COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 97-516
GLENWOOD HALL RESORT & COUNTRY CLUB

I, Helen C. Helton, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on June 2, 1998.

See attached parties of record.

Helen C. Helton
Executive Director

HCH/hv
Enclosure

Linda D Dunn
Assistant Corporate Secretary
1409 Weiler Boulevard
Fort Worth, TX. 76112

Mr. David L. Chervenak
3712 Lime Kiln Lane
Louisville, KY. 40222

Mr. William Blick
33 Adams Belle Court
Perry Park, KY. 40363

Honorable David E. Spenard
Assistant Attorney General
1024 Capitol Center Drive
Frankfort, KY. 40601 8204

Mr. Wm. F. Conrad
22 Springport Drive
Perry Park, KY. 40363

Honorable Richard L. Roeding
Chairman
Senate Republican Caucus
State Capitol Annex
Room 257
Frankfort, KY. 40601

Honorable Katherine K. Yunker
Attorney
336 Euclid Avenue, Suite 301
P.O. Box 21784
Lexington, KY. 40522 1784

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF I.C.H. CORPORATION A/K/A GLENWOOD HALL GOLF & COUNTRY CLUB, WATER & SEWER DIVISIONS FOR A RATE ADJUSTMENT PURSUANT TO THE ALTERNATIVE RATE FILING PROCEDURE FOR SMALL UTILITIES	)	CASE NO. 97-516

O R D E R

On December 22, 1997, I.C.H. Corporation a/k/a Glenwood Hall Golf and Country Club, Water and Sewer Division ("Glenwood Hall") filed applications for increases in water and sewer rates to be effective immediately. Commission Staff conducted a financial review of Glenwood Hall's operations, the results of which were included in a report issued on February 3, 1998 ("Staff Report"). The Staff Report recommended revenue increases of $71,736.54 for the water operations and $20,704.61 for the sewer operations.

The Commission, by Order of February 27, 1998, in response to Glenwood Hall's request for emergency rate relief, scheduled a hearing which was held on March 23, 1998. At that hearing, Staff entered an Amended Staff Report into the record, which included previously omitted water revenues in the amount of $1,360.11. The Attorney General filed an exhibit into the record, which all parties accepted, recalculating the sewer rate at $13.33. The Commission entered an Order on April 15, 1998, which found that the rates as contained in Appendix A would produce gross annual water

rates of $97,135.50, and gross annual sewer rates of $29,584.61. The Commission also found those rates to be the fair, just, and reasonable rates unless probative evidence to the contrary was filed.

The Commission determined that the correct operating name of the utility is I.C.H. Corporation a/k/a Glenwood Hall Golf & County Club.

The Commission set a time period of 30 days from April 15, 1998, in which any interested party could file additional evidence or request a hearing regarding the determination of the final rates.

Neither additional evidence nor a request for a hearing regarding the final rates has been filed with the Commission.

The Commission, after considering the record herein and being sufficiently advised, finds that:

1. No additional evidence or a request for a hearing has been filed within the time set by the Commission.

2. The recommendations and findings contained in the Staff Report and Amended Staff Report are supported by the evidence and record, are reasonable, and are hereby adopted as the findings of the Commission and are incorporated by reference as if fully set out herein.

3. The rates in Appendix A, attached hereto and incorporated herein, are the fair, just, and reasonable rates for Glenwood Hall and will produce gross annual revenues of $97,135.50 for the Water Division, and gross annual revenues of

$29,584.61 for the sewer division. These rates will allow Glenwood Hall sufficient revenues to meet its operating expenses.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Glenwood Hall in its application are denied.

2. The rates in Appendix A of this Order are approved for service rendered by Glenwood Hall on and after the date of this Order.

3. The rates approved herein, being the same rates approved in the interim rate Order of April 15, 1998, require no refund.

4. Within 30 days of the date of this Order, Glenwood Hall shall file with the Commission its revised tariff setting out the rates approved herein.

Done at Frankfort, Kentucky, this 2nd day of June, 1998.

By the Commission

ATTEST:

Helen C. Helton

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISION IN CASE NO. 97-516 DATED JUNE 2, 1998

The following rates and charges are prescribed for the customers in the area served by Glenwood Hall Golf & Country Club. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Monthly Rate

Water Division:

First 2,000 Gallons	$19.54	Minimum Bill
Next 8,000 Gallons	11.80	Per 1,000 Gallons
Over 10,000 Gallons	9.97	Per 1,000 Gallons

Sewer Division:

All usage	$13.33	Flat Rate Bill

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 97-516
GLENWOOD HALL RESORT & COUNTRY CLUB

I, Helen C. Helton, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on April 15, 1998.

See attached parties of record.

Helen C. Helton
Executive Director

HCH/hv
Enclosure

nda D. Dunn
Assistant Corporate Secretary
1409 Weiler Boulevard
Fort Worth, TX. 76112

Mr. David L. Chervenak
3712 Lime Kiln Lane
Louisville, KY. 40222

Mr. William Blick
33 Adams Belle Court
Perry Park, KY. 40363

Honorable David E. Spenard
Assistant Attorney General
1024 Capitol Center Drive
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Chairman
Senate Republican Caucus
State Capitol Annex
Room 257
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Honorable Katherine K. Yunker
Attorney
836 Euclid Avenue, Suite 301
P.O. Box 21784
Lexington, KY. 40522 1784

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF I.C.H. CORPORATION A/K/A GLENWOOD HALL GOLF AND COUNTRY CLUB, WATER & SEWER DIVISION FOR A RATE ADJUSTMENT PURSUANT TO THE ALTERNATIVE RATE FILING PROCEDURE FOR SMALL UTILITIES	)	CASE NO. 97-516

O R D E R

On December 22, 1997, Glenwood Hall Golf & Country Club, Water and Sewer Divisions ("Glenwood Hall") filed applications for increases in water and sewer rates to be effective immediately. By Commission Order dated January 30, 1998, an informal conference was scheduled for February 10, 1998 to discuss Glenwood Hall's application with all parties of record. Commission Staff conducted a financial review of Glenwood Hall's operations, the results of which were included in a report issued by the Commission on February 3, 1998 ("Staff Report"). The report recommended revenue increases of $71,736.54 for water operations and $20,704.61 for sewer operations. All parties were allowed no more than 10 days from the date of the Order, or 90 days after the application was filed, whichever was later, to provide written comments regarding the Staff Report or request a hearing.

Parties of record in attendance at the informal conference were Commission Staff and representatives of Glenwood Hall. Glenwood Hall indicated that it was requesting an immediate rate increase. By Order dated February 11, 1998, the Commission found that there was good cause to deviate from the requirement that all written comments and

requests for hearing be filed within 90 days from the application's file date. The Commission then ordered that all such comments and requests be filed on or before February 20, 1998 or the case would stand submitted for decision. There were no comments or request for hearing filed within the prescribed comment period; however, on February 23, 1998, the Commission received a verbal request by an intervenor for an extension of time to file. That request was granted.

To address Glenwood Hall's request for emergency rate relief, the Commission, by Order dated February 27, 1998, scheduled a hearing that was held on March 23, 1998. In attendance at the hearing were representatives of Glenwood Hall, Commission Staff, numerous customers of Glenwood Hall, and intervenors William F. Conrad and David E. Spenard, Esq., of the Attorney General's office.

At the hearing, Staff entered an Amended Staff Report into the record. This amendment was necessary because water revenues in the amount of $1,360.11 had been inadvertently omitted from the original Staff Report. All parties agreed to the admittance of the Amended Staff Report.

The Attorney General proposed to enter AG Exhibit 1 into the record that revised Appendix F as attached to the original Staff Report. Mr. Spenard contended that such a revision was necessary because Staff had made an error when calculating the sewer flat rate of $13.50 and that the correct rate was $13.33. Staff agreed with the Attorney General's position and accepted AG Exhibit 1 into the record as Staff's revised Appendix F. Regarding Staff's Cost of Service Study, the Attorney General proposed to move an $89 depreciation allocation from the customer category to the demand category. Upon further

review of the depreciation expense, the allocation was amended to include the full cost of depreciating a pump in the demand category. The rates for the water division in Appendix A have been adjusted accordingly.

Many comments and complaints were made by the intervenors and customers of Glenwood Hall regarding the amount of the rates recommended in the Staff Report and the quality of service that had been provided to them by Glenwood Hall. The Attorney General made the only formal motion to reduce the rates to be approved in this case by introducing AG Exhibit 2 into evidence. This exhibit contained a monthly sewer flat rate of $12.53 and was titled "Appendix F, Staff Report Case 97-516, Recommended Rates, Sewer Division, (Attorney General's Position)." AG Exhibit 2 did not express a position on the proposed rates for water service. The Attorney General stated that the rate contained in AG Exhibit 2 was calculated by reducing Staff's recommended net operating income of $3,550.15, as calculated on Appendix C of the Staff Report, by half or $1,775.08. The Attorney General had no witness to sponsor this exhibit and presented no evidence as to the reasonableness or necessity for such an adjustment to Staff's recommendation.

Staff presented direct testimony as to the contents of its report and was cross-examined by legal counsel of Glenwood Hall and by all intervenors who were present and who wished to ask questions. No evidence, except for AG Exhibit 2, was entered into the record that was contrary to the contents of the Staff Report, and no party of record disputed Glenwood Hall's claim that its credit or operations would be materially impaired or damaged by the failure to permit the rates to become effective immediately.

The Commission, after considering the evidence of record and being otherwise sufficiently advised, finds that:

1. Glenwood Hall's pro forma present rate net operating loss from water operations is $58,720.20 and is shown in Appendix A of the Amended Staff Report.

2. Glenwood Hall's pro forma present rate net operating loss from sewer operations is $17,154.46 and is shown in Appendix B of the original Staff Report.

3. The monthly sewer flat rate of $13.33, as presented in AG Exhibit 1, is the correct sewer rate that is supported by the findings in the Staff Report.

4. The rates in Appendix A, attached hereto and incorporate herein, will produce gross annual water and sewer revenues of $97,135.50 and $29,584.61, respectively, and are the rates that this Commission will find to be the fair, just, and reasonable rates for Glenwood Hall unless probative evidence to the contrary is filed.

5. Glenwood Hall's credit or operations will be materially impaired or damaged by failure to permit the rates included in Appendix A to become effective immediately.

6. Any additional evidence or request for hearing regarding the final rates to be approved by this Commission must be filed within 30 days from the date of this Order. Any such evidence or request will be considered by the Commission and must be adequately supported.

IT IS THEREFORE ORDERED that:

1. Glenwood Hall's request for emergency rate relief is granted.

2. Glenwood Hall's requested rates as contained in its application are denied.

3. The rates contained in Appendix A shall be effective, subject to refund, on and after the date of this Order. Glenwood Hall shall maintain its records in such manner as will allow determination of any amount to be refunded in the event one is ordered upon final resolution in this matter.

4. Any additional evidence or request for hearing regarding the final rates to be approved by this Commission shall be filed within 30 days from the date of this Order.

5. The record shall be amended to show the utility's filing name as I.C.H. Corporation a/k/a Glenwood Hall Golf & Country Club.

6. Within 30 days of the date of this Order, Glenwood Hall shall file with the Commission its revised tariffs setting out the interim rates approved herein.

Done at Frankfort, Kentucky, this 15th day of April, 1998.

By the Commission

ATTEST:

Helen C. Helton

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISION IN CASE NO. 97-516 DATED APRIL 15, 1998

The following rates and charges are prescribed for the customers in the area served by Glenwood Hall Golf & Country Club. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Monthly Rate

Water Division:

First 2,000 Gallons	$19.54	Minimum Bill
Next 8,000 Gallons	11.80	Per 1,000 Gallons
Over 10,000 Gallons	9.97	Per 1,000 Gallons

Sewer Division:

All usage	$13.33	Flat Rate Bill

ICH CORPORATION
1409 Weiler Boulevard
Fort Worth, Texas 76112
(817) 446-4224
(817) 446-7140 - Fax

March 19, 1998

RECEIVED

MAR 2 0 1998

PUBLIC SERVICE
COMMISSION

Helen C. Helton
Executive Director
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfurt, Kentucky 41062

Mr. William F. Conrad
22 Spring Port Drive
Perry Park, KY 40363

Hon. Richard L. Roeding
Chairman, Senate Republican Caucus
State Capitol Annex, Room 257
Frankfort, KY 40601

RE: ARF Application of Glenwood Hall Golf & Country Club, Water & Sewer Divisions;
Case No. 97-516

Due to an oversight, I used an incorrect Service List when sending out documents on February 11, 1998. I sincerely apologize for this error and am by this letter certifying that the following items have been mailed, in the above referenced Case No. 97-516, to Mr. William F. Conrad and the Honorable Richard L. Roeding (previously sent to the PSC, Hon. David E. Spenard, Mr. William Blick and Mr. David Chervenak):

A. Certificate of Incorporation of ICH Corporation
B. Certificate of Designation of ICH Corporation
C. Certificate of Ownership ICH Corporation
D. Letter to Helen C. Helton, Executive Director of PSC, dated 2/10/98 which includes a brief narrative history of ICH Corporation.

I apologize for my error and any inconvenience it may have caused.

Sincerely,

Linda D. Dunn
Assistant Corporate Secretary

CC: Katherine K. Yunker, Attorney at Law

Enclosures: As stated

ICH CORPORATION
1409 Weiler Boulevard
Fort Worth, Texas 76112
(817) 446-4224
(817) 446-7140 - Fax

February 10, 1998

Helen C. Helton
Executive Director
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602

RE: Case No. 97-516
Glenwood Hall Resort & Country Club

Attached is the information requested in reference to the above referenced Rate Application.

I have enclosed the original (A) Certificate of Incorporation of ICH Corporation, the legal owner/operator of the Utilities. I have also enclosed a copy of the (B) Certificate of Designation of ICH Corporation and a copy of the (C) Certificate of Ownership merging ICH Corporation and Southwestern Life Corporation (the originals of items B & C were left with Mr. J. R. Goff on the morning of 2/10/98).

I must apologize for the confusion associated with the name of the Utility Owner/Operator.

As you can see from the attached documents, Southwestern Life Corporation and ICH Corporation are the same entity. ICH Corporation emerged from Bankruptcy on 2/19/97 having retained Perry Park Resort, Inc. as one of its assets. Perry Park Resort, Inc. is a Kentucky Corporation fully owned by ICH Corporation. The utilities (both water and sewer) have always been owned by ICH Corporation. Glenwood Hall is the name of the "club" at Perry Park Resort, and is the name most commonly used when referring to Perry Park Resort, Inc., where the utilities are located.

By this letter I am requesting that you reference the name of ICH Corporation, the correct name of the Utility Owner/Operator on the above referenced Rate Application.

Should you have any further questions, please do not hesitate to contact me at (817) 446-4224.

Sincerely,

Linda D. Dunn
Assistant Corporate Secretary

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE CERTIFICATE OF OWNERSHIP, WHICH MERGES:

"I.C.H. CORPORATION", A DELAWARE CORPORATION,

WITH AND INTO "SOUTHWESTERN LIFE CORPORATION" UNDER THE NAME OF "I.C.H. CORPORATION", A CORPORATION ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF DELAWARE, WAS RECEIVED AND FILED IN THIS OFFICE THE SIXTH DAY OF OCTOBER, A.D. 1995, AT 1 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CORPORATION SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE.

Edward J. Freel, Secretary of State

0837445 8330

981039917

AUTHENTICATION: 8896055

DATE: 02-02-98

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE COURT ORDERED RESTATED CERTIFICATE OF "I.C.H. CORPORATION", FILED IN THIS OFFICE ON THE TWENTY-FOURTH DAY OF FEBRUARY, A.D. 1997, AT 9 O'CLOCK A.M.

