

January 1, 2014

Executive Director
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, KY 40601

RECEIVED

JAN -8 2014

PUBLIC SERVICE
COMMISSION

Re: Joann Estates Utilities, Inc. Rate Case No. 2013-00307

Dear Sirs, .

Joann Estates Utilities, Inc. is hereby clarifying and supplementing the comments filed previously regarding the PSC Staff Report issued on November 27, 2013 in the above-referenced case. In our prior response, we asked that the Commission issue a Final Order adopting a monthly sewer rate of \$30.67 plus an additional revenue requirement to pay for insurance expense, as was conditionally recommended in the PSC Staff Report. Since the Staff Report conditionally accepted Joann Estates' proposed insurance expense but conditionally rejected sludge hauling expense of \$9,600, our earlier comments confused the two issues. To clarify, we are now requesting that the Commission approve a revenue requirement and monthly sewer rate that provides the cash flow needed to pay for both \$4,815 in insurance expense and \$9,600 in sludge hauling expense. Our specific comments are as follows:

Insurance Expense

The Staff Report recommended inclusion of an estimated \$4,251 in general liability insurance expense in the revenue requirement, conditioned upon Joann Estates providing proof of purchase when responding to this report, including a copy of the insurance policy, a vendor invoice showing the amount charged, and a copy of the cancelled check used to pay the invoice. Joann Estates has finalized this purchase with the insurance agent, but because of poor cash flow was unable to pay the entire annual amount (which has increased to \$4,815; see attachments), but was allowed by the insurance provider to make a 25 percent downpayment to secure the insurance. (See attached proof.) In order to pay for and retain this insurance, Joann Estates needs to recover the \$4,815 in the rates set by the PSC.

Sludge Hauling Expense

The Staff Report recommended two alternatives relative to sludge hauling expense. The first was to recognize no expense whatsoever for sludge hauling, while the second was to recommend an additional increase of \$4.05 to recognize annual sludge hauling expense of \$9,600, provided Joann Estates agreed to certain conditions detailed in the Report.

Sludge hauling and dumping is necessary for the proper operation of a sewage treatment plant, and the Commission has allowed recovery of a reasonable level of known and measurable sludge hauling expense for small sewer utilities. The Staff Report at page 9 suggests that "Operation of the lagoons has allowed Joann Estates to avoid sludge hauling and disposal expenses in prior years," but this statement (as well as the Staff's first alternative) misses important points.

Specifically, Joann Estates has a relatively new certified plant operator (as noted in the Staff Report at page 6), and he strongly disagrees with Joann Estates' past practice of leaving sludge in place on-site at the multiple lagoons. Leaving sludge on-site exposes nearby creeks and streams to environmental contamination during any significant rain events, and accumulating sludge in the lagoons for the past 30 years not only increases this risk, but also has generated a tremendous liability - conservatively estimated at \$365,250 and possibly as high as \$1,156,320. Joann Estates did not propose to recover this extraordinary expenditure in rates because the cost is so prohibitive and any recovery over a reasonable timeframe would cause unaffordable sewer rates. In addition, Joann Estates is certain that no lending institution would provide a long-term loan to address this situation.

Instead, the inclusion of \$9,600 in the revenue requirement for sludge hauling expense, as recommended by the Staff's second alternative, allows Joann Estates to haul two loads of sludge per month at \$400 per load. And because of the estimated liability of \$365,250 or more, there is zero chance that sludge hauling expense will be less than \$9,600 per year so long as Joann Estates provides the documentation suggested by Staff's second alternative. That is, Joann Estates agrees to 1.) expend \$9,600 annually on sludge hauling for 5 years; 2.) file another rate case 5 years from the date of the Commission's Final Order in this case; 3.) report annual sludge hauling expenses in its PSC Annual Reports under Account Number 701-C; and 4.) include invoices with its PSC Annual Reports that support the amounts in Account 701-C.

Because of Joann Estates' poor cash position, failure to include any sludge hauling expense in this case (as suggested by the Staff's first alternative) guarantees several things. First, it guarantees that Joann Estates cannot haul much, if any, sludge because it cannot afford to do so. Second, it guarantees that the size of the liability, and subsequent environmental risk to nearby creeks and streams, will only increase. Third, it guarantees that Joann Estates will be forced to file another rate case sooner than if would have otherwise if it seriously intends - or is required by environmental regulators - to address this issue. Fourth, it puts the plant operator at significant risk relative to licensing requirements, and the operator would be forced to consider whether he should continue his involvement with Joann Estates.

