

November 29, 2010

RECEIVED

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

NOV 29 2010

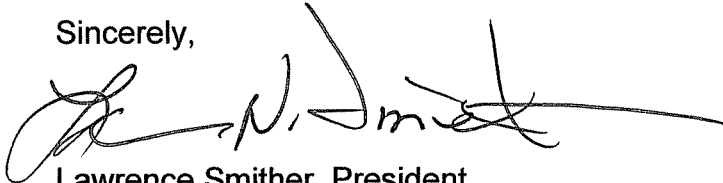
PUBLIC SERVICE
COMMISSION

Re: Coolbrook Utilities, LLC 2010 Rate Case No. 2010-00314

Dear Sirs:

Attached is our response to the PSC Staff's first data request in the above-referenced case.

Sincerely,

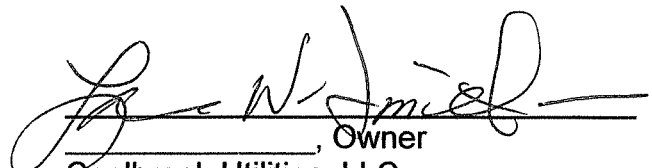
A handwritten signature in black ink, appearing to read "L. N. Smither", with a long horizontal flourish extending to the right.

Lawrence Smither, President
Coolbrook Utilities, LLC

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)


The undersigned, LAWRENCE W. SMITHER being duly sworn, deposes and states he is the Owner of Coolbrook Utilities, LLC, Applicant, in the above proceedings; that he has read the foregoing responses and has noted the contents thereof; that the same is true of his own knowledge, except as to matters which are there in stated on information or belief, and as to those matters, he believes same to be true.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this _____.


_____, Owner
Coolbrook Utilities, LLC

Subscribed and sworn to before me by Lawrence W. Smither Owner of Coolbrook Utilities, LLC, on this Nov 29, 2010.

My Commission Expires 12 02, 2014



Notary Public
In and for said County and State
OLDHAM Co Kentucky
ID # 431017

Coolbrook CN 2010-00314 Data Request Responses

Question 1. Name the sewer utilities and cite any cases, besides Farmdale Development, in which the Commission has allowed an owner/manager fee of \$6,000 or more

Answer: Coolbrook is unaware of any other for-profit sewer utilities regulated by the KPSC which are allowed to recover in rates the \$6,000 fee – or more - allowed for Farmdale Development. To reiterate our position as expressed in our rate application, Coolbrook's customer base and physical network is larger than Farmdale's, entailing additional expenditures and responsibilities.

Coolbrook is aware of a case involving Knott County Water and Sewer District – Case No. 2002-00292 – wherein the Commission allocated \$16,648 of the manager's salary to sewer operations. This suggests that the PSC found a \$16,648 salary for sewer operations to be appropriate. It should also be noted that Knott County's manager does not bear the financial responsibility for the utility's viability, in contrast to for-profit owners of sewers such as Coolbrook.

Coolbrook has studied at least 20 rate cases filed by sewer utilities since 1991. In the early 1990s, sewer utilities were apparently granted owner/manager fees of \$2,400, and this allowance began to increase to \$3,600 in the mid-1990s. Since then, only Farmdale Development has been awarded a higher fee – regardless of the size of the customer base, the gross plant investment, financial burdens, affordability issues, and regardless of the passage of 15 years. For instance, in 2010 the Evergreen system (with only 41 customers) in Franklin County was awarded \$3,600 in owner/manager fees and \$22,234 in allowed revenues. In contrast, the Middletown system in the Louisville area was also awarded \$3,600 in owner/manager fees, despite having a much larger system than Evergreen's.

Coolbrook believes the \$3,600 owner/manager fee is a blunt policy instrument that the Commission has applied in the past without due consideration for the vast differences between individual sewer utilities, and that the PSC should refine its practices to provide for a two-tiered approach to this issue. Specifically, the \$3,600 limit makes sense for very small sewers, since their customers' rates would skyrocket if the PSC allowed them significant owner/manager fees. However, for larger systems like Coolbrook, the PSC should recognize the additional responsibilities required and award higher owner/manager fees. In addition, owner/manager fees should periodically increase for both larger and smaller sewer utilities with the passage of time and as conditions warrant.