Edward J. Freel, Secretary of State

0837445 8100

971443355

AUTHENTICATION: 8830803

DATE: 12-23-97

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 02/24/1997
971060607 - 0837445

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

I C H CORPORATION

Pursuant to Sections 245 and 303
of the
Delaware General Corporation Law

I C H Corporation, a corporation existing under the laws of the State of Delaware (hereinafter called the "Corporation"), does hereby certify:

FIRST: The name of the Corporation is I C H Corporation

SECOND: The Corporation was originally incorporated under the name I C H, Inc.

THIRD: The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on April 22, 1977

FOURTH: This Amended and Restated Certificate of Incorporation is being effected pursuant to Sections 245 and 303 of the Delaware General Corporation Law.

Provision for the making of this Amended and Restated Certificate of Incorporation of the Corporation is contained in the First Amended Joint Plan of Reorganization of I C H Corporation, f/k/a Southwestern Life Corporation, f/k/a I C H Corporation, SWL Holding Corporation, f/k/a Life Interests Corporation and Care Financial Corporation, f/k/a Health Interests Corporation, Case Nos. 395-36351 (Chapter 11), 395-36352 (Chapter 11) and 395-36354 (Chapter 11), respectively, under Chapter 11 of the United States Bankruptcy Code, as confirmed by an order of the United States Bankruptcy Court for the Northern District of Texas. The bankruptcy petition was filed on October 10, 1995, the confirmation date was January 31, 1997 with an effective date of February 19, 1997

FIFTH: The Certificate of Incorporation is amended and restated in its entirety to read as herein set forth in full

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

I.C.H. CORPORATION

FIRST: The name of the corporation is:

I.C.H. Corporation

SECOND: The address of its registered office in the State of Delaware is c/o United Corporate Services, Inc., 15 East North Street, in the City of Dover, County of Kent, State of Delaware 19901. The name of its registered agent at such address is United Corporate Services, Inc

THIRD: The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The corporation shall be authorized to issue the following shares:

Class	Number of Shares	Par Value
Common	9,000,000	$0.01
Preferred	1,000,000	$0.01

The designations and the powers, preferences and rights, and the qualifications or restrictions thereof are as follows:

The Preferred shares shall be issued from time to time in one or more series, with such distinctive serial designations as shall be stated and expressed in the resolution or resolutions providing for the issue of such shares as adopted by the Board of Directors; the Board of Directors is expressly authorized to fix the annual rate or rates of dividends for the particular series, the dividend payment dates for the particular series and the date from which dividends on all shares of such series issued prior to the record date for the first dividend payment date shall be cumulative, the redemption price or prices for the particular series, the voting

powers for the particular series, the rights, if any, of holders of the shares of the particular series to convert the same into shares of any other series or class or other securities of the corporation, with any provisions for the subsequent adjustment of such conversion rights, the rights, if any, of the particular series to participate in distributions or payments upon liquidation, dissolution or winding up of the corporation, and to classify or reclassify any unissued preferred shares by fixing or altering from time to time any of the foregoing rights, privileges and qualifications.

All the Preferred shares of any one series shall be identical with each other in all respects, except that shares of any one series issued at different times may differ as to the dates from which dividends thereon shall be cumulative; and all preferred shares shall be of equal rank, regardless of series, and shall be identical in all respects except as to the particulars fixed by the Board as hereinabove provided or as fixed herein.

Notwithstanding anything contained in this Amended and Restated Certificate of Incorporation to the contrary, the Corporation shall not issue nonvoting equity securities to the extent prohibited by Section 1123 of the United States Bankruptcy Code, 11 U.S.C. Section 1123; provided, however, that this provision (i) will have no further force and effect beyond that required by such Section, (ii) will have such force and effect, if any, only for so long as such Section is in effect and applicable to the Corporation and (iii) in all events may be amended or eliminated in accordance with the applicable law as from time to time in effect.

FIFTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

A. The business and affairs of the Corporation shall be managed by or under the direction of the board of directors. In addition to the powers and authority expressly conferred upon them by statute or by this Certificate of Incorporation or the by-laws of the Corporation, the directors are hereby empowered to the fullest extent permitted by law to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

B. The directors of the Corporation are to be elected by written ballot unless the by-laws provide otherwise.

C. Except as otherwise provided in any Preferred Stock Designation, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

D. Special meetings of stockholders of the Corporation may be called only by the Chairman of the Board or the Chief Executive Officer or by the board of directors acting pursuant to a resolution adopted by a majority of the Whole Board for purposes of this Certificate of Incorporation. The term "Whole Board" shall mean the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships.

SIXTH: A. The board of directors shall be comprised of no less than four (4) members and no more than five (5) members. The directors shall be divided into two classes, with the term of office of the first class to expire at the first annual meeting of stockholders following such classification ("Class 1 Directors") and the term of office of the second class to expire at the second annual meeting of stockholders following such classification ("Class 2 Directors"). Class 1 Directors shall be comprised of one (1) member, in the event that the Board consist of four (4) total members, and two (2) members in the event that the Board consists of five (5) total members. Class 2 Directors shall be comprised of three (3) members. At each annual meeting of stockholders following such initial classification, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the second succeeding annual meeting of stockholders after their election.

B. Newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the board of directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall, unless otherwise provided by law or by resolution of the board of directors, be filled only by a majority vote of the directors then in office, though less than a quorum and not by the stockholders, and directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been chosen expires. No decrease in the authorized number of directors shall shorten the term of any incumbent director.

C. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the by-laws of the Corporation.

D. Any directors, or the entire board of directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least two-thirds (2/3) of the voting power of all of the then-outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors voting together as a single class.

SEVENTH: The board of directors is expressly empowered to adopt, amend or repeal by-laws of the Corporation. Any adoption, amendment or repeal of the by-laws of the Corporation by the board of directors shall require the approval of a majority of the Whole Board. The stockholders shall also have power to adopt, amend or repeal the by-laws of the Corporation; provided, however, that, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this certificate of Incorporation, the affirmative vote of the holders of at least seventy-five percent (75%) of the voting power of all of the then-

outstanding shares of the capital stock of the corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the by-laws of the Corporation.

EIGHTH: 1. The affirmative vote of the holders of shares (other than shares held by an Interested Shareholder (as hereinafter defined)) constituting two-thirds of the voting power of the Corporation, given in person or by proxy at a meeting called for such purpose, shall be necessary to approve:

(1) any merger, consolidation or reorganization (as defined in the General Delaware Corporation law) of the Corporation or any Subsidiary (as hereinafter defined) (a) with any Interested Stockholder, (b) with any other corporation (whether or not itself an Interested Stockholder) which is, or after such merger, consolidation or reorganization would be, an affiliate (as hereinafter defined) of an Interested Stockholder or (c) in which an Interested Stockholder, has an interest (except proportionately as a stockholder of the Corporation);

(2) any sale, lease, exchange, mortgage, pledge, transfer or any other disposition (in one transaction or in a series of transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder, or in which an Interested Stockholder has an interest (except proportionately as a stockholder of the Corporation) of all or substantially all of the assets of the Corporation or any Subsidiary;

(3) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or in a series of transactions) of all or substantially all of the assets of an Interested Stockholder, an Affiliate thereof, or an entity in which the Interested Stockholder has an interest, to the Corporation or any Subsidiary;

(4) the issuance, sale, exchange, disposition or other transfer by the Corporation or any Subsidiary (in one transaction or in a series of transactions) of any securities of the Corporation or any Subsidiary to any Interested Stockholder or any Affiliate of any Interested Stockholder (except proportionately to the stockholders of the Corporation or such Subsidiary) in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value (as hereinafter defined) of five million dollars or more;

(5) any reclassification of securities (including any reverse stock split) or recapitalization of the Corporation or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of, or otherwise increasing the voting power over, the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Stockholder or any Affiliate of any Interested Stockholder;

(6) any spin-off, split-off or split-up of the Corporation in which the Interested Stockholder has an interest (other than proportionately as a stockholder); or

(7) any agreement. contract, or other arrangement with an Interested Stockholder (or in which the interested Stockholder has an interest other than proportionately as a stockholder) providing for any of the transactions described in clauses (1) through (6) of this Article Eighth.

The approval required in this Article Eighth, Section 1, shall be required unless all of the conditions of Section 2 of this Article Eighth have been fulfilled. Such affirmative vote shall be required notwithstanding the fact that no vote may be required by law or that a lesser percentage may be specified by law or in any arrangement with any national securities exchange or otherwise. For purposes of this Section 1 "substantially all the assets" shall mean assets having a book value of more than (i) 10% of the book value of the assets of the entity in question, in the case of the Corporation or a Subsidiary and (ii) 90% of the book value of the assets of the entity in question in the case of any other entity.

2. Exceptions. The provisions of Section 1 of this Article Eighth requiring a two-thirds vote of holders of the Company's outstanding voting stock shall not be applicable to any particular Business Transaction (as hereinafter defined) and such Business Transaction shall require only the affirmative vote of the stockholders, if any, as is otherwise required by law, if the Business Transaction shall have been approved expressly by a majority of Continuing Directors (as hereinafter defined) of the Corporation.

3. Definitions. For the purposes of this Article Eighth:

(1) A "Person" shall mean any individual, group, partnership, association; firm, corporation or other entity.

(2) "Interested Stockholder" shall mean any Person (other than the Corporation, any Subsidiary (as defined below), any employee stock ownership or other employee benefit plan of the Corporation or any Subsidiary or any trustee of, or fiduciary with respect to, any such plan when acting in such capacity) who or which (a) is the Beneficial Owner, directly or indirectly, of more than ten percent (10%) of the voting power of the outstanding voting stock of the Corporation; (b) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the Beneficial Owner, directly or indirectly, of more than ten percent (10%) of the voting power of the outstanding voting stock of the Corporation; or (c) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the Beneficial Owner, directly or indirectly, of ten percent (10%) or more of the voting power of the then outstanding voting stock of the Corporation which was at any time within the two year period immediately prior to the date in question beneficially owned by any Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933, as amended. The calculation of the percentage of beneficial ownership shall be made at the following three times, any of which will suffice for purposes of determining that a Beneficial Owner is an Interested Stockholder: (i) at

the time the definitive agreement providing for the Business Transaction (including any amendment thereof) was entered into, (ii) at the time a resolution approving the Business Transaction was adopted by the Board of Directors of the Corporation, or (iii) as of the record date of the Corporation for the determination of stockholders entitled to notice of and to vote on, or to consent to, the Business Transaction.

(3) A Person shall be a "Beneficial Owner" of any voting stock of the Corporation (a) which such Person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly; (b) which such Person or any of its Affiliates or Associates has (1) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or other options, or otherwise, or (2) the right to vote pursuant to any agreement, arrangement or understanding; or (c) which are beneficially owned, directly or indirectly, by any Person with which such Person or any of its Affiliates has any agreement, arrangement or understanding for the purpose of holding, voting or disposing of any shares of such stock.

(4) For the purpose of determining whether a Person is an Interested Stockholder pursuant to Section 3(2), the number of shares of voting stock of the Corporation deemed to be outstanding shall include shares deemed owned through application of Section 3(2) but shall not include any other shares of voting stock of the Corporation which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(5) "Affiliates" or "Associates" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect from time to time. The term "Associate," used to indicate a relationship with a specified person, shall also mean any person who is a director or officer of such specified person or any of its parents or subsidiaries (other than the Corporation or any Subsidiary).

(6) "Subsidiary" shall mean any corporation of which at least a majority of any class or equity security is owned, directly or indirectly, by the Corporation; provided, however, that for the purposes of the definition of Interested Stockholder set forth in Section 3(2), the term "Subsidiary" shall mean only a corporation of which at least a majority of each class of equity securities is owned, directly or indirectly, by the Corporation.

(7) "Fair Market Value" shall mean: (a) in the case of stock, the highest closing sale price during the thirty (30) day period immediately preceding the date in question of a share of such stock on the National Association of Securities Dealers Automated Quotation System ("NASDAQ") or the NASDAQ National Market System, or, if such stock is not quoted on NASDAQ, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934, as amended, on which such stock is listed, or if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during

the thirty (30) day period immediately preceding the date in question on the NASDAQ, or any system then in use, or if no such quotations are available, the Fair Market Value of such property on the date in question as determined by a majority of Continuing Directors of in good faith.

(8) In the event of any Business Transaction in which the Corporation survives, the phrase "consideration other than cash to be received" as used in subsections (b)(i) and (ii) of Section 2 shall include the Common Shares and/or the shares of any other class of outstanding voting stock retained by the holder of such shares.

(9) "Business Transaction" shall mean any transaction which is referred to in Section 1.

(10) "Voting Power" shall be calculated by multiplying the number of voting shares or other voting securities of the Corporation or the Subsidiary, as the case may be, times the number of votes (or fractional votes) per such share or security to which the holders of such shares or securities are entitled.

(11) "Continuing Director" shall mean any member of the board of directors of the Corporation who (i) is not an Interested Stockholder or an officer of the Corporation and who is not a nominee, an Affiliate or Associate of any such Interested Stockholder or officer or (ii) was prior to his election, recommended for election by a majority of Continuing Directors then on the Board.

4 Determinations by Directors. A majority of Continuing Directors of the Corporation shall have the power and duty to determine for the purpose of this Article, on the basis of information known to them after reasonable inquiry, (a) whether a person is an Interested Stockholder; (b) the number of shares of voting stock of the Corporation of which any Person is the Beneficial Owner; (c) whether a Person is an Affiliate or an Associate of another; (d) whether a Person has an agreement, arrangement or understanding with another as to matters referred to herein; (e) whether the assets in a Business Transaction are "substantially all the assets" of an entity; (f) whether any Business Transaction is one in which an Interested Stockholder has an Interest; (g) whether the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Transaction has an aggregate Fair Market Value of five million dollars or more; and (h) such other matters with respect to which determination is required under this Article.

5. Fiduciary Duties. Nothing contained in this Article shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

6. Amendments. To amend or repeal or adopt any provisions inconsistent with Sections 1 through 6 of this Article Eighth, there shall be required the affirmative vote or (i) the holders of not less than two-thirds of the voting power of the Corporation and of the holders of two-thirds of the Common Shares at the time outstanding voting together as a separate class or (ii) the stockholders of the Corporation as required by law, if the amendment is approved more

than two-thirds of the directors of the Corporation.

7. Section 203. This Article Eighth does not constitute an election not to be governed by Section 203 of the Delaware General Corporation Law.

NINTH: A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

TENTH: Section 1. Right to Indemnification. (a) Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the Corporation, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators and (b) the Corporation shall indemnify in such manner any person who was or is made a party or is threatened to be made a party to a proceeding by reason of the fact that he, she or a person of whom he or she is the legal representative, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or a partnership, joint venture, trust or other enterprise; provided, however, that except as provided in Section 2 of this Article, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. In the event a director or officer of the Corporation shall serve as a director, officer, employee or agent of any corporation, partnership, joint venture, trust or other enterprise in which the Corporation maintains an investment it shall be conclusively presumed for purposes of the indemnification provided for in subsection (b) above that such service has been

undertaken at the request of the Corporation. The foregoing presumption shall apply regardless of whether such director or officer is serving such entity at the request of a third party or that his or her service with such entity was commenced prior to the effectiveness of this Article of the Certificate of Incorporation or prior to his or her becoming an officer or director of the Corporation. The right to indemnification conferred in Subsection (a) above shall be a contract right based upon an offer from the Corporation which shall be deemed to be accepted by such person's service or continued service with the Corporation for any period after the adoption of this Article of the Certificate of Incorporation and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this section or otherwise. The corporation may, by action of its Board of Directors, provide indemnification to employees or agents of the Corporation with the same scope and effect as the foregoing indemnification of directors and officers.