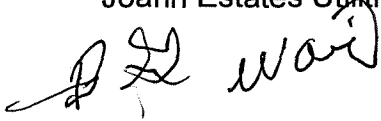
In summary, a failure to include any sludge hauling expense in this case is unreasonable, and the request to include \$9,600 for sludge hauling expense is

reasonable. Attached herein is additional evidence to give the Commission a more complete understanding of this situation.

Again, we thank the Commission and its Staff for its timely processing of our case; we respectfully request the issuance of a Final Order approving new rates as soon as humanly possible because of our poor cash position and heavy repair needs; and please don't hesitate to contact me if you have any questions.

Sincerely,

B.G. Waid, President
Joann Estates Utilities, Inc.

A handwritten signature in black ink, appearing to read "B.G. Waid", written in a cursive style.

(IPFS)
 1001 WINSTEAD DRIVE
 SUITE 500
 CARY, NC 27513
 (866)412-2429 - FAX: (919)234-2760

REFER TO THIS ACCOUNT NO. IN ALL CORRESPONDENCE	ACCOUNT NUMBER
	KYL-270341

Dear Customer,

Thank you for the opportunity to finance your insurance. As agreed, we have paid the balance due on your behalf. If you have not received your premium finance agreement notify us immediately. A payment schedule is shown below. If payment coupons are not enclosed, you will be billed for each installment. Detailed payment instructions are shown below.

PAYMENT INSTRUCTIONS:

1. All payments must be made payable to IPFS CORPORATION
2. To ensure proper credit to your account, write your account number on your check and return the proper coupon with your payment.
3. Be sure your payment is mailed in time to reach our office by your due date.
4. Mail your payment to the address on the coupon.

INSURED

JOANNE ESTATES UTILITY INC
 6500 HIGHWAY 60 WEST
 PADUCAH, KY 42001

000170

AGENT

NELSON INS AGENCY INC
 2000 ENVOY CIRCLE
 LOUISVILLE, KY 40299

DISCLOSURE	
TOTAL PREMIUMS	\$4,815.56
DOWN PAYMENT	\$1,203.89
AMOUNT FINANCED	\$3,611.67
FINANCE CHARGE	\$165.93
ASSESSMENTS	\$0.00
TOTAL PAYMENTS	\$3,777.60
NUMBER OF PAYMENTS	10
PAYMENT AMOUNT	\$377.76
ANNUAL % RATE	9.900
ACCEPTANCE DATE	12/19/13

SCHEDULE OF PAYMENTS		
PYMT NO.	DUE DATE	AMOUNT
1	01/13/14	\$377.76
2	02/13/14	\$377.76
3	03/13/14	\$377.76
4	04/13/14	\$377.76
5	05/13/14	\$377.76
6	06/13/14	\$377.76
7	07/13/14	\$377.76
8	08/13/14	\$377.76
9	09/13/14	\$377.76
10	10/13/14	\$377.76

WE HAVE PAID THE BALANCE OF YOUR PREMIUM BELIEVING THE PREMIUM FINANCE AGREEMENT TO BE GENUINE AND IN FULL EFFECT AND THE SIGNATURE THEREON AUTHORIZED BY THE INSURED. IF FOR ANY REASON THIS IS NOT TRUE, NOTIFY US IMMEDIATELY AT THE ADDRESS OR TELEPHONE NUMBER AS SHOWN ABOVE.

SCHEDULE OF POLICIES

POLICY PREFIX AND NUMBER	EFFECTIVE DATE	FULL NAME OF INSURER AND GENERAL AGENT OTHER THAN SUBMITTING PRODUCER TO WHOM COPY OF THIS NOTICE WAS SENT	COVERAGE FIRE, AUTO MAR, I.M., CAS	POLICY TERM IN MONTHS COVERED BY PREM.	PREMIUM FINANCED
PENDING	12/13/13	HUDSON SPECIALTY INSURANCE CO	GL	12	\$4,595.00
			TAXES		\$220.56

Make online payments or view account information at www.ipfs.com.
 Please use access code M4RJWW2B to register (first time users).



INSURED
JOANNE ESTATES UTILITY INC
6500 HIGHWAY 60 WEST
PADUCAH, KY 42001

Written notations on this coupon will NOT be received.
To ensure proper credit, include coupon with payment.

