.

a. Given the size of the customer base and the impact the pro forma increase has on the monthly bill, explain why an accounting/bookkeeping fee of this level is reasonable.

Answer: R.A. Williams is required to operate the Cedarbrook WWTP, including its administrative operations, in an accurate and professional manner. The accounting/bookkeeping fee of this amount is reasonable because the accounting and bookkeeping services provided to the utility would be the same whether the utility has a customer base of 100 to 200 customers or 51 customers. Because of the size of the utility and the fact that its operation is different than any other operations performed by R.A. Williams, economies of scale do not come into play. All of the monthly operations of the WWTP do not require the services of a CPA, and, where possible, the services that can be performed by other administrative employees of R. A. Williams are delegated as reflected in the explanation of the rates and costs set forth above.

b. Given that Applicant only has 51 customers, explain why it would require the expertise of a Certified Public Accountant.

Answer: R.A. Williams believes that a CPA can more efficiently perform the duties than a layperson, and therefore the billing rate should reflect this fact. The length of time necessary to perform these duties would certainly be significantly higher were the services performed by other than a CPA. For example, countless hours would be required to be spent in order for another individual get up to speed with the operation of the subject WWTP, including all of the issues that have arisen and been addressed over the years. Additionally, R.A. Williams does not have any other employees to perform these tasks.

Data Request No. 10: Provide the number of checks that Applicant wrote to pay its operating expenses in the calendar years 2004, 2005, and 2006.

Answer: Approximately 100-125 checks are typically written in a given year.

Data Request No. 11: In its May 9, 2008 filing, Applicant proposes to increase its pro forma expenses by \$1,906 to reflect legal fees incurred in the calendar year 2006 that were not recorded in its 2006 Annual Report.

a. Provide the invoices to support the proposed legal fees of \$1,906. The invoices should include the attorney providing the service, descriptions of the legal services being provided, and the hourly billing rate(s) for each service.

Answer: See Attachment E, consisting of invoices issued by the law offices of Cecil Dunn and invoices issued by Hazelrigg & Cox, LLP.

b. On page 3 of Exhibit A of its application, Applicant is proposing to amortize legal fees of \$4,391 over 6 years for an amortization expense of \$732. Explain if the proposed legal fee expense of \$1,906 is included in the legal fees that Applicant proposes to amortize.

Answer: Cecil Dunn is generally the only attorney performing work on issues concerning the Cedarbrook WWTP. Mr. Dunn issues invoices infrequently, so \$1,906 is the average amount paid to Mr. Dunn over a number of years. Hazelrigg & Cox, LLP was retained to address environmental issues

concerning the Cedarbrook WWTP, which have been resolved. Therefore, the fees paid to Hazelrigg & Cox, LLP should be amortized. Mr. Dunn's legal fees of \$1,906 per year were mistakenly included in the legal fees Applicant proposed to amortize.

Data Request No. 12: Refer to Applicant's May 9, 2008 filing. Provide documentation and/or invoices to support the proposed operating expenses listed in Table 1 below.

Table 1 – Proposed Operating Expenses

	Title	Amount
a.	Postage Expense	\$136.53
b.	Office Supply Expense	\$88.00
c.	Telephone Expense	\$129.00
d.	Insurance Expense	\$1,819.14
e.	Miscellaneous Repairs & Maintenance	\$180.00
f.	KPDES Permit Fee	\$1,500.00
g.	Sludge Hauling Fees	\$1,500.00

Answer:

a) Postage Expense: During 2006, approximately 350 pieces of mail were mailed for Cedarbrook at a rate of 39 cents each. The cost of the postage was paid by R.W. Williams for a total cost of \$137. No invoices were issued to the utility for these services, because it is owned by R.A. Williams.

b) Office Supply Expense: During 2006 supplies such as paper, envelopes, files, use of computers, copies, etc. were necessary to administer the WWTP. R. A. Williams allocated a minimal amount of less than one percent (1%) of its total office supply expenses incurred by it in 2006 to arrive at this amount. No invoices were issued to the utility for these services, because it is owned by R.A. Williams.

c) Telephone expense: R. A. Williams allocated a minimal amount of less than one percent (1%) of its total telephone expense incurred by it in 2006 to arrive at this amount. No invoices were issued to the utility for these services, because it is owned by R.A. Williams.

d) Insurance Expense: R. A. Williams enlisted the assistance of its insurance agent in order to determine the insurance expense to be allocated to the utility. The insurance for the utility is not quoted separately and the insurance agent indicated that the cost of the premium would be in the range of several thousand dollars if a separate policy was issued to the utility. In this case, economies of scale benefitted the utility, as R. A. Williams allocated a minimal amount of its total insurance expense incurred by it in 2006 to arrive at the amount of \$1,819.00. There is no separate invoice for the insurance provided to the utility.

e) Miscellaneous Repairs and Maintenance: R. A. Williams will periodically have its employees go to the WWTP to perform routine and/or necessary maintenance and minor repairs, such as observing the WWTP, making general type repairs including repairing the fencing, tree removal, etc. R. A. Williams estimates that its employees spent five (5) hours per year at thirty dollars (\$30.00) an hour performing these tasks, with a fuel cost of thirty dollars (\$30.00).

f) KPDES Permit fee: As indicated on Attachment F, a KPDES Permit is effective for five (5) years, and the fee for the permit is \$1,500.00. Accordingly, the cost of the permit should be amortized over five (5) years.

g) Sludge Hauling Expenses: See page two of Appendix A to the Application for a summary of the invoices for cleaning the creek, with copies of the invoices attached. These sludge hauling costs are incurred on an ongoing basis and should be included as an expense, rather than amortized.

Data Request No. 13: Refer to the May 9, 2008 filing at page 2, on which the annual rent expense of \$524 is stated.

a. Provide a list of the tenants that share the office with Applicant. Identify if each tenant is

affiliated with Applicant.

Answer: R. A. Williams does not share its office with any individual or entity. However, the Cedarbrook WWTP is operated out of its office.

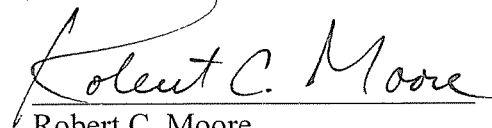
b. Identify the total square footage of the office and the amount that is occupied by each tenant listed in the response to 13(a).

Answer: The total square footage of R. A. Williams' office is 3,500 square feet.

c. Identify the owner of the office, explain any relationship between the owner and Applicant, and provide the total amount of rent paid for the office and the amount of rent that is allocated to each tenant. Include the methodology used to allocate the rent to the tenants.

Answer: R. A. Williams owns 1,400 square feet of its offices and rents 2,100 square feet from R. A. Williams, who was the original incorporator of the company. R. A. Williams pays ___ per square foot for its office space, whether it owns same or leases same from R. A. Williams.