Section 2. Right of Claimant to Bring Suit. If a claim under section 1(a) of this Article is not paid in full by the Corporation within thirty days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful, in whole or in part, the claimant shall be entitled to be paid also the expense (including attorneys' fees) of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard or conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 3. Non-exclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section shall not be exclusive of any other right which any person may have or hereafter acquire

under any statue, provision of the certificate of incorporation, by-law, agreement, vote of stockholders or disinterested directors or otherwise

Section 4 Insurance The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loans, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law

Any repeal or modification of Articles NINTH or TENTH by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification

ELEVENTH: The Corporation reserves the right to amend or repeal any provision contained in this Certificate of Incorporation in the manner prescribed by the laws of the State of Delaware and all rights conferred upon stockholders are granted subject to this reservation; provided, however, that, notwithstanding any other provision of this Certificate of Incorporation or any provision of law that might otherwise permit a lesser vote or no vote, but in addition to any vote of the holders of any class or series of the stock of this Corporation required by law or by this Certificate of Incorporation, the affirmative vote of the holders of at least seventy-five percent (75%) of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of Directors, voting together as a single class, shall be required to amend or repeal this Article ELEVENTH, Sections C or D of Article FIFTH, Article SIXTH, Article SEVENTH, Article EIGHTH, Article NINTH or Article TENTH

IN WITNESS WHEREOF, the undersigned Corporation hereby executes this document and affirms that the facts set forth herein are true under the penalties of perjury this 24th day of February, 1997

I.C.H. CORPORATION

By /s/ James R. Arabia
Name: James R. Arabia
Title: President

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "I.C.H. CORPORATION", FILED IN THIS OFFICE ON THE FOURTH DAY OF APRIL, A.D. 1997, AT 9 O'CLOCK A.M.

Edward J. Freel, Secretary of State

0837445 8100

971443352

AUTHENTICATION: 8830797

DATE: 12-23-97

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 04/04/1997
971110481 - 0837445

CERTIFICATE OF DESIGNATION

of

SERIES A JUNIOR PARTICIPATING PREFERRED STOCK

of

I.C.H. CORPORATION

(Pursuant to Section 151 of the
Delaware General Corporation Law)

I.C.H. Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation as required by Section 151 of the General Corporation Law by unanimous written consent:

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors" or the "Board") in accordance with the provisions of the Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), the Board of Directors hereby creates a series of Preferred Stock, par value $0.01 per share (the "Preferred Stock"), of the Corporation and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

Section 1. Designation and Amount. The shares of this series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 10,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

Section 2. Dividends and Distributions

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any other stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the last day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount (if any) per share (rounded to the nearest cent), subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock, par value $0.01 per share (the "Common Stock"), of the Corporation or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock).

(C) Dividends due pursuant to paragraph (A) of this Section shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends

shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided the Certificate of Incorporation, including any other Certificate of Designations creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, or as otherwise required by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled; or

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (as to dividends and upon dissolution, liquidation or winding up) to the Series A Preferred Stock.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein or in the Restated Certificate of Incorporation, including any Certificate of Designations creating a series of Preferred Stock or any similar stock, or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount to be distributed per share to holders of shares of Common Stock plus an amount equal to any accrued and unpaid dividends. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of

Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. Amendment The Restated Certificate of Incorporation shall not be amended in any manner, including in a merger or consolidation, which would alter, change, or repeal the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

Section 9. Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and upon liquidation, dissolution and winding up, junior to all series of Preferred Stock.

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its President this 3rd day of April, 1997.

I.C.H. CORPORATION

By: /s/ James R. Arabia
Name: James R. Arabia
Title: President

KATHERINE K. YUNKER
ATTORNEY-AT-LAW

P.O. Box 21784
Lexington, KY 40522-1784
606-266-0415

FAX: 606-266-3012
yunker@ms.uky.edu
CIS: 74450,206

March 3, 1998

RECEIVED
MAR 04 1998
PUBLIC SERVICE COMMISSION

Helen C. Helton, Executive Director
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40602

Re: ARF Application of Glenwood Hall Golf & Country Club, Water & Sewer Divisions; Case No. 97-516

Dear Ms. Helton:

Enclosed please find the original and ten (10) copies of an Entry of Appearance to be filed on behalf of the Applicant in the above-referenced proceeding. Also enclosed is one (1) additional copy of the Entry of Appearance to be file-stamped and returned to me in the enclosed self-addressed, stamped envelope. Please amend the Commission service list for the above-referenced proceeding to include my name and address.

Thank you for your attention to this matter.

Sincerely,

Katherine K. Yunker

Enclosures

cc: Ms. Linda D. Dunn

RECEIVED
MAR 04 1998
PUBLIC SERVICE COMMISSION

BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

THE APPLICATION OF GLENWOOD HALL GOLF & COUNTRY CLUB, WATER & SEWER DIVISIONS FOR A RATE ADJUSTMENT PURSUANT TO THE ALTERNATIVE RATE FILING PROCEDURE FOR SMALL UTILITIES	)	CASE NO. 97-516

ENTRY OF APPEARANCE

Please take notice that Katherine K. Yunker hereby enters her appearance as counsel in this proceeding for Applicant, Glenwood Hall Golf & Country Club, Water & Sewer Divisions. Copies of all orders, pleadings, and other communications relating to this proceeding should be directed to:

Katherine K. Yunker
836 Euclid Avenue, Suite 301
P.O. Box 21784
Lexington, KY 40522-1784

Please maintain the name and address of Linda D. Dunn, the Assistant Corporate Secretary for the Applicant, on your Service List.

Respectfully submitted,

Katherine K. Yunker
P.O. Box 21784
Lexington, KY 40522-1784
606-266-0415
606-266-3012 (fax)

BY: Katherine K. Yunker

ATTORNEY FOR APPLICANT

CERTIFICATE OF SERVICE

I hereby certify that on this the 3rd day of March, 1998, a copy of this Entry of Appearance was sent, via first-class U.S. Mail, postage prepaid, to each person shown on the attached Service List.

Attorney for Applicant

SERVICE LIST
Case No. 97-517

Linda D. Dunn
Assistant Corporate Secretary
1409 Weiler Boulevard
Fort Worth, TX 76112

Mr. David L. Chervenak
3712 Lime Kiln Lane
Louisville, KY 40222

Mr. William Blick
33 Adams Belle Court
Perry Park, KY 40363

David E. Spenard, Esq.
Assistant Attorney General
1024 Capitol Center Drive
Frankfort, KY 40601-8204

Mr. Wm. F. Conrad
22 Springport Drive
Perry Park, KY 40363

Hon. Richard L. Roeding
Chairman, Senate Republican Caucus
State Capitol Annex, Room 257
Frankfort, KY 40601

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

March 2, 1998

Mr. and Mrs. Dick Blank
P. O. Box 87
Perry Park, Kentucky 40363

RE: Case No. 97-516
Glenwood Hall Resort & Country Club

Dear Mr. and Mrs. Blank:

This is in response to your letter received January 20, 1998 in which you request to be sent all copies of the meetings under law.

The Commission will treat your letter as a request for documents under the Kentucky Open Records Statute. The file contains approximately 50 pages of records and the cost of copying is 10¢ per copy, which would be approximately $5.00. If you wish the file copies, please send $5.00 payable to the Kentucky State Treasurer.

In the letter of January 5, 1998, you were informed that in order to receive notices of hearings or meetings you must file a motion to intervene. Unless you wish to intervene, you will not receive notices of hearings or meetings. Please refer to the Commission regulations, previously furnished, concerning intervention.

Your attention is again called to the Attorney General's Office for Rate Intervention which represents consumers' interest, and which you may contact at (502) 696-5453.

If you have any questions, you may contact James R. Goff, staff attorney, at (502) 564-3940, extension 261.

Sincerely,

Helen C. Helton
Executive Director

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

February 27, 1998

To: All parties of record

RE: Case No. 97-516

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

Helen C. Helton
Executive Director

HCH/sa
Enclosure

Linda D. Dunn
Assistant Corporate Secretary
1409 Weiler Boulevard
Fort Worth, TX 76112

Mr. David L. Chervenak
3712 Lime Kiln Lane
Louisville, KY 40222

Mr. William Blick
33 Adams Belle Court
Perry Park, KY 40363

Honorable David E. Spenard
Assistant Attorney General
1024 Capitol Center Drive
Frankfort, KY 40601 8204

Mr. Wm. F. Conrad
22 Springport Drive
Perry Park, KY 40363

Honorable Richard L. Roeding
Chairman
Senate Republican Caucus
State Capitol Annex
Room 257
Frankfort, KY 40601

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GLENWOOD HALL GOLF & COUNTRY CLUB, WATER & SEWER DIVISIONS FOR A RATE ADJUSTMENT PURSUANT TO 807 KAR 5:076 FOR SMALL UTILITIES	)))))	CASE NO. 97-516

O R D E R

On December 22, 1997, Glenwood Hall Golf and Country Club, Water and Sewer Divisions ("Glenwood Hall"), filed an application for a general rate increase. Glenwood Hall's application includes proposed rates which it requests be placed in effect "immediately" upon the filing of the application. The Commission will consider this as a request for the rates to be adjusted on an interim basis on both water and sewer services as provided for under KRS 278.190. In support of the request for interim rates, Glenwood Hall filed financial information that indicates the water division had a current rate pro forma net operating loss of $60,080.31, and the sewer division had a current rate pro forma net operating loss of $17,154.46. The Commission issued an Order on January 30, 1998, suspending the proposed rates as filed by Glenwood Hall until further orders.

Based upon the representations in the application and the ongoing review being conducted by the Commission in this case, the Commission finds that a hearing should be held on Glenwood Hall's request for interim rate relief.

IT IS THEREFORE ORDERED that:

1. A hearing shall be held on March 23, 1998 at 9:00 a.m., Eastern Standard Time, in Hearing Room 1 of the Commission's offices at 730 Schenkel Lane in Frankfort, Kentucky.

2. Glenwood Hall shall publish the notice, attached as an Appendix hereto, in a newspaper of general circulation in its water and sewer service area at least one time prior to the hearing date.

3. Glenwood Hall's proposed rates shall remain suspended pending further Orders of the Commission.

Done at Frankfort, Kentucky, this 27th day of February, 1998.

By the Commission

ATTEST:

Executive Director

APPENDIX

AN APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 97-516 DATED FEBRUARY 27, 1998

NOTICE

Glenwood Hall Golf & Country Club, Water and Sewer Divisions ("Glenwood Hall"), has petitioned the Public Service Commission for interim rate relief to increase its rates for water and sewer service on an interim basis. The interim rate request will be considered by the Public Service Commission at a hearing to be held March 23, 1998 at 9:00 a.m., Eastern Standard Time, in Hearing Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky.

The rates below are the rates proposed by Glenwood Hall. However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than rates in this notice. Any customer or other interested person may appear at the public hearing and provide comments regarding Glenwood Hall's request.

WATER

- PROPOSED RATES

First	2,000 Gallons	$21.05	Minimum Bill
Next	8,000 Gallons	$13.06	Per 1,000 Gallons
Over	10,000 Gallons	$11.04	Per 1,000 Gallons

SEWER

PROPOSED RATE

Monthly Rate	$13.50

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

February 26, 1998

Mr. and Mrs. Gerald Hardcorn
510 Whipporwill Lane, P.O. Box 28
Perry Park, KY 40363

Re: Case No. 97-516, Glenwood Hall Resort & Country Club

Dear Mr. and Mrs. Hardcorn:

This is in response to your letter received January 5 regarding your concerns in the above-mentioned case. Your letter is being treated as an official protest and will be placed in the case file of this proceeding. The Commission will carefully analyze this case. However, if you wish to actually participate in the proceeding, including any hearing which may be held, you must file a motion to intervene with the Commission.

Attached is a copy of Commission regulations concerning intervention. If you request limited intervention and your request is granted, you will receive copies of all Commission Orders entered in this case. You will not, however, be served with filed testimony, exhibits, pleadings, correspondence or other documents submitted by the parties. If you wish such information, you must request and be granted full intervention. If you are granted intervention and wish to request a hearing, you should file such a request with the Executive Director.

The Attorney General's Office for Rate Intervention, which represents consumers' interests, may be able to assist you. You may contact them at (502) 696-5453 to inquire whether there will be a representative from that office participating in this case.

Thank you for your interest and concern in this matter.

Sincerely,

Helen C. Helton
Executive Director

tw
Attachment

807 KAR 5:001, Section 3

(8) Intervention and parties. In any formal proceeding, any person who wishes to become a party to a proceeding before the commission may by timely motion request that he be granted leave to intervene. Such motion shall include his name and address and the name and address of any party he represents and in what capacity he is employed by such party.

Each person granted leave to intervene shall be considered as making a limited intervention unless he submits to the secretary a written request for full intervention. A person making only a limited intervention shall be entitled to the full rights of a party at the hearing in which he appears and shall be served with the commission's order, but he shall not be served with filed testimony, exhibits, pleadings, correspondence and all other documents submitted by parties. A person making a limited appearance will not be certified as a party for the purposes of receiving service of any petition for rehearing or petition for judicial review.

If a person granted leave to intervene desires to be served with filed testimony, exhibits, pleadings, correspondence and all other documents submitted by parties, and to be certified as a party for the purposes of receiving service of any petition for rehearing or petition for judicial review, he shall submit in writing to the secretary a request for full intervention, which shall specify his interest in the proceeding. If the commission determines that a person has a special interest in the proceeding which is not otherwise adequately represented or that full intervention by party is likely to present issues or to develop facts that assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings, such person shall be granted full intervention.

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

February 13, 1998

Ms. Linda D. Dunn
Assistant Corporate Secretary
1409 Weiler Boulevard
Fort Worth, TX 76112

Hon. David E. Spenard
Assistant Attorney General
1024 Capitol Center Drive
Frankfort, KY 40601

Hon. Richard L. Roeding
Senate Rebublican Caucus
Room 257 - Capitol Annex
Frankfort, KY 40601

Mr. David L. Chervenak
3712 Lime Kiln Lane
Louisville, KY 40222

Mr. William Blick
33 Adams Belle Court
Perry Park, KY 40363

Mr. William F. Conrad
22 Springport Drive
Perry Park, KY 40363

RE: Case No. 97-516
Glenwood Hall Golf & Country Club
Water & Sewer Divisions

Dear Gentlemen and Ms. Dunn:

Attached is a copy of the informal conference memorandum that is being filed into the record of the above-referenced case. If you have any comments that you would like to make regarding the contents of the memorandum, please submit them within five days of receipt of this letter. Should you have any questions regarding same, please contact J. R. Goff of our legal staff at (502) 564-3940.

Sincerely,

Helen C. Helton
Executive Director

Attachments

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Main Case File No. 97-516
Glenwood Hall Golf & Country Club
Water & Sewer Divisions

FROM: J. R. Goff J.R.

DATE: February 13, 1998

RE: Informal Conference

An informal conference was held pursuant to an Order of the Commission on February 10, 1998. Representatives of Glenwood Hall and Commission Staff discussed the application for a rate increase filed by Glenwood Hall. The application contained a request for an immediate rate increase. Those in attendance are listed on the attached attendance sheet that was supplied at the meeting.