PAYMENT COUPON		
PAYMENT NO.	ACCOUNT NUMBER	DUE DATE
1	KYL-270341	01/18/14

For any correspondence or overnight, priority, or other special delivery, send to: 1055 BROADWAY 11TH FLOOR KANSAS CITY, MO 64105 Questions? Call (866)412-2429	Make online payments or view account information at www.ipfs.com . Please use this access code M4RJWW2B to register (first time users).
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PAYMENT DUE: \$377.76
LATE FEE: \$18.89

IF RECEIVED AFTER 01/18/14	
PLEASE PAY THIS AMOUNT	\$396.65

MAKE CHECK PAYABLE AND REMIT TO:
IPFS CORPORATION
24722 NETWORK PLACE
CHICAGO, IL 60673-1247

pd 1.5-14

KYL02703415 00000377760

DETACH HERE



HUDSON
INSURANCE GROUP®

100 William Street 5th Floor
New York, NY 10038
Phone: 703-599-7877
Facsimile:

Joanne Estates Utility Inc

**"ECO-PAK" Environmental Services Package Policy
Binder Confirmation Letter**

December 12, 2013

Becky Mendoza
Nelson Insurance Agency, Inc.
2000 Envoy Circle,
Louisville, KY, 40224
502-736-7000
becky@nelsoninsurancegroup.com

**RE: Joanne Estates Utility Inc
"ECO-PAK" Environmental Services Package Policy
POLICY NUMBER: ESB 4159 10-13-01**

Dear Becky :

Thank you for your order to bind coverage. This letter shall serve as Hudson Environmental Product's binder for the above captioned account. The following terms and conditions apply as agreed.

We grant you the authority to responsibly and accurately issue certificates of insurance based the coverage provided. All such certificates issued shall be for the sole purpose of sharing information with relevant parties who require such information. The information shared in such certificates shall be limited to only the necessary components required. The terms of the insurance contract shall always govern over the language of the certificate. Only Hudson Environmental Products has the authority to amend, extend or alter the terms and conditions set forth. If you desire to change the terms and conditions of coverage, a formal written request for such change is required and must be formally approved prior to conveying such change to any insured. Hudson Insurance Group maintains the right to audit any Certificates of Insurance associated with any policy insured by us, however we will not require you to send us copies of such certificates issued by you. The following are the applicable terms, conditions and coverages.

POLICYHOLDER INFORMATION:

Named Insured: Joanne Estates Utility Inc
Named Insured Address: 6500 Highway 60 W
City State Zip Code: Paducah, KY 42001

POLICY INFORMATION:

Policy Period: December 13, 2013 to December 13, 2014
Company: Hudson Specialty Insurance Company (Rated A XV by A.M. Best)
Applicable Policy Forms:
CG 00 01 12 07 Commercial General Liability Coverage Part
ESB-CPLCM-1108-300-2 Contractors Pollution Legal Liability Claims Made Coverage Part

COVERED CONTRACTED SERVICES AND PROFESSIONAL SERVICES:

Domestic Wastewater Treatment Facility

LIMITS of LIABILITY:

APPLICABLE TO ALL COVERAGE

PARTS COMBINED: \$1,000,000

The Company's maximum limit of liability for all CLAIMS covered under all coverage parts of this policy shall not exceed the General Aggregate Limit Applicable to All Claims Under All Coverage Parts as shown above.

Applicable to:

Commercial General Liability Coverage Part

General Aggregate Limit (Other than Products – Completed Operations)	\$1,000,000
Products-Completed Operations Aggregate	\$1,000,000
Personal and Advertising Injury Limit	\$1,000,000
Damages Limit for Each Occurrence of Claim	\$1,000,000

Damage to Premises:

Rented to You Limit (Any one Premises)	\$50,000
Medical Expense Limit (Any one person)	\$5,000

Contractors Pollution Liability Coverage Part

Claims Limit (for each Pollution Condition)	\$1,000,000
Claims Aggregate Limit	\$1,000,000

Environmental Professional Liability Coverage Part

Claims Limit (for each Claim)	No Coverage
Claims Aggregate Limit	No Coverage

DEDUCTIBLE:

Commercial General Liability per occurrence	\$2,500
Contractors Pollution Liability per Pollution Condition	\$2,500
Environmental Professional Liability per Wrongful Act	N/A

RETROACTIVE DATE:

Contractors Pollution Liability:	<u>12/13/2013</u>
Environmental Professional Liability:	<u>NA</u>

PREMIUM:

Total All Coverage Parts	\$4,110
Terrorism	\$0
Optional Endorsement	\$485

Additional Charges:

Policy Fee	\$0
Loss Control Fee	\$0
Total Premium (Without Terrorism)	\$4,595

PREMIUM SCHEDULE:

Estimated Annual Gross Receipts: \$115,000
(Flat - Non-auditable)

TERRORISM RISK INSURANCE ACT:

This binder reflects that the policyholder has elected NOT to purchase coverage for certified acts of terrorism and understands that they will not have coverage for losses resulting from certified acts of terrorism

POLICY ENDORSEMENTS:

The following highlight the endorsements and exclusions to be added to the pre-printed coverage parts that comprise the insurance contract.