Witness: Larry Smither

Question 2. List any other sewer utilities in which Lawrence Smither presently has ownership or is manager of.

Answer: Fox Run, Brocklyn, Lake Columbia, and Airview.

Witness: Larry Smither

3. List the specific duties that Mr. Smither or Martin Cogan perform for Coolbrook.

- Supervise the daily operation of the facility
- Communicate with the contract operator
- Perform periodic inspections of the treatment plant and lift stations.
- Communicate with the private laboratory, that performs the KPDES permit testing, when necessary. It is the responsibility of the owner/manager to insure that there is an approved laboratory performing the sampling and analysis and doing them according to approved methods.
- The owner/manager is to insure the Discharge Monitoring Reports are completed correctly and filed with the Division of Water on a monthly basis.
- Review the lab results to insure the plant effluent is in compliance.
- Place orders for chemicals and sludge hauling.
- Make arrangements with private contractors to perform needed mechanical and electrical repairs.
- Communicate with vendors when it is necessary to purchase new equipment ie.pumps, controls, blowers, motors etc.
- Review quotes from contractors and vendors to insure they are competitive.
- Provide data to the CPA for the preparation of the annual report.
- Assist the consultant in the preparation of the rate case application.
- Assist the bookkeeper in the payment of bills.
- Receive customer sewer complaints and insure that they are properly handled.
- Meet customer on site when necessary.
- Meet private contractors on site when necessary.
- Make loan arrangements.
- Loan money to the utility when funds are not available from other sources.
- Operate the treatment plant when the contract operator is out of town.
- Meet with Brian Rice from the PSC to perform his annual inspection.
- Meet with the Inspector from the DOW when necessary.
- Respond to the DOW complaints or NOV's in writing which is required.
- The Coolbrook Utilities LLC system is comprised of the following components:
 - a) plant site; b) four (4) extended aeration treatment plants c) two (2) blower buildings with blower/motor assemblies and control panels; d) one (1) raw sewage pump station at the plant site e) two (2) remote lift stations; f) chlorination system g) de-chlorination system; h) two (2) Milltronics OCM III flow meters with flow chart recorders; i) approximately 35,000 feet of 8" sewer main line. Each component of the system requires operational attention and repairs which are supervised and or approved by the owner/manager. The owner/manager of this system is subject to substantial liability in the event the WWTP and lift stations are not operating in compliance with the KPDES permit and faces potential liability in the event that backups occur within the homes or the plant effluent is not in compliance with its permit.

-Mr. Smither visits Coolbrook on a regular basis – at least once a week – to inspect the plant and supervise the operator. While he is there, he does minor repairs on an as-needed basis. He also does some testing so the operator doesn't have to spend time doing it, and periodically helps the service people with repairs to reduce their manpower needs.

-Mr. Smither and Mr. Cogan have a combined 60+ years experience with wastewater treatment plants, which allows Coolbrook to operate more efficiently.

Question 4. How many hours per week does Mr. Smither or Mr. Cogan spend managing Coolbrook as opposed to the management of other utilities that they own?

Answer: Mr. Smither and Mr. Cogan spend at least 5 hours per week combined managing Coolbrook as opposed to other utilities.

Witness: Larry Smither

Question 5. Provide the methodologies used in the allocation of the rent expense. How does Coolbrook arrive at \$100 per month for rent? Provide the calculations. Where is the location of the building and who are the owners.

Answer: Rent expense of \$500 is divided equally among the 5 sewer utilities to arrive at \$100 per month for Coolbrook. The location is 9505 Williamsburg Plaza, Suite 200, Louisville, KY (40222), and the building is owned by Jefferson Development Group.

Witness: Larry Smither

6. How does the 15 percent billing and collection fee charged by the Farmdale Water District compare to the fee charged to other sewer utilities by other billing agencies?