Respectfully Submitted,



Robert C. Moore
Hazelrigg & Cox, LLP
415 West Main Street
P.O. Box 676
Frankfort, Kentucky 40602-0676

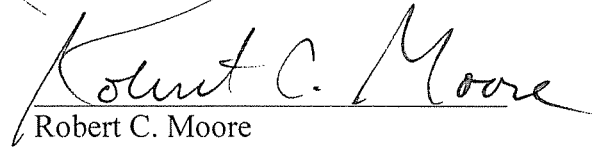
Certification

Ronald J. Osborne hereby certifies that the answers provided to the Data Requests of the Public Service Commission are true and accurate to the best of his knowledge, information and belief formed after reasonable inquiry.

Ronald J. Osborne
President, R.A. Williams Construction
Company, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was filed by hand delivery on Stephanie Stumbo, Executive Director, Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602, and Todd Osterloh, Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602, and by first class mail on David Edward Spenard, Assistant Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Ky., 40601-8204, on this the 13th day of June, 2008.


Robert C. Moore

ATTACHMENT A

Appendix A
 Cedarbrook's Requested
 Amended Pro Forma Operations

	Test Period Actual	Pro Forma Adjustments	Ref.	Pro Forma Operations
Operating Revenues:				
Residential	13,813	599	(a)	14,412
Misc. Operating Revenues	411			411
Total Operating Revenues	<u>14,224</u>	<u>599</u>		<u>14,823</u>
Operating Expenses				
Administrative Expense	12,000		(i)	12,000
Hauling	4,383	(1,554)	(b)	2,829
Chemicals	1,308	(150)	(d)	1,158
Monthly Maintenance	8,590	122	(g)	8,712
Lab Testing	1,865	31	(c)	1,896
Professional Services	4,469	(2,563)	(h)	1,906
Repairs & Maintenance	8,785	(8,785)	(e)	0
Maintenance		3,825	(f)	3,825
Postage	137			137
Telephone	129			129
Rent	524			524
Office Supplies	88			88
Accounting & Bookkeeping	4,100			4,100
General Plant Repairs	150			150
Mileage	29			29
Insurance	1,819			1,819
Miscellaneous	34			34
Utilities: Water	408			408
Utilities: Electric	2,879			2,879
Total Operation and Maint. Exp.	<u>51,697</u>	<u>(9,074)</u>		<u>42,623</u>
Depreciation	511	(258)	(j)	253
Amortization		876	(k)	876
Taxes Other than Income Tax	107			107
Total Operating Expenses	<u>52,315</u>	<u>(8,456)</u>		<u>43,859</u>
Net Operating Income	(38,091)	9,055		(29,036)
Other Income:				
Interest Dividend Income	130			130
Net Income	<u>(37,961)</u>	<u>9,055</u>		<u>(28,906)</u>

①

Cedarbrook Treatment Plant
Amended Profit & Loss
January thru December 2006

Income

Interest Income	130.17	
Finance Fee Income	411.34	
Sewer Fee	<u>13,813.48</u>	
Total Income		14,354.99

Expense

Administrative Expense	12,000.00	
Depreciation Expense	511.60	
Hauling	4,383.00	
Chemicals	1,307.95	
Monthly Maintenance	8,589.68	
Lab Testing	1,865.00	
Professional Services	4,469.38	
Repairs & Maintenance	8,785.15	
Postage	137.00	
Telephone	129.00	
Rent	524.00	
Office Supplies	88.00	
Accounting & Bookkeeping	4,100.00	
General Plant Repairs	150.00	
Mileage	29.00	
Insurance	1,819.00	
Taxes & Licenses	106.76	
Miscellaneous	33.90	
Utilities: Water	408.13	
Utilities: Electric	<u>2,878.79</u>	
Total Expense		<u>52,315.34</u>

Net Income (37,960.35)

ATTACHMENT B

Revenue Requirement & Rate Determination

Operating Ratio Determination

Operating Revenues	14,823
Divided by: Operating Expenses	<u>43,859</u>
Operating Ratio	<u><u>33.797%</u></u>

Revenue Requirement Determination

Operating Expenses	43,859
Divided by : Operating Ratio	<u>88%</u>
Requested Revenue Requirement	49,840
Less: Interest Income	<u>-130.00</u>
Requested Revenue Requirement - Operations	49,710
Less: Misc. Operating Revenues	<u>411</u>
Revenue Requirement - Sewer Rates	49,299
Less: Normalized Operating Revenue	<u>14,412</u>
Requested Increase in Revenue from Rates	<u><u>34,887</u></u>
Percentage Increase	<u><u>242.067%</u></u>

Rate Determination

Requested Revenue Requirement	49,299
Divided by: 12-Months	<u>12</u>
Monthly Requested Revenue Requirement	4,108.23
Divided by: End-of-Period Customer Level	<u>51</u>
Monthly Rate per Customer	<u><u>80.55</u></u>

a. Normalized Operating Revenues - Residential:

Revenue normalization using end-of-period customer level and the current tariffed rate.

Current Tariffed Rate	\$ 23.55
Multiplied by: Residential End-of-Period	x 51
Monthly Revenue	\$ 1,201
Multiplied by: 12-Months	x 12
Normalized Annual Revenues from Rates	\$ 14,412
Less: Reported Residential Operating Revenues	- 13,813
Pro Forma Adjustment	<u>\$ 599</u>

b. Sludge Hauling Expense:

In the test-period, Cedarbrook expensed several items (CCTV Sewer lines, Root Cutting, and Cleaning the Creek) that are considered nonrecurring and should be removed from expenses and amortized. Also, a prior period expenditure has been removed from the test-period operations. To reflect the removal of the prior period and the non-recurring costs, sludge hauling expense has been reduced by \$4,782. The associated amortization is discussed in a following adjustment.

Invoice Date	Description	Amount
01/03/06	Cleaning Creek & Pumping Treatment Plant - 11/30/05	\$ 300.00
01/31/06	Cleaning out the creek - 1/4/06	300.00
01/31/06	Cleaning out the creek - 1/22/06	300.00
02/20/06	CCTV of Sewer Lines	1,982.00
02/20/06	Root Cutting (Flat Rate)	1,000.00
03/07/06	Cleaning out the creek - 2/2/06	300.00
03/07/06	Pump Digester & Chlorine Basin - 2/27/06	318.00
08/01/06	Pumping Treatment Plant	159.00
08/01/06	Cleaning out the creek	300.00
08/01/06	Pumping Treatment Plant	159.00
11/02/06	Cleaning out the creek	300.00
11/02/06	Pumping rear lift station	375.00
11/02/06	Pump Chlorine Basin & skim clarifier	+ 318.00
	Sludge Hauling Expense	\$ 6,111
	Less: CCTV & Root Cutting	(2,982)
	Less: Creek Cleaning	(1,500)
	Less: Prior Period Expenditure	+ (300)
	Test-Period Sludge Hauling Expense	\$ 1,329 2,829
	Less: Reported Sludge hauling Expense	- 4,383
	Pro Forma Adjustment	<u>\$ (3,054) (1,554)</u>

c. Testing/Analysis:

Currently Cedarbrook is paying Fouser Environmental a monthly testing fee of \$158. This adjustment reflects the annual testing cost of \$1,896.