The representatives of Glenwood Hall stated that they wanted an immediate rate increase. Staff explained that a hearing would be necessary for an immediate rate increase, and that such a hearing would be held within a few weeks of any hearing requested on the rate increase itself. Glenwood Hall agreed to postpone their request until after February 20, 1998.

Glenwood Hall stated that the owner and operator of their utility was I.C.H. Corporation and Glenwood Hall was the name under which the utility was known, since that was the name of the community. Glenwood Hall filed Articles of Incorporation under the name of I.C.H. Corporation with the Commission. Glenwood Hall was advised to file the designation of the name of the utility and a short account of the corporate history as required under 3(a) and (c) of the Commission's Order of January 30, 1998.

The meeting was then adjourned.

wc
Attachment

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GLENWOOD HALL GOLF & COUNTRY CLUB, WATER & SEWER DIVISIONS FOR A RATE ADJUSTMENT PURSUANT TO 807 KAR 5:076 FOR SMALL UTILITIES	)	CASE NO. 97-516

The following were in attendance on Tuesday, February 10, 1998 at 9:30 a.m., at the Informal Conference in Case No. 97-516:

NAME	REPRESENTS
JAMES R. GOFF	PSC STAFF
Jack Scott Lawless	PSC Staff
Brent Kirtley	PSC Staff
JAMES D. RICE	PSC STAFF
Linda D. Duna	ICH Corp. - Perry Park Resort
Curt Moberg	Perry Park Resort Inc. Glenwood Hall

ICH CORPORATION
1409 Weiler Boulevard
Fort Worth, Texas 76112
(817) 446-4224
(817) 446-7140 - Fax

February 10, 1998

RECEIVED
FEB 13 1998
PUBLIC SERVICE COMMISSION

Helen C. Helton
Executive Director
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602

RE: Case No. 97-516
Glenwood Hall Resort & Country Club

Attached is the information requested in reference to the above referenced Rate Application.

I have enclosed the original (A) Certificate of Incorporation of ICH Corporation, the legal owner/operator of the Utilities. I have also enclosed a copy of the (B) Certificate of Designation of ICH Corporation and a copy of the (C) Certificate of Ownership merging ICH Corporation and Southwestern Life Corporation (the originals of items B & C were left with Mr. J. R. Goff on the morning of 2/10/98).

I must apologize for the confusion associated with the name of the Utility Owner/Operator.

As you can see from the attached documents, Southwestern Life Corporation and ICH Corporation are the same entity. ICH Corporation emerged from Bankruptcy on 2/19/97 having retained Perry Park Resort, Inc. as one of its assets. Perry Park Resort, Inc. is a Kentucky Corporation fully owned by ICH Corporation. The utilities (both water and sewer) have always been owned by ICH Corporation. Glenwood Hall is the name of the "club" at Perry Park Resort, and is the name most commonly used when referring to Perry Park Resort, Inc., where the utilities are located.

By this letter I am requesting that you reference the name of ICH Corporation, the correct name of the Utility Owner/Operator on the above referenced Rate Application.

Should you have any further questions, please do not hesitate to contact me at (817) 446-4224.

Sincerely,

Linda D. Dunn
Assistant Corporate Secretary

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE CERTIFICATE OF OWNERSHIP, WHICH MERGES:

"I.C.H. CORPORATION", A DELAWARE CORPORATION,

WITH AND INTO "SOUTHWESTERN LIFE CORPORATION" UNDER THE NAME OF "I.C.H. CORPORATION", A CORPORATION ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF DELAWARE, WAS RECEIVED AND FILED IN THIS OFFICE THE SIXTH DAY OF OCTOBER, A.D. 1995, AT 1 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CORPORATION SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE.

RECEIVED
FEB 13 1998
PUBLIC SERVICE COMMISSION

Edward J. Freel, Secretary of State

0837445 8330

981039917

AUTHENTICATION: 8896055

DATE: 02-02-98

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "I.C.H. CORPORATION", FILED IN THIS OFFICE ON THE FOURTH DAY OF APRIL, A.D. 1997, AT 9 O'CLOCK A.M.

Edward J. Freel, Secretary of State

0837445 8100

971443352

AUTHENTICATION: 8830797

DATE: 12-23-97

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 04/04/1997
971110481 - 0837445

CERTIFICATE OF DESIGNATION

of

SERIES A JUNIOR PARTICIPATING PREFERRED STOCK

of

I.C.H. CORPORATION

(Pursuant to Section 151 of the
Delaware General Corporation Law)

I.C.H. Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation as required by Section 151 of the General Corporation Law by unanimous written consent:

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors" or the "Board") in accordance with the provisions of the Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), the Board of Directors hereby creates a series of Preferred Stock, par value $0.01 per share (the "Preferred Stock"), of the Corporation and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

Section 1. Designation and Amount. The shares of this series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 10,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

Section 2. Dividends and Distributions

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any other stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the last day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount (if any) per share (rounded to the nearest cent), subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock, par value $0.01 per share (the "Common Stock"), of the Corporation or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock).

(C) Dividends due pursuant to paragraph (A) of this Section shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends

shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided the Certificate of Incorporation, including any other Certificate of Designations creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, or as otherwise required by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled; or

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (as to dividends and upon dissolution, liquidation or winding up) to the Series A Preferred Stock.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein or in the Restated Certificate of Incorporation, including any Certificate of Designations creating a series of Preferred Stock or any similar stock, or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount to be distributed per share to holders of shares of Common Stock plus an amount equal to any accrued and unpaid dividends. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of

Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. Amendment. The Restated Certificate of Incorporation shall not be amended in any manner, including in a merger or consolidation, which would alter, change, or repeal the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

Section 9. Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and upon liquidation, dissolution and winding up, junior to all series of Preferred Stock.

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its President this 3rd day of April, 1997.

I.C.H. CORPORATION

By: /s/ James R. Arabia
Name: James R. Arabia
Title: President

ICH CORPORATION
1409 Weiler Boulevard
Fort Worth, Texas 76112
(817) 446-4224
(817) 446-7140 - Fax

February 11, 1998

Helen C. Helton
Executive Director
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 410602

Honorable David E. Spenard
Assistant Attorney General
1024 Capitol Center Drive
Frankfort, Kentucky 40601-8204

Mr. David L. Chervenak
3712 Lime Kiln Lane
Louisville, Kentucky 40222

Mr. William Blick
Chairperson
Perry Park Resident Owner's Association
P.O. Box 92
Perry Park, KY 40363

RE: Case No. 97-516
Glenwood Hall Resort & Country Club Application for Rate Adjustment for the Water and Sewer

By my signature below I attest that I have mailed, this date, the following documents listed below, pertaining to the above referenced Case No. 97-516

A) Certificate of Incorporation of ICH Corporation
B) Certificate of Designation of ICH Corporation
C) Certificate of Ownership ICH Corporation
D) Letter to Helen C. Helton, Eexecutive Director of PSC, dated 2/10/98 which includes brief narrative history of ICH Corporation

Linda D. Dunn
Assistant Corporate Secretary

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE COURT ORDERED RESTATED CERTIFICATE OF "I.C.H. CORPORATION", FILED IN THIS OFFICE ON THE TWENTY-FOURTH DAY OF FEBRUARY, A.D. 1997, AT 9 O'CLOCK A.M.

Edward J. Freel, Secretary of State

0837445 8100

971443355

AUTHENTICATION: 8830803

DATE: 12-23-97

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 02/24/1997
971060607 - 0837445

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

I C H CORPORATION

Pursuant to Sections 245 and 303
of the
Delaware General Corporation Law

I C H Corporation, a corporation existing under the laws of the State of Delaware (hereinafter called the "Corporation"), does hereby certify:

FIRST: The name of the Corporation is I C H Corporation

SECOND: The Corporation was originally incorporated under the name I C H, Inc.

THIRD: The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on April 22, 1977

FOURTH: This Amended and Restated Certificate of Incorporation is being effected pursuant to Sections 245 and 303 of the Delaware General Corporation Law

Provision for the making of this Amended and Restated Certificate of Incorporation of the Corporation is contained in the First Amended Joint Plan of Reorganization of I C H Corporation, f/k/a Southwestern Life Corporation, f/k/a I C H Corporation, SWL Holding Corporation, f/k/a Life Interests Corporation and Care Financial Corporation, f/k/a Health Interests Corporation, Case Nos. 395-36351 (Chapter 11), 395-36352 (Chapter 11) and 395-36354 (Chapter 11), respectively, under Chapter 11 of the United States Bankruptcy Code, as confirmed by an order of the United States Bankruptcy Court for the Northern District of Texas. The bankruptcy petition was filed on October 10, 1995, the confirmation date was January 31, 1997 with an effective date of February 19, 1997

FIFTH: The Certificate of Incorporation is amended and restated in its entirety to read as herein set forth in full

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

I.C.H. CORPORATION

FIRST: The name of the corporation is:

I.C.H. Corporation

SECOND: The address of its registered office in the State of Delaware is c/o United Corporate Services, Inc., 15 East North Street, in the City of Dover, County of Kent, State of Delaware 19901. The name of its registered agent at such address is United Corporate Services, Inc

THIRD: The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The corporation shall be authorized to issue the following shares:

Class	Number of Shares	Par Value
Common	9,000,000	$0.01
Preferred	1,000,000	$0.01

The designations and the powers, preferences and rights, and the qualifications or restrictions thereof are as follows:

The Preferred shares shall be issued from time to time in one or more series, with such distinctive serial designations as shall be stated and expressed in the resolution or resolutions providing for the issue of such shares as adopted by the Board of Directors; the Board of Directors is expressly authorized to fix the annual rate or rates of dividends for the particular series, the dividend payment dates for the particular series and the date from which dividends on all shares of such series issued prior to the record date for the first dividend payment date shall be cumulative, the redemption price or prices for the particular series, the voting

powers for the particular series, the rights, if any, of holders of the shares of the particular series to convert the same into shares of any other series or class or other securities of the corporation, with any provisions for the subsequent adjustment of such conversion rights, the rights, if any, of the particular series to participate in distributions or payments upon liquidation, dissolution or winding up of the corporation, and to classify or reclassify any unissued preferred shares by fixing or altering from time to time any of the foregoing rights, privileges and qualifications.

All the Preferred shares of any one series shall be identical with each other in all respects, except that shares of any one series issued at different times may differ as to the dates from which dividends thereon shall be cumulative; and all preferred shares shall be of equal rank, regardless of series, and shall be identical in all respects except as to the particulars fixed by the Board as hereinabove provided or as fixed herein.

Notwithstanding anything contained in this Amended and Restated Certificate of Incorporation to the contrary, the Corporation shall not issue nonvoting equity securities to the extent prohibited by Section 1123 of the United States Bankruptcy Code, 11 U.S.C. Section 1123; provided, however, that this provision (i) will have no further force and effect beyond that required by such Section, (ii) will have such force and effect, if any, only for so long as such Section is in effect and applicable to the Corporation and (iii) in all events may be amended or eliminated in accordance with the applicable law as from time to time in effect.

FIFTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

A. The business and affairs of the Corporation shall be managed by or under the direction of the board of directors. In addition to the powers and authority expressly conferred upon them by statute or by this Certificate of Incorporation or the by-laws of the Corporation, the directors are hereby empowered to the fullest extent permitted by law to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

B. The directors of the Corporation are to be elected by written ballot unless the by-laws provide otherwise.

C. Except as otherwise provided in any Preferred Stock Designation, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

D. Special meetings of stockholders of the Corporation may be called only by the Chairman of the Board or the Chief Executive Officer or by the board of directors acting pursuant to a resolution adopted by a majority of the Whole Board for purposes of this Certificate of Incorporation. The term "Whole Board" shall mean the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships.

SIXTH: A. The board of directors shall be comprised of no less than four (4) members and no more than five (5) members. The directors shall be divided into two classes, with the term of office of the first class to expire at the first annual meeting of stockholders following such classification ("Class 1 Directors") and the term of office of the second class to expire at the second annual meeting of stockholders following such classification ("Class 2 Directors"). Class 1 Directors shall be comprised of one (1) member, in the event that the Board consist of four (4) total members, and two (2) members in the event that the Board consists of five (5) total members. Class 2 Directors shall be comprised of three (3) members. At each annual meeting of stockholders following such initial classification, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the second succeeding annual meeting of stockholders after their election.

B. Newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the board of directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall, unless otherwise provided by law or by resolution of the board of directors, be filled only by a majority vote of the directors then in office, though less than a quorum and not by the stockholders, and directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been chosen expires. No decrease in the authorized number of directors shall shorten the term of any incumbent director.

C. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the by-laws of the Corporation.

D. Any directors, or the entire board of directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least two-thirds (2/3) of the voting power of all of the then-outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors voting together as a single class.

SEVENTH: The board of directors is expressly empowered to adopt, amend or repeal by-laws of the Corporation. Any adoption, amendment or repeal of the by-laws of the Corporation by the board of directors shall require the approval of a majority of the Whole Board. The stockholders shall also have power to adopt, amend or repeal the by-laws of the Corporation; provided, however, that, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this certificate of Incorporation, the affirmative vote of the holders of at least seventy-five percent (75%) of the voting power of all of the then-

outstanding shares of the capital stock of the corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the by-laws of the Corporation.

EIGHTH: 1. The affirmative vote of the holders of shares (other than shares held by an Interested Shareholder (as hereinafter defined)) constituting two-thirds of the voting power of the Corporation, given in person or by proxy at a meeting called for such purpose, shall be necessary to approve:

(1) any merger, consolidation or reorganization (as defined in the General Delaware Corporation law) of the Corporation or any Subsidiary (as hereinafter defined) (a) with any Interested Stockholder, (b) with any other corporation (whether or not itself an Interested Stockholder) which is, or after such merger, consolidation or reorganization would be, an affiliate (as hereinafter defined) of an Interested Stockholder or (c) in which an Interested Stockholder, has an interest (except proportionately as a stockholder of the Corporation);

(2) any sale, lease, exchange, mortgage, pledge, transfer or any other disposition (in one transaction or in a series of transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder, or in which an Interested Stockholder has an interest (except proportionately as a stockholder of the Corporation) of all or substantially all of the assets of the Corporation or any Subsidiary;

(3) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or in a series of transactions) of all or substantially all of the assets of an Interested Stockholder, an Affiliate thereof, or an entity in which the Interested Stockholder has an interest, to the Corporation or any Subsidiary;

(4) the issuance, sale, exchange, disposition or other transfer by the Corporation or any Subsidiary (in one transaction or in a series of transactions) of any securities of the Corporation or any Subsidiary to any Interested Stockholder or any Affiliate of any Interested Stockholder (except proportionately to the stockholders of the Corporation or such Subsidiary) in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value (as hereinafter defined) of five million dollars or more;

(5) any reclassification of securities (including any reverse stock split) or recapitalization of the Corporation or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of, or otherwise increasing the voting power over, the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Stockholder or any Affiliate of any Interested Stockholder;

(6) any spin-off, split-off or split-up of the Corporation in which the Interested Stockholder has an interest (other than proportionately as a stockholder); or

(7) any agreement. contract, or other arrangement with an Interested Stockholder (or in which the interested Stockholder has an interest other than proportionately as a stockholder) providing for any of the transactions described in clauses (1) through (6) of this Article Eighth.

The approval required in this Article Eighth, Section 1, shall be required unless all of the conditions of Section 2 of this Article Eighth have been fulfilled. Such affirmative vote shall be required notwithstanding the fact that no vote may be required by law or that a lesser percentage may be specified by law or in any arrangement with any national securities exchange or otherwise. For purposes of this Section 1 "substantially all the assets" shall mean assets having a book value of more than (i) 10% of the book value of the assets of the entity in question, in the case of the Corporation or a Subsidiary and (ii) 90% of the book value of the assets of the entity in question in the case of any other entity.