Answer: Coolbrook is aware of only a handful of other comparisons. Specifically, Coolbrook is aware that the Oldham County Water District charges a 13% billing and collection fee to a KPSC-jurisdictional sewer utility. Coolbrook is also aware that the Louisville Water Company does billing and collection for sewers, but we're unaware of what their specific charges are.

Coolbrook is also aware that the Bullock Pen Water District has done the billing and collection for the Ridgelea Investments Grantland system. However, we're also aware that Bullock Pen in the past has refused to disconnect Grantland water customers for nonpayment of sewer bills; that this arrangement resulted in a significant level of nonpayment and bad debt for Ridgelea; and that the arrangement has recently been changed to allow for water disconnections upon nonpayment of sewer bills.

Coolbrook is also aware that Airview Utilities has experienced a significant level of nonpayment and past-due debt of over \$50,000 since it lost the threat of disconnecting sewer customers for nonpayment. Specifically, several years ago Hardin County Water District did Airview's billing and collection, and Airview had no collection problems, but that situation changed dramatically when Airview was forced to do its own billing and collecting.

Witness: Larry Smither

Question 7. Has Coolbrook pursued other billing and collection alternatives? If so, name the other agencies and list the results of any inquiries.

Answer: Given Coolbrook's knowledge of Airview and other situations, Coolbrook has not investigated other billing and collection alternatives. It is clear beyond a shadow of a doubt that nonpayment issues become significant when small sewer utilities lack the means to easily disconnect nonpaying customers, and the local water utility is the most efficient provider of sewer billing and collection services.

Witness: Larry Smither

Question 8. Provide documentation for the proposed increase in insurance expense.

Answer: See attached.

Witness: Larry Smither

**Arlington/Roe & Co
Louisville KY**

To: **Voit Lee Insurance**
 Attention: **Aaron**
 From: **Toni Beard**
 Email: **tbeard@arlingtonroe.com**

Agency Number:
 Date: **10/21/2010**
 Phone Number:
 Extension:
 Direct Fax:

Regarding
 Insured Name: **COOLBROOKS UTILITIES**
 DBA:
 Renewal Of:

Expiration Date:

COMMERCIAL GENERAL LIABILITY - QUOTE

Thank you for the submission. On behalf of Nautilus Insurance Company (A.M. Best rating A+ IX), we are pleased to offer the following Terms and Conditions based on information received. **NOTE:** Please review carefully as coverage may not be exactly as requested on the application. When binding coverage, you must obtain prior Company approval and provide an assigned policy number and effective date. Terms are valid for 30 days.

IF TERMS ARE SUBJECT TO FACULTATIVE OR BROKERAGE THE FOLLOWING CONDITIONS APPLY:

- Policy and/or endorsement must be received by the Company within 21 days of inception.
- If an inspection is required, it must be forwarded to the Company within 45 days of inception.
- Any policy changes, including cancellation, can only be authorized by the Company.

COVERAGE	LIMIT	ADVANCED PREMIUM *	
GENERAL AGGREGATE LIMIT	\$1,000,000	State Tax	\$ 4,861
PRODUCTS/COMPLETED OPS AGGREGATE LIMIT	INCLUDED	S/L Tax	\$ 90.20
PERSONAL/ADVERTISING INJURY LIMIT	\$1,000,000	Policy Fee	\$ 150.33
EACH OCCURRENCE LIMIT	\$1,000,000	Other	\$ 150.00
DAMAGE TO PREMISES RENTED TO YOU LIMIT	\$100,000	Total Premium + Fees	\$ 345.76
PREMISES MEDICAL PAYMENTS LIMIT	\$5,000		\$ 5,539.20

* The Advanced Premium shown is a Minimum and Deposit premium. At the close of each audit period, we will compute the earned premium for that period. If the earned premium is greater than the advance premium paid, an audit premium is due. If the total earned premium for the policy period is less than the advance premium, such advance premium is the minimum premium for the policy period indicated and is not subject to further adjustment. Refer to form L601 for further explanation.