Monthly Testing/Analysis Fee	\$ 158
Multiplied by: 12-Months	x 12
Annual Testing/Analysis Expense	<u>\$ 1,896</u>

d. Chemicals:

This adjustment reflects the actual test-period chemical costs.

<u>Invoice Date</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
01/31/06	Brocklyn Utilities	Chlorine Test Kit	\$ 120.25
02/20/06	Farmdale Development	1 - 100LB HTH Drum	140.95
02/20/06	Brocklyn Utilities	Chlorine Tablets	148.40
03/30/06	Brocklyn Utilities	Chlorine Tablets	148.40
05/31/06	Brocklyn Utilities	Chlorine Tablets	148.40
10/20/06	Covered Bridge	Chlorine Tablets	105.00
12/02/06	Covered Bridge	1 - 100LB HTH Drum	149.40
12/02/06	Covered Bridge	Chlorine Tablets	+ 198.75
Test-Period Chemical Expense			\$ 1,159.55
Less: Reported Chemical Expense			- 1,308.00
Pro Forma Adjustment			\$ (148.45)

e. Misc Sup & Exp - Treatment & Disp.:

Expenditures reported in this account have been transferred to the correct accounts.

Misclassified Expenses \$ (8,785)

f. Maintenance:

In the test-period, Cedarbrook expensed several items that are considered to be capital expenditures that should be removed from expenses and depreciated. Those costs have been removed and operating expenses increased by \$3,825 to reflect test-period maintenance expense. The associated depreciation is discussed in a following adjustment.

<u>Invoice Date</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
01/31/06	Camden Environmental	Supplies & labor for blower motor assembly	\$ 88
Multiple Visits	Camden Environmental	Local Serviceman Extra Visit - I/I Problems	900
03/07/06	Camden Environmental	Extra Time Feb. Sludge return problems	45
06/30/06	Camden Environmental	Mow & Trim plant site 3 @ \$25	75
11/02/06	Camden Environmental	Mow & Trim plant site	350
01/17/06	Covered Bridge	Installed Used Blower	1,363
01/31/06	Covered Bridge		230
02/20/06	Covered Bridge	Installed used blower motor	633
04/13/06	Covered Bridge	Installed New Sheaves - Plant Blower	458
05/19/06	Covered Bridge	New Diffusers	1,090
09/25/06	Covered Bridge	Cleaned Building/Service Blower	549
10/20/06	Covered Bridge	Service effluent pump	334
11/02/06	Covered Bridge	Repair electrical starter on blower motor	230
12/02/06	Covered Bridge	Repaired Effluent Pump	+ 566
Subtotal			\$ 6,911
Remove:			(1,363)
Used Blower			(633)
Used Blower Motor			+ (1,090)
New Diffusers			\$ 3,825
Test-Period Maintenance Expense			

g. Routine Maintenance:

Currently Cedarbrook is paying Camden Environmental a monthly fee of \$726 for a licensed wastewater operator. This adjustment reflects the annual maintenance cost of \$8,712.

Monthly Routine Maintenance Fee	\$ 726
Multiplied by: 12-Months	x 12
Normalized Routine Maintenance Expense	<u>\$ 8,712</u>
Less: Reported Routine Maintenance Expense	- 8,590
Pro Forma Adjustment	<u>\$ 122</u>

h. Outside Services Employed - Legal

Test-period operating expenses have been increased to reflect the legal fees incurred for collecting past-due accounts

11/01/06	Cecil F. Dunn	Collection of Accounts	<u>\$ 78</u>
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~~**i. Outside Services Employed**~~

~~Ronald Osborne, Cedarbrook's owner has entered into a contract with Covered Bridge Utilities to manage and operate Cedarbrook for a fee of \$1,000 per month. This adjustment reflects the annual cost of the \$1,000 management service fee.~~

Management/Operation Fee	\$ 1,000
Plus: Discharge Analysis Fee	+ 130
Monthly Revenue	\$ 1,130
Multiplied by: 12-Months	x 12
Annual Management/Testing Expense	\$ 13,560
Less: Reported Routine Maintenance Fee	- 8,590
Pro Forma Adjustment	<u>\$ 4,970</u>

i. Depreciation Expense:

The original plant should have been fully depreciated in 2005; therefore the associated depreciation expense has been removed. Also, the capital costs have been depreciated over their useful lives.

	Expenditure	Depreciation	
		Life	Expense
Installed Used Blower	\$ 1,362.78	10	\$ 136
Installed used blower motor	\$ 633.48	10	63
New Diffusers	\$ 1,089.91	20	54
Plant Fully Depreciated in 2005			+ (511)
Pro Forma Adjustment			<u>\$ (258)</u>

k. Amortization Expense:

The non-recurring costs have been amortized over their useful lives.

	Expenditure	Amortization	
		Life	Expense
CCTV & Root Cutting	\$ 2,982	20	\$ 149
Cleaning the Creek <i>KPOES PERMIT</i>	\$ 1,500	5	300
Legal Fees	\$ 4,391 <i>2,563</i>	6	+ 732 <i>427</i>
Pro Forma Adjustment			<u>\$ 4,181 <i>876</i></u>

The amended pro forma income statement which was submitted was used for the test period actual numbers and then adjusted accordingly. The adjustments are described on the staff report on pages 2-4 with the following additional changes.

- b. Sludge Hauling Expense: The cost of cleaning the creek was left as an expense rather than amortizing the cost as it will be an ongoing cost.
- h. Legal Fees: The average annualized legal fees paid each year for the last couple of years was \$1,906. The expense was adjusted to this amount and the balance of fees paid during the year are amortized.
- i. Per the management agreement with Covered Bridge we are including the entire monthly rate of \$1,000 per month.

ATTACHMENT C

MANAGEMENT AGREEMENT

Come the Parties, R.A. Williams Construction Company, Inc., and Covered Bridge Utilities, Inc., (hereinafter "Covered Bridge"), on this the 1 day of December, 2004, and hereby enter into the following agreement.

WHEREAS, R.A. Williams Construction Company, Inc., owns and operates the Cedarbrook Subdivision Wastewater Treatment Plant and collection system (hereinafter "Wastewater System") located in Harrison County, Kentucky.

WHEREAS, R.A. Williams Construction Company, Inc., wishes Covered Bridge Utilities to manage the Wastewater System pending the negotiation and approval by the Kentucky Public Service Commission of an Assets Purchase Agreement to be entered into by and between R.A. Williams Construction Company, Inc., and Cedarbrook Utilities, LLC, whereby R.A. Williams Construction Company, Inc., will transfer and convey said Wastewater System to Cedarbrook Utilities, LLC.

NOW THEREFORE, in consideration of the premises stated above and below, the parties to this agreement hereby agree to the following terms.