2. Exceptions. The provisions of Section 1 of this Article Eighth requiring a two-thirds vote of holders of the Company's outstanding voting stock shall not be applicable to any particular Business Transaction (as hereinafter defined) and such Business Transaction shall require only the affirmative vote of the stockholders, if any, as is otherwise required by law, if the Business Transaction shall have been approved expressly by a majority of Continuing Directors (as hereinafter defined) of the Corporation.

3. Definitions. For the purposes of this Article Eighth:

(1) A "Person" shall mean any individual, group, partnership, association; firm, corporation or other entity.

(2) "Interested Stockholder" shall mean any Person (other than the Corporation, any Subsidiary (as defined below), any employee stock ownership or other employee benefit plan of the Corporation or any Subsidiary or any trustee of, or fiduciary with respect to, any such plan when acting in such capacity) who or which (a) is the Beneficial Owner, directly or indirectly, of more than ten percent (10%) of the voting power of the outstanding voting stock of the Corporation; (b) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the Beneficial Owner, directly or indirectly, of more than ten percent (10%) of the voting power of the outstanding voting stock of the Corporation; or (c) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the Beneficial Owner, directly or indirectly, of ten percent (10%) or more of the voting power of the then outstanding voting stock of the Corporation which was at any time within the two year period immediately prior to the date in question beneficially owned by any Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933, as amended. The calculation of the percentage of beneficial ownership shall be made at the following three times, any of which will suffice for purposes of determining that a Beneficial Owner is an Interested Stockholder: (i) at

the time the definitive agreement providing for the Business Transaction (including any amendment thereof) was entered into, (ii) at the time a resolution approving the Business Transaction was adopted by the Board of Directors of the Corporation, or (iii) as of the record date of the Corporation for the determination of stockholders entitled to notice of and to vote on, or to consent to, the Business Transaction.

(3) A Person shall be a "Beneficial Owner" of any voting stock of the Corporation (a) which such Person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly; (b) which such Person or any of its Affiliates or Associates has (1) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or other options, or otherwise, or (2) the right to vote pursuant to any agreement, arrangement or understanding; or (c) which are beneficially owned, directly or indirectly, by any Person with which such Person or any of its Affiliates has any agreement, arrangement or understanding for the purpose of holding, voting or disposing of any shares of such stock.

(4) For the purpose of determining whether a Person is an Interested Stockholder pursuant to Section 3(2), the number of shares of voting stock of the Corporation deemed to be outstanding shall include shares deemed owned through application of Section 3(2) but shall not include any other shares of voting stock of the Corporation which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(5) "Affiliates" or "Associates" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect from time to time. The term "Associate," used to indicate a relationship with a specified person, shall also mean any person who is a director or officer of such specified person or any of its parents or subsidiaries (other than the Corporation or any Subsidiary).

(6) "Subsidiary" shall mean any corporation of which at least a majority of any class or equity security is owned, directly or indirectly, by the Corporation; provided, however, that for the purposes of the definition of Interested Stockholder set forth in Section 3(2), the term "Subsidiary" shall mean only a corporation of which at least a majority of each class of equity securities is owned, directly or indirectly, by the Corporation.

(7) "Fair Market Value" shall mean: (a) in the case of stock, the highest closing sale price during the thirty (30) day period immediately preceding the date in question of a share of such stock on the National Association of Securities Dealers Automated Quotation System ("NASDAQ") or the NASDAQ National Market System, or, if such stock is not quoted on NASDAQ, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act or 1934, as amended, on which such stock is listed, or if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during

the thirty (30) day period immediately preceding the date in question on the NASDAQ, or any system then in use, or if no such quotations are available, the Fair Market Value of such property on the date in question as determined by a majority of Continuing Directors of in good faith.

(8) In the event of any Business Transaction in which the Corporation survives, the phrase "consideration other than cash to be received" as used in subsections (b)(i) and (ii) of Section 2 shall include the Common Shares and/or the shares of any other class of outstanding voting stock retained by the holder of such shares.

(9) "Business Transaction" shall mean any transaction which is referred to in Section 1.

(10) "Voting Power" shall be calculated by multiplying the number of voting shares or other voting securities of the Corporation or the Subsidiary, as the case may be, times the number of votes (or fractional votes) per such share or security to which the holders of such shares or securities are entitled.

(11) "Continuing Director" shall mean any member of the board of directors of the Corporation who (i) is not an Interested Stockholder or an officer of the Corporation and who is not a nominee, an Affiliate or Associate of any such Interested Stockholder or officer or (ii) was prior to his election, recommended for election by a majority of Continuing Directors then on the Board.

4 Determinations by Directors. A majority of Continuing Directors of the Corporation shall have the power and duty to determine for the purpose of this Article, on the basis of information known to them after reasonable inquiry, (a) whether a person is an Interested Stockholder; (b) the number of shares of voting stock of the Corporation of which any Person is the Beneficial Owner; (c) whether a Person is an Affiliate or an Associate of another; (d) whether a Person has an agreement, arrangement or understanding with another as to matters referred to herein; (e) whether the assets in a Business Transaction are "substantially all the assets" of an entity; (f) whether any Business Transaction is one in which an Interested Stockholder has an Interest; (g) whether the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Transaction has an aggregate Fair Market Value of five million dollars or more; and (h) such other matters with respect to which determination is required under this Article.

5. Fiduciary Duties. Nothing contained in this Article shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

6. Amendments. To amend or repeal or adopt any provisions inconsistent with Sections 1 through 6 of this Article Eighth, there shall be required the affirmative vote or (i) the holders of not less than two-thirds of the voting power of the Corporation and of the holders of two-thirds of the Common Shares at the time outstanding voting together as a separate class or (ii) the stockholders of the Corporation as required by law, if the amendment is approved more

than two-thirds of the directors of the Corporation.

7. Section 203. This Article Eighth does not constitute an election not to be governed by Section 203 of the Delaware General Corporation Law.

NINTH: A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

TENTH: Section 1. Right to Indemnification. (a) Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the Corporation, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators and (b) the Corporation shall indemnify in such manner any person who was or is made a party or is threatened to be made a party to a proceeding by reason of the fact that he, she or a person of whom he or she is the legal representative, is or *was* serving at the request of the Corporation as a director, officer, employee or agent of another corporation or a partnership, joint venture, trust or other enterprise; provided, however, that except as provided in Section 2 of this Article, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. In the event a director or officer of the Corporation shall serve as a director, officer, employee or agent of any corporation, partnership, joint venture, trust or other enterprise in which the Corporation maintains an investment it shall be conclusively presumed for purposes of the indemnification provided for in subsection (b) above that such service has been

undertaken at the request of the Corporation. The foregoing presumption shall apply regardless of whether such director or officer is serving such entity at the request of a third party or that his or her service with such entity was commenced prior to the effectiveness of this Article of the Certificate of Incorporation or prior to his or her becoming an officer or director of the Corporation. The right to indemnification conferred in Subsection (a) above shall be a contract right based upon an offer from the Corporation which shall be deemed to be accepted by such person's service or continued service with the Corporation for any period after the adoption of this Article of the Certificate of Incorporation and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this section or otherwise. The corporation may, by action of its Board of Directors, provide indemnification to employees or agents of the Corporation with the same scope and effect as the foregoing indemnification of directors and officers.

Section 2. Right of Claimant to Bring Suit. If a claim under section 1(a) of this Article is not paid in full by the Corporation within thirty days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful, in whole or in part, the claimant shall be entitled to be paid also the expense (including attorneys' fees) of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard or conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 3. Non-exclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section shall not be exclusive of any other right which any person may have or hereafter acquire

under any statue provision of the certificate of incorporation by-law agreement vote of stockholders or disinterested directors or otherwise

Section 4 Insurance The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation partnership, joint venture, trust or other enterprise against any such expense liability or loans, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law

Any repeal or modification of Articles NINTH or TENTH by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification

ELEVENTH The Corporation reserves the right to amend or repeal any provision contained in this Certificate of Incorporation in the manner prescribed by the laws of the State of Delaware and all rights conferred upon stockholders are granted subject to this reservation; provided, however, that, notwithstanding any other provision of this Certificate of Incorporation or any provision of law that might otherwise permit a lesser vote or no vote but in addition to any vote of the holders of any class or series of the stock of this Corporation required by law or by this Certificate of Incorporation the affirmative vote of the holders of at least seventy-five percent (75%) of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of Directors, voting together as a single class, shall be required to amend or repeal this Article ELEVENTH, Sections C or D of Article FIFTH, Article SIXTH, Article SEVENTH, Article EIGHTH, Article NINTH or Article TENTH

IN WITNESS WHEREOF, the undersigned Corporation hereby executes this document and affirms that the facts set forth herein are true under the penalties of perjury this 24th day of February, 1997

I.C.H. CORPORATION

By /s/ James R. Arabia
Name James R. Arabia
Title President

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

February 11, 1998

To: All parties of record

RE: Case No. 97-516

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

Helen C. Helton
Executive Director

HCH/hv
Enclosure

Linda D. Dunn
Assistant Corporate Secretary
1409 Weiler Boulevard
Fort Worth, TX 76112

Mr. David L. Chervenak
3712 Lime Kiln Lane
Louisville, KY 40222

Mr. William Blick
33 Adams Belle Court
Perry Park, KY 40363

Honorable David E. Spenard
Assistant Attorney General
1024 Capitol Center Drive
Frankfort, KY 40601 8204

Mr. Wm. F. Conrad
22 Springport Drive
Perry Park, KY 40363

Honorable Richard L. Roeding
Chairman
Senate Republican Caucus
State Capitol Annex
Room 257
Frankfort, KY 40601

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GLENWOOD HALL GOLF & COUNTRY CLUB, WATER & SEWER DIVISION FOR A RATE ADJUSTMENT PURSUANT TO THE ALTERNATIVE RATE FILING PROCEDURE FOR SMALL UTILITIES	)	CASE NO. 97-516

ORDER

On December 22, 1997, Glenwood Hall Golf & Country Club, Water and Sewer Divisions ("Glenwood Hall") filed applications for an increase in water and sewer rates charged to customers. By Commission Order dated January 30, 1998, an informal conference was scheduled for 9:30 a.m., Eastern Standard Time on February 10, 1998 for the purpose of discussing Glenwood's application with all parties of record. Commission Staff prepared a report which contains findings of its financial review of Glenwood Hall's operations. Staff's report was issued by Commission Order dated February 3, 1998. That Order granted all parties no more than 10 days from the date of the Order, or 90 days after the application was filed, whichever is later, to provide written comments regarding the Staff Report or request a hearing.

Commission Staff convened the February 10 informal conference at 9:30 a.m. and adjourned at 10:30 a.m. The only parties of record in attendance were Commission Staff and representatives of Glenwood Hall. The utility indicated that it was requesting an immediate rate increase. With the absence of all intervening parties, the Commission, in the interest of economy and to expedite these proceedings, finds that the holding of two hearings within a short time of each other on the same issues is good cause to

deviate from the requirement of 90 days to provide written comments or request a hearing and finds that any party should provide written comments or request a hearing on or before February 20, 1998.

IT IS THEREFORE ORDERED that:

1. The ordering paragraph of the February 3, 1998 Order be declared null and void.

2. All parties of record must provide written comments regarding the Staff Report or request a hearing on or before February 20, 1998. If no request for a hearing is received, this case will be submitted to the Commission for a decision.

Done at Frankfort, Kentucky, this 11th day of February, 1998.

By the Commission

ATTEST:

Executive Director

97-516

State of Delaware

Office of the Secretary of State

RECEIVED
FEB 10 1998
PUBLIC SERVICE COMMISSION

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE CERTIFICATE OF OWNERSHIP, WHICH MERGES:

"I.C.H. CORPORATION", A DELAWARE CORPORATION,

WITH AND INTO "SOUTHWESTERN LIFE CORPORATION" UNDER THE NAME OF "I.C.H. CORPORATION", A CORPORATION ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF DELAWARE, WAS RECEIVED AND FILED IN THIS OFFICE THE SIXTH DAY OF OCTOBER, A.D. 1995, AT 1 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CORPORATION SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE.

Edward J. Freel, Secretary of State

0837445 8330

981039917

AUTHENTICATION: 8896055

DATE: 02-02-98

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "I.C.H. CORPORATION", FILED IN THIS OFFICE ON THE FOURTH DAY OF APRIL, A.D. 1997, AT 9 O'CLOCK A.M.

Edward J. Freel, Secretary of State

0837445 8100

971443352

AUTHENTICATION: 8830798

DATE: 12-23-97

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 04/04/1997
971110481 - 0837445

CERTIFICATE OF DESIGNATION

of

SERIES A JUNIOR PARTICIPATING PREFERRED STOCK

of

I.C.H. CORPORATION

(Pursuant to Section 151 of the
Delaware General Corporation Law)

I.C.H. Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation as required by Section 151 of the General Corporation Law by unanimous written consent:

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors" or the "Board") in accordance with the provisions of the Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), the Board of Directors hereby creates a series of Preferred Stock, par value $0.01 per share (the "Preferred Stock"), of the Corporation and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

Section 1. Designation and Amount. The shares of this series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 10,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided the Certificate of Incorporation, including any other Certificate of Designations creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, or as otherwise required by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

Section 2. Dividends and Distributions

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any other stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the last day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount (if any) per share (rounded to the nearest cent), subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock, par value $0.01 per share (the "Common Stock"), of the Corporation or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock).

(C) Dividends due pursuant to paragraph (A) of this Section shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled; or

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (as to dividends and upon dissolution, liquidation or winding up) to the Series A Preferred Stock.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein or in the Restated Certificate of Incorporation, including any Certificate of Designations creating a series of Preferred Stock or any similar stock, or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount to be distributed per share to holders of shares of Common Stock plus an amount equal to any accrued and unpaid dividends. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of

Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. Amendment. The Restated Certificate of Incorporation shall not be amended in any manner, including in a merger or consolidation, which would alter, change, or repeal the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

Section 9. Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and upon liquidation, dissolution and winding up, junior to all series of Preferred Stock.

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its President this 3rd day of April, 1997.

I.C.H. CORPORATION

By: /s/ James R. Arabia
Name: James R. Arabia
Title: President

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE COURT ORDERED RESTATED CERTIFICATE OF "I.C.H. CORPORATION", FILED IN THIS OFFICE ON THE TWENTY-FOURTH DAY OF FEBRUARY, A.D. 1997, AT 9 O'CLOCK A.M.

Edward J. Freel, Secretary of State

0837445 8100

971443355

AUTHENTICATION: 8830802

DATE: 12-23-97

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 02/24/1997
971060607 - 0837445

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

I C H CORPORATION

Pursuant to Sections 245 and 303
of the
Delaware General Corporation Law

I C H Corporation, a corporation existing under the laws of the State of Delaware (hereinafter called the "Corporation"), does hereby certify:

FIRST: The name of the Corporation is I C H Corporation.

SECOND: The Corporation was originally incorporated under the name I C H, Inc.

THIRD: The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on April 22, 1977

FOURTH: This Amended and Restated Certificate of Incorporation is being effected pursuant to Sections 245 and 303 of the Delaware General Corporation Law.