Common Coverage Endorsement

ESB-COM-1108-208	Endorsement Schedule
ESB-COM-1108-201	Common Policy Conditions
ESB-COM-1108-205	Notice of Loss Procedure
SS-KY (9/09)	Service of Suit Kentucky
ESB-COM-1108-209	Applicator of Pesticides, Herbicides / Sludge
ESB-COM-1108-210	Exclusion - Mold and Mildew Exclusion
ESB-COM-0711-211	Exclusion - Hydraulic Fracturing, Fracking, Hydrofracking
ESB-COM-1108-213	Exclusion - Asbestos Amendatory
ESB-COM-1108-214	Exclusion - EIFS Exclusion
ESB-COM-1108-216	Exclusion - Silica Exclusion
ESB-COM-1108-228	Subrogation - Automatic Waiver Schedule
ESB-COM-1108-258	Defense - First Dollar Coverage
ESB-COM-1108-261	Primary Non Contributory Endorsement - Blanket
ESB-COM-1108-279	Addl Ins-Owners, Lessees, Contractors - Auto Assgmt
ESB-SAE-1108-009	KY Amendatory

General Liability Endorsement

ESB-CGL-1108-201	CGL Policy Conditions Endorsement
ESB-CGL-1108-271	Deductible Schedule Each Claim - BI and PD Combine
CG 22 24 07 98	Exclusion - Inspection Appraisal and Survey Companies
CG 22 33 07 98	Exclusion - Testing or Consulting Errors and Omissions
CG 22 34 07 98	Exclusion - Construction Management Errors and Omissions

Contractors Pollution Liability Endorsement

ESB-CPL-1108-308	Natural Resource Damages Coverage
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Professional Liability Endorsement

Not Applicable

Terrorism Endorsements

ESB-COM-1108-222	Terrorism - Certified Acts Exclusion
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CONDITIONS OF BINDER

1. This binder is subject to all applicable Surplus Lines Laws in KY.
2. HUDSON SPECIALTY INSURANCE COMPANY IS AN EXCESS AND SURPLUS LINES CARRIER. YOU ARE RESPONSIBLE FOR THE COLLECTION AND PAYMENT OF ALL APPLICABLE TAXES. PLEASE IMMEDIATELY PROVIDE US WITH THE EXCESS AND SURPLUS LINES FORM ATTACHED TO THE ORIGINAL QUOTE YOU RECEIVED, IF YOU HAVE NOT ALREADY DONE SO.
3. Premium is due and payable within days of policy issuance.
4. A minimum earned premium of 25% applies at policy inception.
5. Flat cancellations are not allowed.

Our insurance program is complemented by specialized claims handling services including emergency spill response. Our notice of loss procedures will be issued policy. In the interim, the insured may report a claim by faxing a loss notice to at (646) 216-3786 or emailing the notice to HUDSONCLAIMS300@HUDSONINSGROUP.COM. In the event of a coverage emergency, the insured may call our EMERGENCY RESPONSE HOTLINE at (866) 546-3981 24-hours a day, seven days a week.

This binder is valid for 45 days from the effective date referenced above.

Sincerely,

Hudson Environmental Products
Matthew McWilliams

6. Check the aeration device:
 - a. Lubrication
 - b. Direction of rotation
 - c. Mechanical aeration—proper agitator depth
 - d. Compressor, if diffused air
 - (1) Air filter and oil bath
 - (2) Air header and valves
 - (3) Air lift tubes and valves
 - (4) Diffusers properly installed
 - (5) Swing header lifts easily and moves freely
7. Record and file the following data:
 - a. Plant model and serial number
 - b. Two copies of plant operation and maintenance manual
 - c. Nameplate data from equipment
 - (1) Comminutor
 - (2) Comminutor motor
 - (3) Aeration motor
 - (4) Compressor or agitator
 - (5) Amperage of running equipment
 - (6) Oils and greases specified for each unit
8. Check the influent gate or valve for proper operation.