1. Beginning December 1, 2004, Covered Bridge shall undertake to perform the services necessary to manage said Wastewater System, including but not limited to the following services:

- a) Supervise the daily operation of the facility, application of chemicals as needed and performance of daily maintenance and repairs as needed;
- b) Communicate with the private laboratory performing the required analysis to comply with the requirements of the KPDES permit;
- c) Perform a consulting inspection and complete an inspection report sheet thereafter on a monthly basis;
- d) Perform the necessary accounting services, including the payment of bills and a written report of the status of the account; and,
- e) Provide consulting services in preparing the documents necessary to transfer the subject wastewater treatment plant to Cedarbrook Utilities, LLC.

2. R.A. Williams Construction Company, Inc., agrees to provide, at its cost, all utilities, chemicals and materials required for the operation and maintenance of the said Wastewater System during the term of this management agreement. R.A. Williams Construction Company, Inc., further agrees to provide and pay for hauling of excess sludge, as necessary to operate said Wastewater System in accordance with the requirements of the KPDES permit issued to R.A. Williams Construction Company, Inc. Covered Bridge is to be paid a fee of One Thousand Dollars (\$1,000.00) a month by R.A. Williams Construction Company, Inc., for performing these services. This Management Agreement shall be for a term of six (6) months, commencing on December 1, 2004 and terminating on May 31, 2005, or until such time as the subject wastewater

treatment plant is transferred to Cedarbrook Utilities, LLC, pursuant to the authorization of the Public Service Commission, whichever first occurs.

3. R.A. Williams Construction Company, Inc., agrees that Covered Bridge shall not be responsible for performing the billing services necessary to collect the amounts due from the customers of the Cedarbrook Wastewater Treatment Plant during the term of this management Agreement, or make deposits into the account for said wastewater treatment plant.

4. Covered Bridge shall provide its own workers compensation and liability insurance.

5. Covered Bridge shall not be liable for vandalism or damage resulting from unauthorized breaking and/or entering said wastewater treatment site or to said wastewater treatment system.

6. R.A. Williams Construction Company, Inc., shall retain all liability for all objections, claims or causes of action arising from the operation of said Wastewater System, including but not limited to fines or penalties, and objections, causes of action or claims due to noises, odors, effluent, frothing or other peculiarities inherent to such a system.

7. All of the terms agreed to by the parties are set forth in this Agreement, and this Agreement shall not interpreted to incorporate or include terms not set forth here in.

8. This Agreement shall be governed by Kentucky Law and each of the parties hereto agrees that it and its attorneys have reviewed the language.

R.A. Williams Construction Company, Inc.

By: _____

Date and Title: _____

Covered Bridge Utilities, Inc.

By:  _____

Date and Title: 12/1/04 Pres

ATTACHMENT D

Cedarbrook Treatment Plant

Question 5

Costs incurred by R.A. Williams but not allocated to Cedarbrook

	2006	2005	2004
Postage	137	123	127
Phone	129	112	107
Rent	524	524	522
Office Supply	88	221	215
Monthly Accounting	1200	1200	1200
Return Preparation	2000	2000	2000
Billing, Late Fees, Cash Receipts	900	900	900
General Plant Repairs	150	150	150
Mileage	29	29	29
Insurance	1819	1771	3024
Totals	6976	7030	8274

ATTACHMENT E

9



Invoice

Invoice Date: 06/05/2008

Invoice Total: **\$4,100.00**

Cedarbook Utilites
c/o R.A. Williams Construction Co., Inc.
153 Prosperous Place, Suite 1A
Lexington, KY 40509

Description:

Services performed by office staff for 2006

Monthly duties, including billing, correspondence, cash receipts Collection and posting, filing, and other duties as necessary 36 hours @ a rate of \$25.00	\$900.00
Monthly accounting functions and oversight, dealing with various State agencies, attorneys and time spent on plant transfer 12 hours @ a rate of \$100.00	1,200.00
Return Preparation Cost	<u>2,000.00</u>
Total 2006 Services	<u>4,100.00</u>

ATTACHMENT F

11

LAW OFFICES OF CECIL F. DUNN

Statement of Services
175 East Main Street, Suite 300
Lexington, Kentucky 40507
(859) 255-9091
Fax (859) 254-4319

NOV - 2 2006

Dun #83

IW 06/10/06

November 1, 2006

R.A. Williams Company, Inc.
ATTN: Susan
153 Prosperous Place, Ste. 1A
Lexington, KY 40509

For legal services rendered: Cedarbrook

Rebecca Bevins	Record Affidavit	\$13.00
Susie Livingood	Record Affidavit	\$13.00
Electra Feeback	Record Affidavit	\$13.00
Earl Jackson King, Jr.	Record Affidavit	\$13.00
Doug Burns	Record Affidavit	\$13.00
Beth Taylor	Record Affidavit	\$13.00

TOTAL

\$78.00

Rec 11/02/06

CB Legal Svc
101-740.80000

THE R. A. WILLIAMS COMPANIES		
TO: <i>SD</i>	FROM: <i>RR</i>	DATE: <i>11/3/06</i>
APPROVAL: <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	INITIALS: <i>SD</i>	DATE: <i>11/3</i>
CODE:		
COMMENTS:		

DUN 603

LAW OFFICES OF CECIL F. DUNN

Statement of Services
175 East Main Street, Suite 300
Lexington, Kentucky 40507
(859) 255-9091
Fax (859) 254-4319

FEB 27 2006

CB Legal SVC

1-01-740.0000

INV 060227

February 27, 2006

R.A. Williams Company, Inc.
ATTN: Ron Osborne
153 Prosperous Place, Ste. 1A
Lexington, KY 40509

THE R. A. WILLIAMS COMPANIES		
TO: SCD	FROM: RR	DATE: 3-1-06
APPROVAL: <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	INITIALS: RO	
CODE		DATE: 3/2/06
COMMENTS: ENT'D MAR 6 2006		

For legal services rendered: Cedarbrook

1-25-01	Meeting: Darrin Henry	1.0
2-13-02	Review Cedarbrook records	5.0
2-14-02	Review Cedarbrook records and research	5.0
6-04-02	TC: Darrin Henry	0.25
12-04-02	TC: David Carmichael	2.0
12-11-02	Cedarbrook meeting	3.0
12-16-02	Cedarbrook Ruling	0.5
01-07-03	Review file	1.0
07-23-04	Meeting: PSC, et al Representative in Frankfort	3.0
07-26-04	Review PSC meeting notes from Kathleen Regan	0.5
07-27-04	Draft Cedarbrook Letter to Customer	0.5
12-04-04	TC: Ron Osborn	1.0

FEB 27 2006

	TC: Rob Moore Review of ?????	
01-13-05	TC: Ron Osborn TC: Rob Moore Review Asset Purchase Agreement	2.0
10-15-05	TC: Rob Moore Review of Public Service Commission Rules and Regulations for Application Of Transfer	1.5
11-04-05	TC: Susan Daugherty TC: Rob Moore	0.5
07-18-05	TC: Ron Osborn	0.5
TOTAL	Hours 27.25 @ \$100.00	\$2,725.00