Provision for the making of this Amended and Restated Certificate of Incorporation of the Corporation is contained in the First Amended Joint Plan of Reorganization of I C H Corporation, f/k/a Southwestern Life Corporation, f/k/a I C H Corporation, SWL Holding Corporation, f/k/a Life Interests Corporation and Care Financial Corporation, f/k/a Health Interests Corporation, Case Nos. 395-36351 (Chapter 11), 395-36352 (Chapter 11) and 395-36354 (Chapter 11), respectively, under Chapter 11 of the United States Bankruptcy Code, as confirmed by an order of the United States Bankruptcy Court for the Northern District of Texas The bankruptcy petition was filed on October 10, 1995, the confirmation date was January 31, 1997 with an effective date of February 19, 1997

FIFTH: The Certificate of Incorporation is amended and restated in its entirety to read as herein set forth in full

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

I.C.H. CORPORATION

FIRST: The name of the corporation is:

I.C.H. Corporation

SECOND: The address of its registered office in the State of Delaware is c/o United Corporate Services, Inc., 15 East North Street, in the City of Dover, County of Kent, State of Delaware 19901. The name of its registered agent at such address is United Corporate Services, Inc.

THIRD: The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The corporation shall be authorized to issue the following shares:

Class	Number of Shares	Par Value
Common	9,000,000	$0.01
Preferred	1,000,000	$0.01

The designations and the powers, preferences and rights, and the qualifications or restrictions thereof are as follows:

The Preferred shares shall be issued from time to time in one or more series, with such distinctive serial designations as shall be stated and expressed in the resolution or resolutions providing for the issue of such shares as adopted by the Board of Directors; the Board of Directors is expressly authorized to fix the annual rate or rates of dividends for the particular series, the dividend payment dates for the particular series and the date from which dividends on all shares of such series issued prior to the record date for the first dividend payment date shall be cumulative, the redemption price or prices for the particular series, the voting

powers for the particular series, the rights, if any, of holders of the shares of the particular series to convert the same into shares of any other series or class or other securities of the corporation, with any provisions for the subsequent adjustment of such conversion rights, the rights, if any, of the particular series to participate in distributions or payments upon liquidation, dissolution or winding up of the corporation, and to classify or reclassify any unissued preferred shares by fixing or altering from time to time any of the foregoing rights, privileges and qualifications.

All the Preferred shares of any one series shall be identical with each other in all respects, except that shares of any one series issued at different times may differ as to the dates from which dividends thereon shall be cumulative; and all preferred shares shall be of equal rank, regardless of series, and shall be identical in all respects except as to the particulars fixed by the Board as hereinabove provided or as fixed herein.

Notwithstanding anything contained in this Amended and Restated Certificate of Incorporation to the contrary, the Corporation shall not issue nonvoting equity securities to the extent prohibited by Section 1123 of the United States Bankruptcy Code, 11 U.S.C. Section 1123; provided, however, that this provision (i) will have no further force and effect beyond that required by such Section, (ii) will have such force and effect, if any, only for so long as such Section is in effect and applicable to the Corporation and (iii) in all events may be amended or eliminated in accordance with the applicable law as from time to time in effect.

FIFTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

A. The business and affairs of the Corporation shall be managed by or under the direction of the board of directors. In addition to the powers and authority expressly conferred upon them by statute or by this Certificate of Incorporation or the by-laws of the Corporation, the directors are hereby empowered to the fullest extent permitted by law to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

B. The directors of the Corporation are to be elected by written ballot unless the by-laws provide otherwise.

C. Except as otherwise provided in any Preferred Stock Designation, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

D. Special meetings of stockholders of the Corporation may be called only by the Chairman of the Board or the Chief Executive Officer or by the board of directors acting pursuant to a resolution adopted by a majority of the Whole Board for purposes of this Certificate of Incorporation. The term "Whole Board" shall mean the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships.

SIXTH: A. The board of directors shall be comprised of no less than four (4) members and no more than five (5) members. The directors shall be divided into two classes, with the term of office of the first class to expire at the first annual meeting of stockholders following such classification ("Class 1 Directors") and the term of office of the second class to expire at the second annual meeting of stockholders following such classification ("Class 2 Directors"). Class 1 Directors shall be comprised of one (1) member, in the event that the Board consist of four (4) total members, and two (2) members in the event that the Board consists of five (5) total members. Class 2 Directors shall be comprised of three (3) members. At each annual meeting of stockholders following such initial classification, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the second succeeding annual meeting of stockholders after their election.

B. Newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the board of directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall, unless otherwise provided by law or by resolution of the board of directors, be filled only by a majority vote of the directors then in office, though less than a quorum and not by the stockholders, and directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been chosen expires. No decrease in the authorized number of directors shall shorten the term of any incumbent director.

C. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the by-laws of the Corporation.

D. Any directors, or the entire board of directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least two-thirds (2/3) of the voting power of all of the then-outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors voting together as a single class.

SEVENTH: The board of directors is expressly empowered to adopt, amend or repeal by-laws of the Corporation. Any adoption, amendment or repeal of the by-laws of the Corporation by the board of directors shall require the approval of a majority of the Whole Board. The stockholders shall also have power to adopt, amend or repeal the by-laws of the Corporation; provided, however, that, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this certificate of Incorporation, the affirmative vote of the holders of at least seventy-five percent (75%) of the voting power of all of the then-

outstanding shares of the capital stock of the corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the by-laws of the Corporation.

EIGHTH: 1. The affirmative vote of the holders of shares (other than shares held by an Interested Shareholder (as hereinafter defined)) constituting two-thirds of the voting power of the Corporation, given in person or by proxy at a meeting called for such purpose, shall be necessary to approve:

(1) any merger, consolidation or reorganization (as defined in the General Delaware Corporation law) of the Corporation or any Subsidiary (as hereinafter defined) (a) with any Interested Stockholder, (b) with any other corporation (whether or not itself an Interested Stockholder) which is, or after such merger, consolidation or reorganization would be, an affiliate (as hereinafter defined) of an Interested Stockholder or (c) in which an Interested Stockholder, has an interest (except proportionately as a stockholder of the Corporation);

(2) any sale, lease, exchange, mortgage, pledge, transfer or any other disposition (in one transaction or in a series of transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder, or in which an Interested Stockholder has an interest (except proportionately as a stockholder of the Corporation) of all or substantially all of the assets of the Corporation or any Subsidiary;

(3) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or in a series of transactions) of all or substantially all of the assets of an Interested Stockholder, an Affiliate thereof, or an entity in which the Interested Stockholder has an interest, to the Corporation or any Subsidiary;

(4) the issuance, sale, exchange, disposition or other transfer by the Corporation or any Subsidiary (in one transaction or in a series of transactions) of any securities of the Corporation or any Subsidiary to any Interested Stockholder or any Affiliate of any Interested Stockholder (except proportionately to the stockholders of the Corporation or such Subsidiary) in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value (as hereinafter defined) of five million dollars or more;

(5) any reclassification of securities (including any reverse stock split) or recapitalization of the Corporation or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of, or otherwise increasing the voting power over, the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Stockholder or any Affiliate of any Interested Stockholder;

(6) any spin-off, split-off or split-up of the Corporation in which the Interested Stockholder has an interest (other than proportionately as a stockholder); or

(7) any agreement. contract, or other arrangement with an Interested Stockholder (or in which the interested Stockholder has an interest other than proportionately as a stockholder) providing for any of the transactions described in clauses (1) through (6) of this Article Eighth.

The approval required in this Article Eighth, Section 1, shall be required unless all of the conditions of Section 2 of this Article Eighth have been fulfilled. Such affirmative vote shall be required notwithstanding the fact that no vote may be required by law or that a lesser percentage may be specified by law or in any arrangement with any national securities exchange or otherwise. For purposes of this Section 1 "substantially all the assets" shall mean assets having a book value of more than (i) 10% of the book value of the assets of the entity in question, in the case of the Corporation or a Subsidiary and (ii) 90% of the book value of the assets of the entity in question in the case of any other entity.

2. Exceptions. The provisions of Section 1 of this Article Eighth requiring a two-thirds vote of holders of the Company's outstanding voting stock shall not be applicable to any particular Business Transaction (as hereinafter defined) and such Business Transaction shall require only the affirmative vote of the stockholders, if any, as is otherwise required by law, if the Business Transaction shall have been approved expressly by a majority of Continuing Directors (as hereinafter defined) of the Corporation.

3. Definitions. For the purposes of this Article Eighth:

(1) A "Person" shall mean any individual, group, partnership, association; firm, corporation or other entity.

(2) "Interested Stockholder" shall mean any Person (other than the Corporation, any Subsidiary (as defined below), any employee stock ownership or other employee benefit plan of the Corporation or any Subsidiary or any trustee of, or fiduciary with respect to, any such plan when acting in such capacity) who or which (a) is the Beneficial Owner, directly or indirectly, of more than ten percent (10%) of the voting power of the outstanding voting stock of the Corporation; (b) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the Beneficial Owner, directly or indirectly, of more than ten percent (10%) of the voting power of the outstanding voting stock of the Corporation; or (c) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the Beneficial Owner, directly or indirectly, of ten percent (10%) or more of the voting power of the then outstanding voting stock of the Corporation which was at any time within the two year period immediately prior to the date in question beneficially owned by any Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933, as amended. The calculation of the percentage of beneficial ownership shall be made at the following three times, any of which will suffice for purposes of determining that a Beneficial Owner is an Interested Stockholder: (i) at

the time the definitive agreement providing for the Business Transaction (including any amendment thereof) was entered into, (ii) at the time a resolution approving the Business Transaction was adopted by the Board of Directors of the Corporation, or (iii) as of the record date of the Corporation for the determination of stockholders entitled to notice of and to vote on, or to consent to, the Business Transaction.

(3) A Person shall be a "Beneficial Owner" of any voting stock of the Corporation (a) which such Person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly; (b) which such Person or any of its Affiliates or Associates has (1) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or other options, or otherwise, or (2) the right to vote pursuant to any agreement, arrangement or understanding; or (c) which are beneficially owned, directly or indirectly, by any Person with which such Person or any of its Affiliates has any agreement, arrangement or understanding for the purpose of holding, voting or disposing of any shares of such stock.

(4) For the purpose of determining whether a Person is an Interested Stockholder pursuant to Section 3(2), the number of shares of voting stock of the Corporation deemed to be outstanding shall include shares deemed owned through application of Section 3(2) but shall not include any other shares of voting stock of the Corporation which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(5) "Affiliates" or "Associates" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect from time to time. The term "Associate," used to indicate a relationship with a specified person, shall also mean any person who is a director or officer of such specified person or any of its parents or subsidiaries (other than the Corporation or any Subsidiary).

(6) "Subsidiary" shall mean any corporation of which at least a majority of any class or equity security is owned, directly or indirectly, by the Corporation; provided, however, that for the purposes of the definition of Interested Stockholder set forth in Section 3(2), the term "Subsidiary" shall mean only a corporation of which at least a majority of each class of equity securities is owned, directly or indirectly, by the Corporation.

(7) "Fair Market Value" shall mean: (a) in the case of stock, the highest closing sale price during the thirty (30) day period immediately preceding the date in question of a share of such stock on the National Association of Securities Dealers Automated Quotation System ("NASDAQ") or the NASDAQ National Market System, or, if such stock is not quoted on NASDAQ, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act or 1934, as amended, on which such stock is listed, or if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during

the thirty (30) day period immediately preceding the date in question on the NASDAQ, or any system then in use, or if no such quotations are available, the Fair Market Value of such property on the date in question as determined by a majority of Continuing Directors of in good faith.

(8) In the event of any Business Transaction in which the Corporation survives, the phrase "consideration other than cash to be received" as used in subsections (b)(i) and (ii) of Section 2 shall include the Common Shares and/or the shares of any other class of outstanding voting stock retained by the holder of such shares.

(9) "Business Transaction" shall mean any transaction which is referred to in Section 1.

(10) "Voting Power" shall be calculated by multiplying the number of voting shares or other voting securities of the Corporation or the Subsidiary, as the case may be, times the number of votes (or fractional votes) per such share or security to which the holders of such shares or securities are entitled.

(11) "Continuing Director" shall mean any member of the board of directors of the Corporation who (i) is not an Interested Stockholder or an officer of the Corporation and who is not a nominee, an Affiliate or Associate of any such Interested Stockholder or officer or (ii) was prior to his election, recommended for election by a majority of Continuing Directors then on the Board.

4 Determinations by Directors. A majority of Continuing Directors of the Corporation shall have the power and duty to determine for the purpose of this Article, on the basis of information known to them after reasonable inquiry, (a) whether a person is an Interested Stockholder; (b) the number of shares of voting stock of the Corporation of which any Person is the Beneficial Owner; (c) whether a Person is an Affiliate or an Associate of another; (d) whether a Person has an agreement, arrangement or understanding with another as to matters referred to herein; (e) whether the assets in a Business Transaction are "substantially all the assets" of an entity; (f) whether any Business Transaction is one in which an Interested Stockholder has an Interest; (g) whether the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Transaction has an aggregate Fair Market Value of five million dollars or more; and (h) such other matters with respect to which determination is required under this Article.

5. Fiduciary Duties. Nothing contained in this Article shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

6. Amendments. To amend or repeal or adopt any provisions inconsistent with Sections 1 through 6 of this Article Eighth, there shall be required the affirmative vote or (i) the holders of not less than two-thirds of the voting power of the Corporation and of the holders of two-thirds of the Common Shares at the time outstanding voting together as a separate class or (ii) the stockholders of the Corporation as required by law, if the amendment is approved more

than two-thirds of the directors of the Corporation.

7. Section 203. This Article Eighth does not constitute an election not to be governed by Section 203 of the Delaware General Corporation Law.

NINTH: A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

TENTH: Section 1. Right to Indemnification. (a) Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the Corporation, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators and (b) the Corporation shall indemnify in such manner any person who was or is made a party or is threatened to be made a party to a proceeding by reason of the fact that he, she or a person of whom he or she is the legal representative, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or a partnership, joint venture, trust or other enterprise; provided, however, that except as provided in Section 2 of this Article, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. In the event a director or officer of the Corporation shall serve as a director, officer, employee or agent of any corporation, partnership, joint venture, trust or other enterprise in which the Corporation maintains an investment it shall be conclusively presumed for purposes of the indemnification provided for in subsection (b) above that such service has been

undertaken at the request of the Corporation. The foregoing presumption shall apply regardless of whether such director or officer is serving such entity at the request of a third party or that his or her service with such entity was commenced prior to the effectiveness of this Article of the Certificate of Incorporation or prior to his or her becoming an officer or director of the Corporation. The right to indemnification conferred in Subsection (a) above shall be a contract right based upon an offer from the Corporation which shall be deemed to be accepted by such person's service or continued service with the Corporation for any period after the adoption of this Article of the Certificate of Incorporation and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this section or otherwise. The corporation may, by action of its Board of Directors, provide indemnification to employees or agents of the Corporation with the same scope and effect as the foregoing indemnification of directors and officers.

Section 2. Right of Claimant to Bring Suit. If a claim under section 1(a) of this Article is not paid in full by the Corporation within thirty days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful, in whole or in part, the claimant shall be entitled to be paid also the expense (including attorneys' fees) of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the Corporation to indemnity the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard or conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 3. Non-exclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section shall not be exclusive of any other right which any person may have or hereafter acquire

under any statue, provision of the certificate of incorporation, by-law, agreement, vote of stockholders or disinterested directors or otherwise

Section 4 Insurance The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loans, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law

Any repeal or modification of Articles NINTH or TENTH by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification

ELEVENTH: The Corporation reserves the right to amend or repeal any provision contained in this Certificate of Incorporation in the manner prescribed by the laws of the State of Delaware and all rights conferred upon stockholders are granted subject to this reservation; provided, however, that, notwithstanding any other provision of this Certificate of Incorporation or any provision of law that might otherwise permit a lesser vote or no vote, but in addition to any vote of the holders of any class or series of the stock of this Corporation required by law or by this Certificate of Incorporation, the affirmative vote of the holders of at least seventy-five percent (75%) or the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of Directors, voting together as a single class, shall be required to amend or repeal this Article ELEVENTH, Sections C or D of Article FIFTH, Article SIXTH, Article SEVENTH, Article EIGHTH, Article NINTH or Article TENTH.