See Below For Additional Fees

DEDUCTIBLE			
\$ 1,000	BI and PD	PER CLAIM	
\$	N/A	PER CLAIM	

Additional Fees: "Other" is Municipal Tax

UNDERWRITING REQUIREMENTS

- Inspection: required within 45 days
- Signed Application: Acord
-
- Copy of Contracts: as needed
- Loss Runs:
- Auditable: Yes - Annual

TERRORISM COVERAGE: Form E903 Policyholder Disclosure Notice must be sent to all Applicants.	
If Coverage is accepted , complete and attach the following forms. Premium is a flat \$125 per policy, plus applicable taxes and fees. This amount is subject to pro-rata or short rate adjustment upon policy cancellation, subject to any applicable minimum premium.	
E908 Policyholder Disclosure Notice of Terrorism Insurance Coverage	CG2170 Cap on Losses For Certified Acts of Terrorism
If Coverage is rejected , obtain the completed and signed Policyholder Disclosure Notice and attach CG2173 Exclusion of Certified Acts of Terrorism.	

CONFIDENTIALITY NOTICE: The transmitted documents contain private, privileged and confidential information belonging to the sender. The information therein is solely for the use of the addressee. If your receipt of this transmission has occurred as the result of an error, please immediately notify us so we can arrange for the return of the original documents. In such circumstances, you are advised that you may not disclose, copy, distribute or take any other action in reliance on the information transmitted.

Q001GA (09/09)

REFER TO THE ATTACHED FOR ADDITIONAL TERMS AND CONDITIONS

Regarding
Insured Name: **COOLBROOKS UTILITIES**
DBA:

Date: **10/21/2010**

GENERAL POLICY CONDITIONS AND MANDATORY FORMS

- E001J Policy Jacket
- E001 Common Declarations
- E906 Service Of Suit
- IL0017 Policy Conditions
- S150 CGL Coverage Part Dec
- CG0001 Comm'l GL Coverage Form (12/04 Edition)
- CG0067 Excl - Violation of Statutes That Govern E-Mails
- CG2147 Excl - Employment Related Practices
- CG2196 Silica or Silica-Related Dust Exclusion
- IL0021 Nuclear Energy Exclusion

- State-specific amendatory forms as required

ADDITIONAL FORMS

- CG2104 Excl - Products
- CG2136 Excl - New Entities
- CG2138 Excl - Personal and Advertising Injury
- CG2145 Excl - Damage to Premises Rented
- CG2146 Abuse or Molestation Exclusion
- L102 Animal-Related BI or PD Limited Liab Coverage
- L200 Excl - Media and Internet Liability
- L204 Excl - Aircraft, Auto or Watercraft
- L205 Excl - Injury to Employees
- L209 Excl - Medical Payments
- L210 Excl - All Assault or Battery
- L213 Excl - Computer Related Loss
- L219 Excl - Prof Svcs - Contractors
- L226 Excl - Contagious, Infectious or Transmissible Disease
- L228 Excl - Communicable Disease
- L234 Cond Excl - Tanning Operations
- L236 Total Exclusion - Subsidence or Movement
- L238 Excl - Toxic Metals
- L240 Limitation of Coverage to Designated Operations
- L282 Excl - Contractors and Subcontractors
- L284 Excl - Pressure Treated Wood

- L283 Excl - All Hazards - Ongoing Operations and Your Work
- Additional Insured
- S092 Limitation of Coverage
-
-
-
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-
-

- L217 Exclusion - Punitive or Exemplary Damages
- L223 Exclusion - Total Pollution
- L241 Exclusion - Microorganisms
- L601 Amendment Of Conditions - Premium Audit
- L850 Deductible Liability Insurance
- L216 Amendment of Definitions - Insured Contract
- S013 Min Earn Prem 25% or
- S038 Amendment of Liquor
- S261 Exclusion - Asbestos
- S902 Schedule of Forms & Ends