Title Exam \$ 129.00

TOTAL

\$2,854.00

plus 31st

August 10, 2006

R. A. Williams Company
%Cecil Dunn
173 East Main Street, Suite 300
Lexington, KY 40507
RCM

For legal services rendered and expenses incurred in connection with our representation from July 1, 2006 through July 31, 2006, including but not limited to the following:

<u>DATE</u>	<u>ROBERT C. MOORE (Partner)</u>	<u>HOURS</u>
07/18/06	Review correspondence from C. Dunn	0.20
	TOTAL HOURS	0.20
	HOURLY CHARGE \$	175.00
	(RCM) SUBTOTAL \$	35.00
SUB-TOTAL SERVICES:		\$ 35.00
	<u>EXPENSES</u>	
	Duplicating	\$ -
	Postage	\$ -
	Fax	\$ -
	Telephone	\$ 0.50
SUB-TOTAL EXPENSES:		\$ -
TOTAL SERVICES AND EXPENSES:		\$ 35.00
PREVIOUS BALANCE:		\$ -
TOTAL AMOUNT		\$ 35.00

September 10, 2006

R. A. Williams Company
%Cecil Dunn
173 East Main Street, Suite 300
Lexington, KY 40507
RCM

For legal services rendered and expenses incurred in connection with our representation from August 1, 2006 through August 31, 2006, including but not limited to the following:

<u>DATE</u>	<u>ROBERT C. MOORE (Partner)</u>	<u>HOURS</u>
08/01/06	Review file Telephone conference with R. Osbourne, S. Daugherty and C. Dunn Correspondence to R. Osbourne Draft Open Records Request	1.00
08/03/06	Review correspondence from R. Osbourne	0.10
08/04/06	Review documents Telephone conference with R. Osborne and S. Daugherty Telephone conference with L. Smither	1.70
08/07/06	Telephone conference with S. Greene	0.20
08/10/06	Telephone conferences with L. Smither Telephone conference with C. Dunn Telephone conference with S. Daugherty Review file Conference with S. Daugherty and L. Smither to prepare for meeting with Enforcement Conference with Enforcement Branch officials	0.50 3.20
08/11/06	Telephone conference with P. Broomall	0.20
08/16/06	Telephone conference with P. Broomall Correspondence to S. Daugherty Telephone conference with S. Daugherty	0.35
08/18/06	Review file Telephone conference with R. Osborne, S. Daugherty and C. Dunn Telephone conference with P. Broomall	0.75
08/22/06	Correspondence to P. Broomall	0.20
	TOTAL HOURS	8.20
	HOURLY CHARGE \$	175.00
	(RCM) SUBTOTAL \$	1,435.00

SUB-TOTAL SERVICES:	\$ 1,435.00
<u>EXPENSES</u>	
Duplicating	\$ 0.60
Postage	\$ 0.78
Review of Division of Water documents by S. Mello	\$ 75.00
Telephone	\$ 26.00
SUB-TOTAL EXPENSES:	\$ 102.38
SUB-TOTAL SERVICES & EXPENSES	\$ 1,537.38
RETAINER PAID 8/11/06	\$ (1,000.00)
TOTAL SERVICES AND EXPENSES:	\$ 537.38

October 10, 2006

R. A. Williams Company
%Cecil Dunn
173 East Main Street, Suite 300
Lexington, KY 40507
RCM

For legal services rendered and expenses incurred in connection with our representation from September 1, 2006 through September 30, 2006, including but not limited to the following:

<u>DATE</u>	<u>ROBERT C. MOORE (Partner)</u>	<u>HOURS</u>
09/07/06	Telephone conference with L Smither Telephone conference with C. Dunn Correspondence to S. Daugherty	0.40
09/11/06	Telephone conference with C. Dunn Draft Application for Transfer Draft Agreement	1.20
09/12/06	Telephone conference with L. Smither	0.20
	TOTAL HOURS	1.80
	HOURLY CHARGE \$	175.00
	(RCM) SUBTOTAL \$	315.00
SUB-TOTAL SERVICES:		\$ 315.00
	<u>EXPENSES</u>	
	Duplicating	\$ 0.40
	Postage	\$ 0.78
	Telephone	\$ 6.00
SUB-TOTAL EXPENSES:		\$ 7.18
SUB-TOTAL SERVICES & EXPENSES		\$ 322.18
PREVIOUS BALANCE		\$ 537.38
TOTAL SERVICES AND EXPENSES:		\$ 859.56

November 10, 2006

R. A. Williams Company
%Cecil Dunn
173 East Main Street, Suite 300
Lexington, KY 40507
RCM

For legal services rendered and expenses incurred in connection with our representation from October 1, 2006 through October 31, 2006, including but not limited to the following:

<u>DATE</u>	<u>ROBERT C. MOORE (Partner)</u>	<u>HOURS</u>
10/18/06	Preparation of correspondence to Ron Osborne and Cecil Dunn	0.30
	TOTAL HOURS	0.30
	HOURLY CHARGE \$	175.00
	(RCM) SUBTOTAL \$	52.50
SUB-TOTAL SERVICES:		\$ 52.50
	<u>EXPENSES</u>	
	Duplicating	\$ 2.20
	Postage	\$ 1.74
	Telephone	
SUB-TOTAL EXPENSES:		\$ 3.94
SUB-TOTAL SERVICES & EXPENSES		\$ 56.44
PREVIOUS BALANCE		\$ 322.18
TOTAL SERVICES AND EXPENSES:		\$ 378.62

January 10, 2007

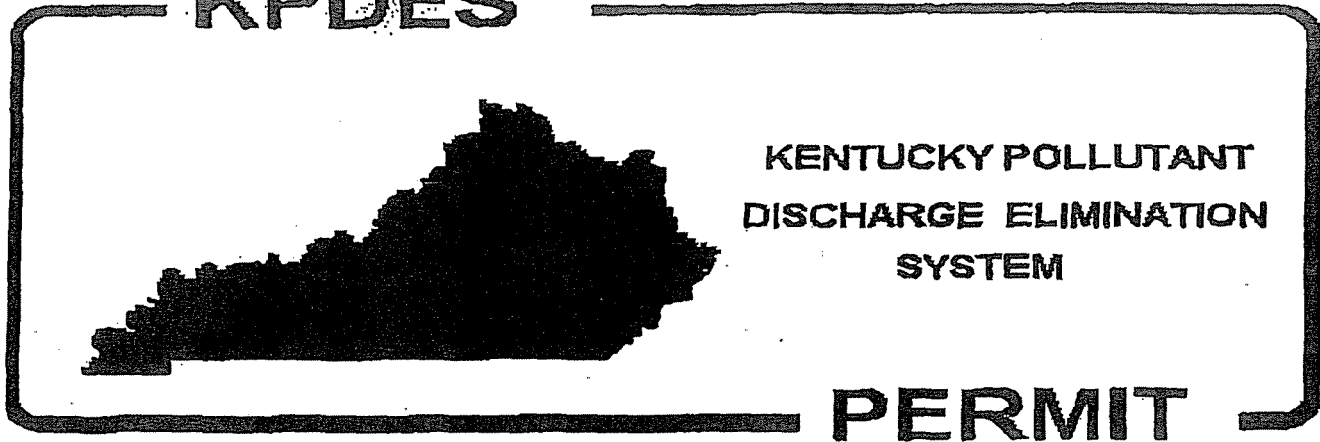
R. A. Williams Company
%Cecil Dunn
173 East Main Street, Suite 300
Lexington, KY 40507
RCM