IN WITNESS WHEREOF, the undersigned Corporation hereby executes this document and affirms that the facts set forth herein are true under the penalties of perjury this 24th day of February, 1997

I.C.H. CORPORATION

By: /s/ James R. Arabia
Name: James R. Arabia
Title: President

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

February 3, 1998

To: All parties of record

RE: Case No. 97-516

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

Helen C. Helton
Executive Director

HCH/hv
Enclosure

Linda D. Dunn
Assistant Corporate Secretary
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Honorable Richard L. Roeding
Chairman
Senate Republican Caucus
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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GLENWOOD HALL GOLF & COUNTRY CLUB, WATER & SEWER DIVISIONS FOR A RATE ADJUSTMENT PURSUANT TO THE ALTERNATIVE RATE FILING PROCEDURE FOR SMALL UTILITIES	)	CASE NO. 97-516

ORDER

On December 22, 1997, Glenwood Hall Golf & Country Club, Water and Sewer Divisions ("Glenwood Hall") filed applications for an increase in water and sewer rates charged to customers. Commission Staff, having performed a limited financial review of Glenwood Hall's operations, has prepared the attached Staff Report containing Staff's findings and recommendations regarding the proposed rates. All parties should review the report carefully and provide any written comments or requests for a hearing no later than 10 days from the date of this Order. On January 30, 1998, the Commission issued an Order scheduling an informal conference for February 10, 1998, at 9:30 a.m., Eastern Standard Time, in Hearing Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky. Commission staff will be available at that time to discuss with those present any issues concerning the information contained in the Staff Report.

IT IS THEREFORE ORDERED that all parties shall have no more than 10 days from the date of this Order, or 90 days after the application was filed, whichever is later, to provide written comments regarding the attached Staff Report or requests for hearing. If no request for a hearing is received, this case will be submitted to the Commission for a decision.

Done at Frankfort, Kentucky, this 3rd day of February, 1998.

By the Commission

ATTEST:

Helen C. Helton

Executive Director

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GLENWOOD HALL RESORT AND COUNTRY CLUB FOR AN ADJUSTMENT OF RATES PURSUANT TO THE ALTERNATIVE RATE FILING PROCEDURE FOR SMALL UTILITIES	)	CASE NO. 97-516

STAFF REPORT

Prepared by: Jack Scott Lawless, CPA
Auditor, Financial Audits Branch
Division of Financial Analysis

Prepared by: Brent Kirtley
Public Utility Rate Analyst
Communications, Water and Sewer
Rate Design Branch
Division of Financial Analysis

STAFF REPORT

ON

GLENWOOD HALL RESORT & COUNTRY CLUB

CASE NO. 97-516

A. Preface

On December 22, 1997, ICH Corp. dba Glenwood Hall Golf & Country Club ("Glenwood") submitted its application to the Kentucky Public Service Commission ("Commission") seeking an increase in rates for water and sewer service pursuant to 807 KAR 5:076, the Alternative Rate Adjustment Procedure for Small Utilities. Glenwood requested and received Commission Staff ("Staff") assistance in preparing its application. In providing this assistance, Brent Kirtley and Scott Lawless of the Commission's Division of Financial Analysis performed a limited financial review of Glenwood's test period operations for the twelve month period ending October 31, 1997. Glenwood did not make any revisions or changes to the recommendations and findings of Staff's limited financial review. In fact, the financial exhibits presented in Glenwood's application are Staff's recommended pro forma operations which supported increases in water and sewer operating revenues of $71,736.54 and $21,080.97, respectively. Staff has prepared this report to summarize its findings of its limited review. Mr. Lawless is responsible for this Staff Report except for the sections relating to operating revenues and rate design which were prepared by Mr. Kirtley.

Scope

The scope of the review was limited to obtaining information as to whether

Glenwood's test period operating revenues and expenses were representative of normal operations. Insignificant or immaterial discrepancies were not pursued and are not addressed herein.

B. Analysis of Operating Revenues and Expenses.

It is Staff's opinion that Glenwood's utility division test year operations were subsidized by another division of Glenwood or by a parent company. Staff's opinion is substantiated by appendices A and B, as attached hereto, wherein water and sewer pro forma present rate net operating losses are shown to be $60,080.31 and $17,154.46, respectively.

WATER DIVISION:

Operating Revenues

Staff conducted a billing analysis using Glenwood's billing records for the twelve month period November 1996 through October 1997. The analysis resulted in total water sales of $25,398.76 for the test period.

Operating Expenses

During Staff's review, Glenwood's test year operating expenses for the water division were determined to be $103,887.28 which Staff proposed to be reduced by $18,408.21 to properly reflect normal operations. Staff's adjustments are explained as follows:

Gasoline:

During the test period an amount of $1,147.03 was paid to Ferrel Gas for the purchase of fuel. This expense was incurred by a separate operating division of

Glenwood but was erroneously charged to the water division. Therefore, this amount has been eliminated from test year operations.

FICA Expense Employer, FUI Expense Employer, SUI Expense Employer, and Workers Compensation:

During the test year Glenwood reported social security taxes, federal unemployment taxes, state unemployment taxes, and workers compensation expenses of $1,001.46, $61.40, $324.75, and $859.86, respectively. Staff has eliminated these amounts from test year operations as they have been included in Staff's pro forma calculation of Salaries and Wages (Benefits) as detailed later in this report.

Professional Fees:

During the test year Glenwood recorded professional fees in the amount of $18,391.83 to which Staff proposed the following adjustments:

1. Legal Fees. Staff eliminated legal fees of $6,138.51 which were incurred for the preparation of an alternative rate filing ("ARF") and research on requesting a Federal Emergency Management Agency ("FEMA") loan. Staff was unable to determine the exact amount paid for the FEMA loan application but was assured by Glenwood's management that the amount was minimal. The majority of the legal fees were incurred for assistance with the preparation of this ARF application, which was eventually provided by Staff. The FEMA loan, which was sought to cover flood damage, was never obtained. Both of these items were nonrecurring, provided no benefit to Glenwood's customers, and should therefore be eliminated from test year operations.
2. Service Fees. During the test year Glenwood recorded expenses associated with

Southwestern Life Corp. and Lone Star, Inc. in the amount of $10,391.40. It is Staff's understanding that Southwestern managed the water operations prior to February 19, 1997 and that Lone Star, Inc. is a sister corporation which provided billing services for the water and sewer operations. Expenses totaling $5,495.90 from Southwestern were actually estimates of future billings for services that could not be documented, while $504.10 was incurred for miscellaneous services such as providing copies of invoices from prior periods and postage. Staff eliminated all of the expenses associated with Southwestern as they were either not actually incurred or represented nonrecurring items that fall outside of the ordinary course of business. Lone Star was paid $4,391.40 during the test year for billing services. The water and sewer divisions are currently performing customer billing services in-house by Glenwood's office employee. Therefore, Staff has eliminated the amounts paid to Lone Star from pro forma operations and included that portion of the employee's payroll costs attributable to performing the billing service. The employee adjustment is included in the Salaries and Wages (Benefits) adjustment as discussed in a following section of this report.

3. Software Development. During the test year Glenwood paid Lightfoot Development $1,561.92 for the development of customer billing software for both the water and sewer divisions. All of the development cost was charged to the water division. Staff decreased test year operations by $1,312.01 to reflect a five year amortization of the total expense and to allocate 20 percent of the amortized amount to the sewer division. The adjustment is detailed as follows:

C.I. Thornburg	191.90
Craig's Rental	134.20
C.I. Thornburg	340.54
Electro Mechanical	1,080.00
C.I. Thornburg	217.30
Lexington Industrial	1,139.40
Lexington Industrial	2,820.90
Lexington Industrial	420.84
McCoy and McCoy	275.00
McCoy and McCoy	44.50
Florence Winwater Works Co.	87.78
USA Blue Book	13.42
USA Blue Book	36.98
USA Blue Book	62.05
Total	13,410.58
Divide by: 5 Years	5.00
Annual Recovery	2,682.12
Less: Test Year	(13,410.58)
Adjustment	$(10,728.46)

3. Nonrecurring Expenses. During its review, Staff determined that Glenwood had expended $13,123.79 for items that were incurred during the ordinary course of business but would not be expected to recur annually. Staff has amortized these items over a 5 year period to spread their cost over a reasonable period of time. The adjustment appears as follows:

Vendor	Description	Amount
Guthrie Sales	Sand	$1,261.44
Kinder Electric	Motor Overhaul	7,085.40
Mainstream Divers	Tank Cleaning	1,845.80
JEBE Co.	Chlorinator	571.15
Kinder Electric	Installation-Pump	1,640.00
Luhn and Oak Co.	Installation-Pump	360.00
Luhn and Oak Co.	Installation-Pump	360.00
Total		13,123.79
Divide by: 5 Years		5.00
Annual Recovery		2,624.76
Less: Test Year		(13,123.79)
Adjustment		(10,499.03)

Amount paid to Lightfoot	$1,561.92
Divide by:	5.00
Annual Recovery	312.39
Times: Percent Allocated to Water Division	.80
Amount Allocated to Water Division	249.91
Less: Test Year	(1,561.92)
Adjustment	(1,312.01)

Repairs and Maintenance:

During the test year Glenwood recorded repairs and maintenance expenses in the amount of $50,146.96 to which Staff proposed the following adjustments:

1. Inappropriate Allocations. Staff reduced test year repairs and maintenance by $1,411.96 which represents amounts that were erroneously allocated to water operations. The following summarizes the individual amounts:

Vendor	Appropriate Division	Amount
Pure Stream	Sewer	$851.96
Rumpke	Dining Hall	220.50
Mr. Rooter	Sewer	339.50
Total		$1,411.96

2. Flood Damage. During the test year Glenwood expended $13,410.58 for flood damage repairs. Staff does not expect these expenses to recur through the ordinary course of business but is of the opinion that they were necessary to maintain the system. Therefore, Staff has decreased test year operations by $10,728.46 to reflect a five year amortization of these expenses. The adjustment is detailed as follows:

Vendor	Amount
Water Works and Industrial Supply	$674.69
USA Blue Book	526.55
Water Works and Industrial Supply	2,726.90
Electro Mechanical	763.25
Lexington Industrial	1,854.38

The balance of expenditures in this account of $22,200.63 were considered to be normal operating expenditures necessary to operate the utility.

Salaries and Wages (Benefits):

Glenwood reported test year salaries and wages in the amount of $15,325.00 which Staff has increased to $31,348.66 to properly reflect payroll and related costs of Glenwood's two employees. Staff's recommended amount includes allocations of the field and office employee's salaries and wages as well as all applicable payroll taxes, workers compensation, and health insurance expenses. All allocation percentages were determined by Staff through discussion with Glenwood's management. The field employee works solely for the utility operations. His payroll and related expenses were allocated 70 and 30 percent to the water and sewer divisions, respectively, which was based upon estimates of time spent performing services for each division. The office employee performs billing services and general office duties for Glenwood's utility divisions as well as general office duties for Glenwood's other divisions. Staff allocated 70 percent of her payroll and related expenses to the utility divisions as most of her time is spent performing customer account duties for utility operations. Staff then allocated those costs 55 percent to water and 45 percent to sewer which was based on the number of customers served by each division at the end of 1996. Detail of Staff's pro forma calculation is as follows:

	Office	Field
Salary	$19,200.00	$27,000.00
FICA	1,468.80	2,065.50
FUI on first $7,000	56.00	56.00
SUI on first $7,000	210.00	210.00
Workers Compensation	1,077.12	1,514.70
Health Insurance	1,200.00	1,200.00
Total	23,211.92	32,046.20
Times: Percent for Utility Divisions	.70	1.00
Amount Allocated to Utilities	16,248.34	32,046.20
Percent Allocated to Water	.55[1]	.70
Amount Allocated to Water	$8,916.32	$22,432.34
Total Allocated to Water	$31,348.66	

Contract Labor:

During the test period Glenwood paid contract labor in the amount of $627 for maintenance of its utility system before it hired a field employee. Since Glenwood now has an employee to perform all maintenance labor, the contract labor will not recur and has therefore been eliminated from test year operations.

Supplies:

Glenwood reported test year supplies expense of $6,260.42. During Staff's review it was determined that $1,157.20 of that amount was paid to Water Works and Industrial Supply for flood damage repairs. Staff has amortized this amount over a five year period just as was done previously in this report for flood damage expenses that were charged to the repairs and maintenance expense account. The adjustment necessary to reflect this amortization is a decrease in test year operations of $925.76 which is calculated as follows:

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[1] Actual factor used was 54.8753 percent.

Test year expense	$1,157.20
Divide by: 5 years	5.00
Annual Recovery	231.44
Less: Test Year	(1,157.20)
Adjustment	$(925.76)

Utilities-Electric:

During the test year Glenwood reported purchased power for pumping of $8,265.72. Staff was unable to readily determine how this amount was accrued. Therefore, Staff had to compile a test year purchased power for pumping expense from reviewing vendor's invoices as paid by Glenwood from February 19, 1997 through October 31, 1997. Staff choose February 19 as its cutoff date as this was when Glenwood's current management took over operations and electric invoices were readily available. During review, Staff observed two electric accounts that were paid by Glenwood which were incurred as a result of water pumping and should accordingly be charged to water operations. Staff calculated an annual amount of purchased power for pumping expense of $17,607.96 to be included in pro forma operations as follows:

Analysis of Accounts:

	Account 1	Account 2
Total Paid	$8,035.37	$4,596.09
Divide by: Number of payments in amount paid	9.00	8.00
Average Payment[2]	892.81	574.51
Annualize	12.00	12.00
Pro forma	$10,713.83	$6,894.13
Total Pro forma	$17,607.96	

[2] Decimal point carried out 4 places in actual calculation of average payment.

The difference between test year and pro forma purchased power expense is due to there being fewer than twelve months of invoices reflected in the test year amount and inappropriate allocations of test year purchase power expenditures to other divisions of Glenwood.

Depreciation:

During the test year Glenwood purchased a water pump at a cost of $8,890.00 which it chose to capitalize and depreciate over a five year period. Staff agrees with such treatment recognizing that a five year period is an adequate amount of time to recover such an expenditure. However, Glenwood recorded depreciation for only one month on this pump during the test year. Staff has adjusted test year depreciation expense to reflect a full year of depreciation by increasing test year operating expenses by $1,654.52. The adjustment is detailed as follows:

Cost of pump	$8,890.00
Divide by: 5 Years	5.00
Annual Recovery	1,778.00
Less: Test Year	(123.48)
Adjustment	$1,654.52

Operations Summary

Based on Staff's recommendations as contained in this report, Glenwood's water division pro forma operating statement would appear as presented in Appendix A.

SEWER DIVISION:

Operating Revenues

Staff analyzed billing information provided by Glenwood for the months during the test period. There are 185 sewer customers paying a flat rate of $4.00 per month,

resulting in normalized operating revenue of $8,880.