- L301 Excl - Weapons
- L317 Additional Excl - Scheduled Events
- L318 Excl - Events
- L320 Exclusion - Tainted Drywall Materials
- L402 Cov Ext - Alarm or Security System - Prof Liab
- L602 Amendment of Conditions - When We Do Not Renew
- S016 Cov Extension - Designated Professional Services
- S028 Excl - Participants
- S040 Excl - Cancer
- S060 Cond Excl - Lifesaving Equipment
- S061 Cond Excl - Lifeguard / Sign Posting Req
- S063 Cond Excl - Water-Related Hazard Sign Posting Req
- S064 Swimming Pool Fencing Conditional Excl
- S071 Excl - Directors and Officers Liability
- S077 Security Guards - Additional Excl
- S078 Excl - Water Damage
- S095 Excl - Water-Related Recreational Equipment
- S097 Cov Ext - Security / Patrol Professional Liability
- S222 Excl - Intellectual Property Hazard
- S239 Excl - Electromagnetic Radiation
- S261 Excl - Asbestos

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Q001GA (09/09)

REFER TO THE ATTACHED FOR ADDITIONAL TERMS AND CONDITIONS

Regarding
Insured Name: **COOLBROOKS UTILITIES**
DBA:

Date: **10/21/2010**

Optional Hired Auto and Non-Owned Auto Liability may be available subject to eligibility:
<input type="checkbox"/> L270 Hired Auto and Non-Owned Auto Liability (Specified Limits of Insurance)
Hired Auto and Non-Owned Auto Liability Limit of Insurance \$ If no entry - No coverage provided Any One Accident
* Limit is not in addition to Policy Occurrence Limit. Any amount paid under this coverage will serve to reduce the Aggregate Limits of Insurance

GENERAL LIABILITY CLASSIFICATIONS:

Code	Classification	Prem Basis	PremOps Rate	Prod/CoOps Rate	PremOps Prem	Prod/CoOps Prem
98810	Sewage disposal - plant operations	S+) 150,000	32.408	Incl	\$4,861	Incl
Subject to \$3,500 minimum premium						

ADDITIONAL FORMS / COMMENTS

CONFIDENTIALITY NOTICE: The transmitted documents contain private, privileged and confidential information belonging to the sender. The information therein is solely for the use of the addressee. If your receipt of this transmission has occurred as the result of an error, please immediately notify us so we can arrange for the return of the original documents. In such circumstances, you are advised that you may not disclose, copy, distribute or take any other action in reliance on the information transmitted.

Q001GA (09/09)

REFER TO THE ATTACHED FOR ADDITIONAL TERMS AND CONDITIONS

Question 9. During the test period, did Coolbrook have any services performed by outside contractors? If so, name the contractors and identify the services they performed.

Answer: See the detailed list attached. Please note that Coolbrook has no employees, so it routinely contracts for all services other than ownership and management, including operations and maintenance, repairs, billing and collection, bookkeeping, legal and CPA services, and anything else needed to run the sewer utility.

Witness: Larry Smither

12:28 PM

11/29/10

Coolbrook Utilities LLC
Vendor Contact List
November 29, 2010

Vendor

Accurate Mail & Data Service
Adam Smither
Air Gas
Allied Waste Services
Arts Electric Inc
Billy Thacker
Blue Grass Energy
Brenntag Mid-South Inc
Bruce Brown
Cheak Electric
Clarke American
Classic Construction
Cole-Parmer
Conery Manufacturing
Covered Bridge Utilities
D & F Distributors, Inc.
Dan Allen
Derby City Pump
EIC
Eugene Moore
Farmdale Water District
Fondriest Environmental
Fouser Environmental Services
Franklin County Sheriff
General Rubber
Gra-Kat Environmental
Grainger
Hall's Pump & Supply
Hazelrigg & Cox, Atty
Integrity Bookkeeping
Jack Kaninberg
John Cheak Electric
Kentucky State Treasurer
Klein Locksmith
Logsdon & Company
Lowe's
Lynn Imaging
Martin's Sanitation
Masters Supply
McCoy & McCoy Laboratories
Murphy's Excavating
NuWay Rental & Sales
Old National Bank
Peterson Electric
Plumbers Supply
Quality Electric Motor Service
River City Controls
Secretary of State
Thacker Environmental Service
Tobbe Pump & Environmental Serv...
Tractor Supply
USA BlueBook
Wastewater Solutions
Wayne Perry Septic Service
Westfield Insurance