For legal services rendered and expenses incurred in connection with our representation from December 1, 2006 through December 31, 2006, including but not limited to the following:

<u>DATE</u>	<u>ROBERT C. MOORE (Partner)</u>	<u>HOURS</u>
12/05/06	Telephone conference with S. Daugherty	0.20
	TOTAL HOURS	0.20
	HOURLY CHARGE \$	175.00
	(RCM) SUBTOTAL \$	35.00
SUB-TOTAL SERVICES:		\$ 35.00
 <u>EXPENSES</u>		
	Duplicating	
	Postage	
	Telephone	
SUB-TOTAL EXPENSES:		\$ -
SUB-TOTAL SERVICES & EXPENSES		\$ 35.00
PREVIOUS BALANCE		\$ 378.62
TOTAL SERVICES AND EXPENSES:		\$ 413.62

ATTACHMENT G

KPDES



PERMIT NO.: KY0076635

AUTHORIZATION TO DISCHARGE UNDER THE KENTUCKY POLLUTANT DISCHARGE ELIMINATION SYSTEM

Pursuant to Authority in KRS 224,

R. A. Williams Company, Incorporated
153 Prosperous Place, Suite 1-A
Lexington, Kentucky 40509

is authorized to discharge from a facility located at

Cedarbrook Subdivision
Highway 27, south of
Lair, Harrison County, Kentucky

to receiving waters named

Unnamed tributary (mile 0.3) of Townsend Creek (mile 2.9)

in accordance with effluent limitations, monitoring requirements, and other conditions set forth in PARTS I, II, and III hereof. The permit consists of this cover sheet, and PART I 2 pages, PART II 1 page, and PART III 1 page.

This permit shall become effective on February 1, 2003.

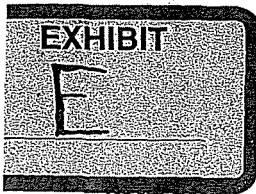
This permit and the authorization to discharge shall expire at midnight, January 31, 2008.

NOV 25 2002

Date Signed

Jeffrey W. Pratt, Director
Division of Water

Robert W. Logan
Commissioner



DEPARTMENT FOR ENVIRONMENTAL PROTECTION

Division of Water, Frankfort Office Park, 14 Reilly Road, Frankfort, Kentucky 40601

PART I
 Page I-1
 Permit No.: KY0076635

A. EFFLUENT LIMITATIONS AND MONITORING REQUIREMENTS

During the period beginning on the effective date of this permit and lasting through the term of this permit, the permittee is authorized to discharge from Outfall serial number: 001, Sanitary Wastewater.

Such discharges shall be limited and monitored by the permittee as specified below:

<u>EFFLUENT CHARACTERISTICS</u>	<u>DISCHARGE LIMITATIONS</u>				<u>MONITORING REQUIREMENTS</u>		
	Monthly Avg.	lbs/day Daily Max.	Other Units (Specify) Monthly Avg.	Daily Max.	Measurement Frequency	Sample Type	Sampling Location
Flow, Design (0.025 mgd)	N/A	N/A	Report	Report	5/Week	Instantaneous	Influent or Effluent
Biochemical Oxygen Demand (5-day), Carbonaceous	6.26	12.5	30 mg/l	60 mg/l	1/Month	Composite	Effluent
Total Suspended Solids	6.26	12.5	30 mg/l	60 mg/l	1/Month	Composite	Effluent
Fecal Coliform Bacteria, N/100	N/A	N/A	200	400	1/Month	Grab	Effluent
Ammonia (as N)	0.83 2.09	1.67 4.17	4 mg/l*	8 mg/l* 20 mg/l**	1/Month	Composite	Effluent
Dissolved Oxygen shall not be less than 7 mg/l					1/Month	Grab	Effluent

The pH of the effluent shall not be less than 6.0 standard units nor greater than 9.0 standard units and shall be monitored once per Month by grab sample.

There shall be no discharge of floating solids or visible foam in other than trace amounts.

The effluent shall not cause a visible sheen on the receiving water.

Samples taken in compliance with the monitoring requirements specified above shall be taken at the following location: nearest accessible point after final treatment, but prior to actual discharge or mixing with receiving waters.

* Effective May 1 - October 31
 ** Effective November 1 - April 30

PART I
Page I-2
Permit No.: KY0076635

B. Schedule of Compliance

1. The permittee shall achieve compliance with all requirements on the effective date of this permit.
2. This treatment unit is temporary and in no way supersedes the need of a regional sewer system. The permittee will eliminate the discharge and treatment unit by connection to a regional sewer system when it becomes available as defined in 401 KAR 5:002.

PART II
Page II-1
Permit No.: KY0076635

STANDARD CONDITIONS FOR KPDES PERMIT

The permittee is also advised that all KPDES permit conditions in KPDES Regulation 401 KAR 5:065, Section 1 will apply to all discharges authorized by this permit.

This permit has been issued under the provisions of KRS Chapter 224 and regulations promulgated pursuant thereto. Issuance of this permit does not relieve the permittee from the responsibility of obtaining any other permits or licenses required by this Cabinet and other state, federal, and local agencies.

It is the responsibility of the permittee to demonstrate compliance with permit parameter limitations by utilization of sufficiently sensitive analytical methods.

PART III
Page III-1
Permit No.: KY0076635

PART III

OTHER REQUIREMENTS

A. Reporting of Monitoring Results

Monitoring results must be obtained for each month and reported on a preprinted Discharge Monitoring Report (DMR) form that will be mailed to you each quarter for the upcoming quarter. The completed DMRs for each month must be sent to the Division of Water at the address listed below (with a copy to the appropriate Regional Office) postmarked no later than the 28th day of the month following the completed quarter.

Division of Water
Frankfort Regional Office
642 Teton Trail, Suite B
Frankfort, Kentucky 40601
Attn: Supervisor

Kentucky Natural Resources and
Environmental Protection Cabinet
Dept. for Environmental Protection
Division of Water/KPDES Branch
14 Reilly Road, Frankfort Office Park
Frankfort, Kentucky 40601

B. Reopener Clause

This permit shall be modified, or alternatively revoked and reissued, to comply with any applicable effluent standard or limitation issued or approved under 401 KAR 5:050 through 5:080 and KRS 224, if the effluent standard or limitation so issued or approved:

1. Contains different conditions or is otherwise more stringent than any effluent limitation in the permit; or
2. Controls any pollutant not limited in the permit.

