

December 17, 2010

Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, KY 40602

RECEIVED
DEC 22 2010
PUBLIC SERVICE
COMMISSION

Re: Ridgelea Investments, Inc. 2009-00500 Rate Case

Dear Sirs:

Due to yesterday's unfortunate postponement of the Ridgelea Informal Conference, and with grave concern over the possibility of still more delays in the processing of my year-long rate case (especially given the workload I have with these sewer plants), I hereby respectfully request that Commission Staff consider preparing an Amended Staff Report that includes the following elements:

-A 12-month surcharge of \$10.89 to quickly resolve the DOW mandate to do an Inflow and Infiltration study.

-Revision of the revenue requirement to include the following reasonable costs:

A. Additional lab testing costs from Fouser Environmental of \$20 per week, or \$1,040 per year, for the Edgewood plant. The Staff Report recognized \$175 per test, but the current cost is \$195 per test, as per the attached documentation.

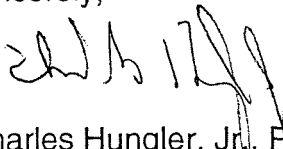
B. Rent expense of \$100 per month, or \$1,200 per year. There is no question that Ridgelea needs office space; the amount is reasonable; and it is only 20% of the \$500 per month allowed by the Commission to the River Bluffs sewer utility in Case No. 2007-00433.

C. Consistent with the PSC decision issued in my 2008 rate case, inclusion in the revenue requirement of a \$9,055 owner/manager fee for the considerable time and effort I spend at the three Franklin County sewer plants. This is an average of \$3,018 per plant, lower than the \$3,600 owner/manager fee the PSC has allowed for such small sewers as Evergreen (41 customers), Lake Columbia (32 customers), and Herrington Haven (22 customers). In the 2008-00364 rate case, Attachment B of the ARF application (see attached) fully discussed the issues and problems I inherited with the three Franklin County plants – including the DOW Enforcement Actions - and the Commission approved the \$9,055 owner/manager fee without objections from any party. Having known those facts in 2008 and deciding upon a \$9,055 owner/manager fee, it is arbitrary and unfair for the Commission Staff to now recommend re-litigating this already-decided issue.

If the three above-mentioned expenses totaling \$11,295 are added to the Staff's originally recommended operating expenses of \$66,999, the resulting operating expenses become \$78,294. Using the 88% operating ratio, this results in a revenue requirement of \$88,970, which when divided by 199 customers equals a monthly rate of \$37.26, in addition to the temporary 12-month surcharge of \$10.89.

I believe the above-mentioned parameters are a reasonable way to quickly resolve this case so that I can focus my full attention on satisfying the DOW rather than the PSC. If you have any questions, please don't hesitate to contact me at (513) 284-6116.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles Hungler, Jr.", written in a cursive style.

Charles Hungler, Jr., President
Ridgelea Investments, Inc.

Cc: Kentucky Attorney General

Attachment B – Ridgelea Investments, Inc. Rate Increase Justification

With the assistance of the Staff of the Kentucky Public Service Commission, Ridgelea Investments, Inc. is proposing to increase its flat monthly sewer rate from \$22.10 to \$30.00 for the approximately 199 customers of its three Franklin County sewage treatment plants. Ridgelea also operates a sewage treatment plant at Grantland in Grant County, Kentucky, but is not proposing an increase for those approximately 165 customers.

The current owner of the Franklin County plants acquired those plants from Mulberry Enterprises, Inc. in 2003, and this is the first rate increase he has requested for those plants. PSC records reveal that prior to the current ownership, the most recent rate increase borne by the Franklin County customers was in 1996. Therefore, it has been 12 years since these customers have experienced a rate increase, and the plants' operating costs have risen significantly during that period.

In addition, PSC Staff is generally aware that the Franklin County plants have been cited for environmental violations by the Kentucky Division of Water ("DOW"). During this rate case assistance process, Staff spoke with a DOW employee who stated that all three plants are currently subject to Enforcement Actions by DOW. The DOW employee acknowledged that the three plants were not designed with sufficient capacity to handle the number of homes they serve, and the plants are old and need upgrades. One particular problem noted was that at least one of the plants tends to have significant infiltration problems. DOW also notes that the Farmgate plant has a history of numerous customer complaints relative to service problems.

PSC Staff began the process of providing rate assistance to Ridgelea in late 2006. Ridgelea's owner is generally unfamiliar with the PSC's ratemaking policies and procedures, and it has taken almost 18 months to assemble the proper documentation to support this rate increase. In fact, it is important to note that Ridgelea could benefit from improved bookkeeping to justify future rate increases, which is especially important since Ridgelea essentially has two separate operations – the three Franklin County plants and the one Grant County plant. Nevertheless, based upon the condition of the plants, the reported environmental problems, Ridgelea's desire to upgrade the plants (the cost of which has not been included in this application) and the limited history of rate increases, Staff was able to assemble sufficient information to conclude that a rate increase is justified and needed for the Franklin County plants.

Fouser Environmental Services

165 Camden Avenue
Versailles, KY 40383

INVOICE

DATE	INVOICE #
10/12/2010	31079

BILL TO:
Ridge Lea Investments 2106 West North Bend Road Cincinnati, OH 45224 Attn: Chuck Hungler

P.O. No.	TERMS
	Net 30

DESCRIPTION	QUANTITY	UNIT COST	AMOUNT
10-5-10 Analyses of Wastewater Discharge - Edgewood	1	150.00	150.00
10-8-10 E. coli Analysis	1	45.00	45.00
<i>PA</i> <i>CR# 2378</i> <i>12-8-11</i>			

Please Include Invoice Number with Payment.
Accounts Past 30 Days May Accrue a 1% Per Month Late Fee.
For all billing questions please call (859) 552-2275.

BALANCE DUE	\$195.00
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