8.22 Starting the Plant

(See Volume II, Chapter 11, "Activated Sludge," for detailed instructions.) The aerator compressor should be started and air introduced to the diffusers prior to the introduction of wastewater. If wastewater enters the tank before air is coming out of the diffusers, the diffusers could become plugged. If the plant is the diffused-air type with air lift pumps for return sludge, the air line valve to the air lifts (pumps) will have to be closed until the settling compartment is filled. Otherwise, all the air will attempt to go to the empty compartment and none will go to the diffusers. Once the settling compartment is filled from the overflow from the aeration tank, the air lift valves may be opened. They will have to be adjusted to return a constant stream of water and solids to the aeration tank. This adjustment is usually two to three turns open on the air valve to each air lift.

There may be a buildup of foam in the aeration compartment during the first week or so of start-up. A one-inch (25-mm) water hose with a lawn sprinkler may be used to keep it under control until sufficient mixed liquor solids are obtained.

Try to build up the solids or mixed liquor suspended solids (MLSS) as quickly as possible during start-up. This can be achieved by not wasting sludge until the desired level of MLSS is achieved.

8.23 Operation of Aeration Equipment

Aeration equipment should be operated continuously. In a diffused-air system, the operator controls air flow to the diffuser with the header control valve. This valve forces excess air to the air lifts in the settling compartment. Good treatment rarely results from interrupted operation and should not be attempted. You can judge how well the aeration equipment is working by the appearance of the water in the settling compartment and the effluent that goes over the weir. If the water is murky or cloudy and the aeration compartment has a rotten egg (H_2S) odor, not enough air is being supplied. The air supplied or aeration rate should be increased slightly each day until the water is clear in the settling compartment. If the water is clear in the settling compartment, the aeration rate is probably sufficient. Try to maintain a DO level of around 2 mg/L throughout the aeration tank if you have a DO probe or lab equipment to measure the DO. Try to measure the DO at different locations in the aeration tank as well as from top to bottom.

QUESTIONS

Write your answers in a notebook and then compare your answers with those on page 285.

- 8.2C Why should package plants have cathodic protection?
- 8.2D In starting a diffused-air type plant with air lift pumps for return sludge, why will the air line valve to the air lifts (pumps) have to be closed until the settling compartment is filled?
- 8.2E What would you do if the water in the aeration compartment was murky or cloudy and the aeration compartment had a rotten egg (H_2S) odor?

8.24 Wasting Sludge

Many older package plants did not come equipped with facilities for wasting sludge. The reason was that the extended aeration system was considered capable of stabilizing the influent suspended solids to a level sufficient for a tolerable release to the receiving waters. Experience has shown that this concept was wrong and that some sludge must be wasted routinely to achieve optimum plant performance. The operator must waste a portion of the plant solids content out of the system periodically. For best results, in terms of effluent quality, waste about five percent of the solids each week during summer operation to prevent excessive solids "burping." "Burping" is a term used to describe what happens when billowing solids are swept by the water up and out over the effluent weirs in the discharged effluent. Billowing solids result when the settling tank sludge blanket becomes too deep (occupies too much volume in the bottom of the tank).

To waste the excess activated sludge, turn off the return pumps or air lifts for one hour and continue to let the rest of the plant function. After one hour of not returning sludge, use a portable pump to pump about five percent of the waste solids from the settling compartment to a sand or soil drying bed. The amount of solids pumped is determined by measuring the depth of the sludge blanket and then lowering it five percent. Record the pumping time and weekly waste solids for this time period if results are satisfactory.

If your package activated sludge plant does not have an aerobic digester, applying waste activated sludge to drying beds may cause odor problems. If odors from waste activated sludge drying beds are a problem, consider the following solutions:

1. Waste the excess activated sludge into an aerated holding tank. This tank can be pumped out and the sludge disposed of in an approved sanitary landfill. If aerated long enough, the sludge could be applied to drying beds.
2. The excess or waste activated sludge can be removed by a septic tank pumper and disposed of in an approved sanitary landfill.
3. Arrange for disposal of the excess activated sludge at a nearby treatment plant.

Annually, check the bottom of the hoppers for rocks, sticks, and grit deposits. Also, check the tail pieces of the air lifts to be sure that they are clear of rags and rubber goods and in proper working condition.

Frequency and amount of wasting may be revised after several months of operation by examining:

1. The amount of carryover of solids in the effluent
2. The depth to which the solids settle in the aeration compartment when the aeration device is off (should be greater than one-third of the distance from top to bottom)

PROD. 002200

5493

DATE 12-11 ~ 13

TO Nelson Jones

Agency chge.

DEPOSITS

FOR 25% - of chgs

of total

TOTAL

THIS CHECK

1203 89

OTHER