The permit as modified or reissued under this paragraph shall also contain any other requirements of KRS Chapter 224 when applicable.

KENTUCKY POLLUTANT DISCHARGE ELIMINATION SYSTEM (KPDES)

GENERAL INSTRUCTIONS

INTRODUCTION

The Kentucky Pollutant Discharge Elimination System (KPDES) regulations require a permit for the discharge of pollutants from any point source into waters of the commonwealth. The requirements for the KPDES program are contained in 401 Kentucky Administrative Regulations (KAR) 5:001 and 5:005 through 5:080 and KRS 224.70-120. The regulations were promulgated pursuant to, and in accordance with, Kentucky Revised Statutes (KRS) Chapters 13A and 224 and the Federal Water Pollution Control Act. Copies of the KPDES regulations are available upon request from the Division of Water.

Listed below are examples of specific categories of operations that require KPDES permits:

1. Municipal Wastewater Dischargers
2. Manufacturing Establishments and Mining Operations
3. Commercial Establishments
4. Concentrated Animal Feeding Operations
5. Concentrated Aquatic Animal Production Facilities
6. Discharges into Aquacultural Projects
7. Discharges from Separate Storm Sewers
8. Silvicultural Point Sources

THE KPDES PERMIT APPLICATION

Any person who is required to have a KPDES permit must complete, sign, and submit an application to the Division of Water. An application for a new discharge must be received by the division at least one hundred and eighty (180) days before the proposed discharge is due to commence. Likewise, an application to reissue an expiring permit must be received one hundred and eighty (180) days before the expiration date.

The KPDES permit application is comprised of two distinct forms. All applicants must complete Form 1. This is a general form that requests information regarding facility location, owner/operator addresses, existing environmental permits, etc.

In addition to Form 1, an applicant must fill out a specialized form that relates directly to the type of operation. Listed below are the four specialized forms that cover the four basic categories of discharge operations.

- FORM A -- Municipal Wastewater Discharges
- FORM B -- Animal Waste Management
- FORM C -- Manufacturing Establishments and Mining Operations
- SHORT FORM C -- Services, Wholesale and Retail Trade, and All Other Establishments
- FORM F -- Storm Water Associated with Industrial Activity

It is important to fill out application forms completely and accurately. The Division of Water cannot begin the application review process without a completed application. Applicants should keep records of all data used to complete permit applications and any submitted supplemental information, for a period of at least three years from

the date the application is signed.

CONFIRMATION OF A COMPLETE APPLICATION

An application submitted for a KPDES new source or a KPDES new discharger will be reviewed for completeness by the Division of Water within thirty days of receipt. Likewise, an application submitted for an existing source will be reviewed for completeness within thirty days of receipt.

The division upon completing the review, will notify the applicant in writing if the application can be considered administratively complete. If the application is determined incomplete, a list of missing informational topics will be provided to the applicant. In the case of an existing source application, a date for submitting the necessary information will be established.

Upon receiving the requested additional information, the division will notify the applicant if the application can be considered administratively complete. If an applicant fails or refuses to correct deficiencies in an application, the permit can be denied and appropriate enforcement actions can be taken under KRS Chapter 224.

The applicant should be aware that he/she may be requested to provide additional information to allow the cabinet to make its decision regarding the application after receiving notification that the application is complete. Requests for such additional material will not render an application incomplete.

PERMIT FEES

Every applicant who is issued a KPDES permit, with the exception of applicants for publicly owned wastewater treatment plants, is assessed a permit fee according to the type of operation. The following is a list of the eight base fee categories, their definitions, and their associated fee dollar amounts:

<u>FEE CATEGORY</u>	<u>BASE PERMIT FEE</u>
1. Major Industry	\$3,200.00
Industries that generate and discharge process-related wastewater while engaged in commercial activities including but not limited to, resource recovery, manufacturing, products distribution, and wholesale and retail trade. These industries have a design flow rate of greater than or equal to 50,000 gallons per day of process wastewater containing conventional, nonconventional, or thermal pollutants.	
2. Minor Industry	\$2,100.00
Industries that generate and discharge process-related wastewater while engaged in commercial activities including but not limited to, resource recovery, manufacturing, products distribution, and wholesale and retail trade. These industries have a design flow rate of less than 50,000 gallons per day of process wastewater containing conventional, nonconventional, or thermal pollutants.	
3. Non-Process Industry	\$1,000.00
Industries that generate and discharge only non-process wastewater while engaged in commercial activities including resource recovery, manufacturing, products distribution, and wholesale and retail trade. These industries discharge non-process wastewater (e.g. non-contact cooling or storm water	

runoff) or wastewater that neither contains nor is likely to contain toxic pollutants in concentrations equal to or greater than the ninety-six hour lethal concentration for fifty percent mortality (96 hr. LC50) for a representative indigenous aquatic organism.

4. Large Non-Publicly Owned Treatment Works \$1,700.00

Facilities which have a design flow rate of greater than or equal to 50,000 gallons per day of wastewater containing only conventional pollutants, and are not a publicly owned treatment works.

5. Intermediate Non-Publicly Owned Treatment Works \$1,500.00

Facilities which have a design flow rate of greater than or equal to 10,000 gallons per day and less than fifty thousand gallons per day of wastewater containing only conventional pollutants, and are not a publicly owned treatment works.

6. Small Non-Publicly Owned Treatment Works \$1,000.00

Facilities which have a design flow rate of less than 10,000 gallons per day of wastewater containing only conventional pollutants, and are not a publicly owned treatment works.

7. Agricultural Operation \$1,200.00

Operations that use confined feeding in livestock or livestock by-product production with manure handling facilities that qualify as concentrated animal feeding operations.

8. Surface Mining Operation \$1,200.00

Facilities required to have a permit under 405 KAR Chapters 7-26.

9.* 501(c)(3) Facilities \$ 100.00

* Note: 501(c)(3) Exemption.

Legislation enacted by the 1990 General Assembly reflected some changes in KRS 224.16-050 relating to permit fees. Nonprofit organizations which have been qualified under Section 501(c)(3) of the Internal Revenue Code and which operate their own treatment facilities which are designed for capacities less than 10,000 gallons per day shall be charged a fee no greater than \$50.00 by the cabinet to process a construction permit nor a fee greater than \$20.00 per year for an operating permit for one (1) facility. A copy of the 501(c)(3) exemption letter must be submitted with your application to qualify for this exemption.

APPLICATION FEES

Twenty percent (20%) of the appropriate permit base fee shown in the fee schedule must be submitted with the KPDES permit application. This twenty percent is considered an application filing fee and is applied toward the total base fee at the time of permit issuance. The balance must be paid before the permit is issued. The application fee is not refundable if the permit application is withdrawn or if the permit is denied. **Your check must be made payable to Kentucky State Treasurer.**

ATTACHMENT H

12.9)

a. Normalized Operating Revenues - Residential:

Revenue normalization using end-of-period customer level and the current tariffed rate.

Current Tariffed Rate:	\$ 23 55
Multiplied by: Residential End-of-Period	x 51
Monthly Revenue	<u>\$ 1,201</u>
Multiplied by: 12-Months	x 12
Normalized Annual Revenues from Rates	<u>\$ 14,412</u>
Less: Reported Residential Operating Revenues	<u>- 13,813</u>
Pro Forma Adjustment	<u>\$ 599</u>

b. Sludge Hauling Expense:

In the test-period, Cedarbrook expensed several items (CCTV Sewer lines, Root Cutting, and Cleaning the Creek) that are considered nonrecurring and should be removed from expenses and amortized. Also, a prior period expenditure has been removed from the test-period operations. To reflect the removal of the prior period and the non-recurring costs, sludge hauling expense has been reduced by \$4,782. The associated amortization is discussed in a following adjustment.

Invoice Date	Description	Amount
01/03/06	Cleaning Creek & Pumping Treatment Plant - 11/30/05	\$ 300.00
01/31/06	Cleaning out the creek - 1/4/06	300.00*
01/31/06	Cleaning out the creek - 1/22/06	300.00*
02/20/06	CCTV of Sewer Lines	1,982.00
02/20/06	Root Cutting (Flat Rate)	1,000.00
03/07/06	Cleaning out the creek - 2/2/06	300.00*
03/07/06	Pump Digester & Chlorine Basin - 2/27/06	318.00
08/01/06	Pumping Treatment Plant	159.00
08/01/06	Cleaning out the creek	300.00*
08/01/06	Pumping Treatment Plant	159.00
11/02/06	Cleaning out the creek	300.00*
11/02/06	Pumping rear lift station	375.00
11/02/06	Pump Chlorine Basin & skim clarifier	+ 318.00
Sludge Hauling Expense		<u>\$ 6,111</u>
Less: CCTV & Root Cutting		(2,982)
Less: Creek Cleaning		(1,500)
Less: Prior Period Expenditure		+ (300)
Test-Period Sludge Hauling Expense		<u>\$ 1,329</u>
Less: Reported Sludge hauling Expense		<u>- 4,383</u>
Pro Forma Adjustment		<u>\$ (3,054)</u>

c. Testing/Analysis:

Currently Cedarbrook is paying Fouser Environmental a monthly testing fee of \$158. This adjustment reflects the annual testing cost of \$1,896.

Monthly Testing/Analysis Fee	\$ 158
Multiplied by: 12-Months	x 12
Annual Testing/Analysis Expense	<u>\$ 1,896</u>

* 1,500 - CLEANING CREEK

SINCE 1962



P.O. Box 5343 • Paris, KY 40362-5343

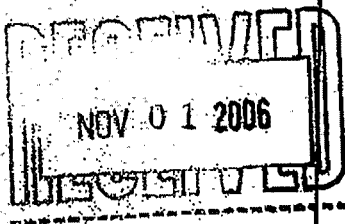
NOV - 2 2006

Invoice

DATE	INVOICE #
10/31/2006	7704

BILL TO:
R.A. WILLIAMS CONSTRUCTION CO. 1706 BARDSTOWN ROAD LOUISVILLE, KY. 40205

QUANTITY	DESCRIPTION	RATE	P.O. NO.	TERMS
			SERVICED	AMOUNT
1	CLEANING CREEK	300.00	10/9/2006	300.00
1	PUMPING REAR LIFT STATION	375.00	10/9/2006	375.00
1	PUMPING CHLORINE BASIN & SKIMMING CLARIFIER	318.00	10/23/2006	318.00



Thank you for your business.	Total	\$993.00
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A finance charge of 2% per month will be applied to your unpaid due balance if payment is not received by the due date on this invoice. "In the event any indebtedness owed to Martin's Sanitation Services, Inc., its successors or assigns, is referred to a collection agency or an attorney, not a salaried employee of Martin's Sanitation Services, Inc., for collections, the undersigned expressly agrees to pay a collection fee of 40% and a legal rate of 55% incurred by Martin's Sanitation Services, Inc."

Phone #	Fax #	E-mail	Web Site
859-987-2529	859-987-2583	mthornton@martins-services.com	www.martins-services.com

SINCE 1962

MARTIN'S

SANITATION SERVICE

P.O. Box 5343 • Paris, KY 40362-5343

Invoice

DATE	INVOICE #
6/28/2006	6715

BILL TO:
R.A. WILLIAMS CONSTRUCTION CO. 1706 BARDSTOWN ROAD LOUISVILLE, KY. 40205

AUG - 2 2006

			P.O. NO.	TERMS
				Due on receipt
QUANTITY	DESCRIPTION	RATE	SERVICED	AMOUNT
0.5	PUMPING TREATMENT PLANT	318.00	6/6/2006	159.00
1	CLEANING CREEK	300.00	6/13/2006	300.00
0.5	PUMPING TREATMENT PLANT	318.00	6/13/2006	159.00
Thank you for your business.			Total	\$618.00

A finance charge of 2% per month will be applied to your unpaid due balance.

Phone #	Fax #	E-mail	Web Site
859-987-2529	859-987-2583	mthornton@martins-services.com	www.martins-services.com



Invoice

DATE	INVOICE #
2/27/2006	5893

BILL TO:
R.A. WILLIAMS CONSTRUCTION CO. 1706 BARDSTOWN ROAD LOUISVILLE, KY. 40205

MAR - 7 2006

QUANTITY	DESCRIPTION	RATE	SERVICED	AMOUNT
			P.O. NO.	TERMS
				Due on receipt
1	CLEANING-OUT CREEK	300.00	2/2/2006	300.00
1	PUMPING DIGESTER AND CLEANING CHLORINE BASIN	318.00	2/27/2006	318.00
Thank you for your business.			Total	\$618.00

A finance charge of 2% per month will be applied to your unpaid due balance.

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SINCE 1962



P.O. Box 5343 • Paris, KY 40362-5343

FEB 2006

Invoice

DATE	INVOICE #
1/27/2006	5724

BILL TO:
R.A. WILLIAMS CONSTRUCTION CO. 1706 BARDSTOWN ROAD LOUISVILLE, KY. 40205

QUANTITY	DESCRIPTION	RATE	P.O. NO.	TERMS
			SERVICED	AMOUNT
1	CLEANING-OUT THE CREEK	300.00	1/4/2006	300.00
1	CLEANING-OUT THE CREEK	300.00	1/22/2006	300.00
Thank you for your business.			Total	\$600.00

A finance charge of 2% per month will be applied to your unpaid due balance.

Phone #	Fax #	E-mail	Web Site
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