Operating Expenses

During Staff's review, Glenwood's test year operating expenses for the sewer division were determined to be $11,606.20 which Staff proposed to increase by $14,428.26 to properly reflect normal operations. Staff's adjustments are explained as follows:

Salaries and Wages (Benefits):

During the test year Glenwood did not record an amount for salaries and wages for sewer operations. However, as previously discussed in this report, Staff has allocated $16,945.88 to sewer operations for payroll and related costs. This amount is calculated as follows:

Payroll Costs Allocated to Utility Operations for:	
Field Employee	$32,046.20
Office Employee	16,248.34
Total	48,294.54
Less: Amount Allocated to Water Division	(31,348.66)
Amount Allocated to Sewer Division	$16,945.88

For further explanation and detail as to payroll cost calculations and allocation procedures, please refer to the Water Division's Operating Expenses section of this report where Salaries and Wages (Benefits) were calculated and detailed.

Repairs and Maintenance:

During the test year Glenwood recorded repairs and maintenance expenses in the amount of $7,103.80 to which Staff proposed the following adjustments:

1. Flood Damage. During the test year Glenwood expended $2,370.94 for flood damage repairs. Staff does not expect these expenses to recur through the

ordinary course of business but is of the opinion that they were necessary to maintain the system. Therefore, Staff has decreased test year operations by $1,896.75 to reflect a five year amortization of these expenses. The adjustment is detailed as follows:

Vendor	Amount
Tom Stewart	$691.00
Electro Mechanical	1,679.94
Total	2,370.94
Divide by: 5 Years	5.00
Annual Recovery	474.19
Less: Test Year	(2,370.94)
Adjustment	$(1,896.75)

2. Nonrecurring Expenses. During its review Staff determined that Glenwood had expended $1,656.00 for items from Kinder Electric that were incurred during the ordinary course of business but would not be expected to recur annually. Staff has amortized these items over a 5 year period to spread their cost over a reasonable period of time. The adjustment appears as follows:

Amount Expended for Blower Unit	$1,656.00
Divide by: 5 Years	5.00
Annual Recovery	331.20
Less: Test Year	(1,656.00)
Adjustment	$(1,324.80)

It should be noted that the corresponding adjustment in Glenwood's application for these nonrecurring expenses is not identical to the adjustment contained herein as an error was made in the calculation included in the application. The effect of this error results in a revenue requirement that is $376.36 less than that which was requested in Glenwood's application.

3. Software Development. During the test year Glenwood paid Lightfoot

Development $1,561.92 for the development of customer billing software for both the water and sewer divisions. All of the development cost was charged to the water division. Staff increased test year operations by $62.48 to allocate 20 percent of the five year amortization of this expense to the sewer division.

4. Inappropriate Allocations. Staff increased test year repairs and maintenance by a total of $509.89 which represents amounts that should have been allocated to sewer operations but were erroneously allocated to water operations. This amount consists of a 5 year amortization of the $851.96 paid to Pure Stream for flood damage which accounts for $170.39 of the total adjustment. The remaining $339.50 was paid to "Mr. Rooter" for sewer line cleaning.

Utilities - Electric:

Staff observed five electric accounts that should be allocated to sewer operations. Staff performed the same calculation on the sewer accounts as was done on the water accounts. This calculation provided a pro forma purchased power expense of $4,633.96 which required an increase to test year operations of only $131.56. Due to the insignificance of this adjustment, Staff has not included detailed calculations herein.

Operations Summary

Based on Staff's recommendations as contained in this report. Glenwood's sewer division pro forma operating statement would appear as presented in Appendix B.

C. Revenue Requirements Determination

This Commission frequently determines revenue requirements for small, privately-owned utilities using an 88% operating ratio and has deemed this method appropriate

in this case. By applying this approach Glenwood's water and sewer divisions revenue requirements were determined to be $97,135.30 and $29,584.61, respectively. Detail of these calculations is provided in Appendix C of this report.

D. Rate Design

Glenwood's present rate design structure for the water division consists of a declining block schedule that includes eight rate increments. However, the customer base is almost entirely residential in nature with an approximate average monthly usage of 2,200 gallons per customer. After reviewing the customer usage patterns, Staff recommends reducing the number of increments to three. Appendix D includes the results of a cost of service study that was conducted to properly allocate the cost of providing service to each usage increment. The rates in Appendix E will generate the required operating revenue from water rates of $97,135.30.

The current rate structure for the sewer division is a monthly flat rate charge. At present, there is no compelling evidence to alter the rate design. The recommended rates in Appendix F will generate the required operating revenue from sewer rates of $29,584.61.

E. Other

Staff is aware of speculation that Glenwood's water division may be taken over and operated by an entity who currently provides water service in Glenwood's vicinity. There has been no evidence filed with this Commission to confirm such speculation. Therefore, the findings and conclusions of this report are based upon only known and measurable adjustments, and have been drawn independent of such speculation.

However; it should be noted, by all parties involved, that the Commission's approval must be obtained prior to a utility's transfer of assets, construction of utility plant, or charge of construction fee.

This report includes rates to be charged for water and sewer service that Staff considers to be reasonable based on Glenwood's pro forma operations. However, Staff considered an alternative rate structure wherein the flood damage expenses, as noted throughout this report, would be recovered through a surcharge instead of being included in the calculation of Glenwood's general rates for utility service. In the past, this Commission has approved surcharges to cover expenditures incurred due to extraordinary events. The attractive feature of a surcharge is that the effective rates paid by a customer decrease with no further rate proceedings once the surcharge has been fully collected. Staff is of the opinion that the flood damage expenses as included in Glenwood's pro forma operating statements were the result of an extraordinary event and could be collected through a surcharge. However, it is also Staff's opinion that such a surcharge is not warranted in this case as the impact on the general rates for service would be quite minimal and would not justify the increased administrative costs incurred as a result of implementing and accounting for such a surcharge. Staff has calculated the surcharges for water and sewer service as follows:

Flood Damage Expenses	Water	Sewer
Repairs and Maintenance	$13,410.58	$2,370.94
		851.96
Supplies	1,157.20	
Total	14,567.78	3,222.90
Divide by: 5 years	5.00	5.00
Annual Recovery	2,913.56	644.58
Divide by: 12 months	12.00	12.00
Monthly Recovery	242.80	53.72
Divide by: Number of Customers	228.00	185.00
Monthly Surcharge	$1.07	$.29

If the surcharge calculated above were to be approved by this Commission, the rates included in this report would be reduced so that the average customer's water and sewer bill for utility service (excluding the monthly surcharge) would be decreased by approximately $1.22 and $.33, respectively, which is calculated as follows:

	Water	Sewer
Monthly Surcharge	$1.07	$.29
Divide by: .88 Operating Ratio	.88	.88
Approximate Impact on Average Bill	$1.22	$.33

The surcharges would be charged for five years or until the full amount of the flood damage expenses have been collected.

Signatures

Prepared by: Jack Scott Lawless, CPA
Auditor, Financial Audits Branch
Division of Financial Analysis

Prepared by: Brent Kirtley
Public Utility Rate Analyst
Communications, Water and Sewer
Rate Design Branch
Division of Financial Analysis

APPENDIX A
STAFF REPORT CASE NO. 97-516
PRO FORMA OPERATING STATEMENT (WATER DIVISION)

	Test Year 12 months Ended 10/31/97	Adjustments	Pro forma Operations	Adjustments	Pro forma Operations Proposed Rates
Operating Revenues					
Metered Water Sales	25,398.76		25,398.76	71,736.54	97,135.30
Operating Expenses					
Gasoline	1,147.03	(1,147.03)	0.00		0.00
Licenses and Fees	110.00		110.00		110.00
FICA Expense Employer	1,001.46	(1,001.46)	0.00		0.00
FUI Expense Employer	61.40	(61.40)	0.00		0.00
SUI Expense Employer	324.75	(324.75)	0.00		0.00
Workers Compensation	859.86	(859.86)	0.00		0.00
Professional Fees	18,391.83	(6,138.51)			
		(10,391.40)			
		(1,312.01)	549.91		549.91
Postage	33.23		33.23		33.23
Recruiting Expense	88.96		88.96		88.96
Repairs and Maintenance	50,146.96	(1,411.96)			
		(10,728.46)			
		(10,499.03)	27,507.50		27,507.50
Salaries and Wages (Benefits)	15,325.00	(15,325.00)			
		31,348.66	31,348.66		31,348.66
Contract Labor	627.00	(627.00)	0.00		0.00
Supplies	6,260.42	(925.76)	5,334.66		5,334.66
Telephone	249.00		249.00		249.00
Auto and Travel	176.31		176.31		176.31
Miscellaneous and General	507.19		507.19		507.19
Utilities - Electric	8,265.72	9,342.24	17,607.96		17,607.96
Utilities - Gas	187.68		187.68		187.68
Depreciation	123.48	1,654.52	1,778.00		1,778.00
Total Operating Expenses	103,887.28	(18,408.21)	85,479.07	0.00	85,479.07
Net Operating Income	(78,488.52)	18,408.21	(60,080.31)	71,736.54	11,656.24

APPENDIX B
STAFF REPORT CASE NO. 97-516
PRO FORMA OPERATING STATEMENT (SEWER DIVISION)

	Test Year 12 months Ended 10/31/97	Adjustments	Pro forma Operations	Adjustments	Pro forma Operations Proposed Rates
Operating Revenues					
Flat Rate Revenues	8,880.00		8,880.00	20,704.61	29,584.61
Operating Expenses					
Salaries and Wages (Benefits)		16,945.88	16,945.88		16,945.88
Repairs and Maintenance	7,103.80	(1,896.75)			
		(1,324.80)			
		62.48			
		170.39			
		339.50	4,454.62		4,454.62
Utilities - Electric	4,502.40	131.56	4,633.96		4,633.96
Total Operating Expenses	11,606.20	14,428.26	26,034.46	0.00	26,034.46
Net Operating Income	(2,726.20)	(14,428.26)	(17,154.46)	20,704.61	3,550.15

APPENDIX C
STAFF REPORT NO. 97-516
CALCULATION OF REVENUE REQUIREMENTS

	Water Division	Sewer Division
Operating Expenses	85,479.09	26,034.46
Divide by: 88 Percent Operating Ratio	88%	88%
Revenue Required	97,135.33	29,584.61
Less: Operating Expenses	(85,479.09)	(26,034.46)
Net Operating Income	11,656.24	3,550.15

APPENDIX D
STAFF REPORT CASE 97-516
COST OF SERVICE STUDY
WATER DIVISION

	TOTAL	COMMODITY	DEMAND	CUSTOMER
Salaries and Wages	31,349		22,432	8,917
Postage	33			33
Recruiting expense	89			89
Repairs and Maintenance	27,508		27,508	
Electric	17,608	17,608		
Operating Ratio	11,656		5,828	5,828
Sub-Total	88,243	17,608	55,768	14,867
Allocation Percentage	100.00%		78.95%	21.05%
License & Fees	110		87	23
Professional Fees	550		434	116
Supplies	5,335		4,212	1,123
Telephone	249		197	52
Travel	176		139	37
Gas	188		148	40
Miscellaneous	507		400	107
Sub-Total	7,115		5,617	1,498
Total Operation and Maintenance	95,358	17,608	61,385	16,365
Allocation Percentage	100.00%		95.00%	5.00%
Depreciation Expense	1,778		1,689	89
REVENUE REQUIRED FROM RATES	97,136	17,608	63,075	16,453

	total gallons	first 2,000	next 8,000	over 10,000
Actual Usage	5,882,980	2,680,215	2,444,586	758,179
	100.00%	45.56%	41.55%	12.89%
Weighted Usage	7,834,234	4,020,323	3,055,733	758,179
	100.00%	51.32%	39.00%	9.68%
COMMODITY	17,608	8,022	7,317	2,269
DEMAND	63,075	32,368	24,602	6,104
		40,390	31,919	8,373
CUSTOMER		16,453		
Customer Allocation		56,844		
Number of Bills		2,701		

	first 2,000	next 8,000	over 10,000	
PROPOSED RATE SCHEDULE	**21.05**	**13.06**	**11.04**	
	minimum bill	per 1000 gallons	per 1000 gallons	
	56,843.64	31,918.89	8,373.47	$97,136.00

APPENDIX E
STAFF REPORT CASE 97-516
RECOMMENDED RATES
WATER DIVISION

RECOMMENDED RATES

First	2,000 Gallons	$21.05	Minimum Bill
Next	8,000 Gallons	13.06	Per 1,000 Gallons
Over	10,000 Gallons	11.04	Per 1,000 Gallons

APPENDIX F
STAFF REPORT CASE 97-516
RECOMMENDED RATES
SEWER DIVISION

RECOMMENDED RATE

Monthly Bill	$13.50

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

January 30, 1998

To: All parties of record

RE: Case No. 97-516

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

Helen C. Helton
Executive Director

HCH/hv
Enclosure

Linda D. Dunn
Assistant Corporate Secretary
1409 Weiler Boulevard
Fort Worth, TX 76112

Mr. David L. Chervenak
3712 Lime Kiln Lane
Louisville, KY 40222

Mr. William Blick
33 Adams Belle Court
Perry Park, KY 40363

Honorable David E. Spenard
Assistant Attorney General
1024 Capitol Center Drive
Frankfort, KY 40601 8204

Mr. Wm. F. Conrad
22 Springport Drive
Perry Park, KY 40363

Honorable Richard L. Roeding
Chairman
Senate Republican Caucus
State Capitol Annex
Room 257
Frankfort, KY 40601

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GLENWOOD HALL GOLF & COUNTRY CLUB, WATER & SEWER DIVISIONS FOR A RATE ADJUSTMENT PURSUANT TO 807 KAR 5:076 FOR SMALL UTILITIES	)))))	CASE NO. 97-516

O R D E R

On December 22, 1997, Glenwood Hall Golf & Country Club, Water & Sewer Divisions ("Glenwood Hall"), filed applications for an increase in water and sewer rates charged to customers.

KRS 278.180(1) states that:

> "no change shall be made by any utility in any rate except upon thirty (30) days' notice to the commission . . . stating plainly . . . the time when the changed rates will go into effect."

KRS 278.190(2) provides for, pending a hearing on the proposed rate, the suspension of the proposed rate schedule and to defer the rate use for a period of 5 months. The statute also provides for a hearing to grant interim rates pending the final hearing on the rate increase, if requested.

Glenwood Hall's applications contain schedules and the proposed rate increases along with wording indicating that it is seeking emergency rate relief "effective immediately." The applications also state that the companies "operations will be materially impaired or damaged by the failure to permit the rates to become effective during the period of review."

Based upon the representations in the applications, the Commission finds that Glenwood Hall's request for interim rate relief should be suspended until further orders of the Commission.

The prior tariff filing for Glenwood Hall indicates there is a corporation operating under an assumed name or names.[1] An April 1995 filing indicated that the corporation is Southwestern Life Corporation d/b/a Glenwood Hall Resort & Country Club. 807 KAR 5:001, Section 8(3), requires a corporation to file its articles of incorporation and certificate of existence with the Commission, or reference by style and case number where they may be found if previously filed with the Commission. The applications do not refer to any previous case by style or number indicating where the articles may be found. The Commission must have the clear and concise name of the utility filing to avoid confusion by the Commission and consumers.

IT IS THEREFORE ORDERED that:

1. The proposed rates filed by Glenwood Hall are suspended until further orders of the Commission.

2. An informal conference on Glenwood Hall's request for interim rates shall be held on February 10, 1998 at 9:30 a.m., Eastern Standard Time, in Hearing Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky.

3. Glenwood Hall shall file with the Commission, within 10 days from the date of this Order, the following:

---

[1] The August 1991 tariff filing uses the name "I.C.H. Corporation d/b/a Glenwood Hall Resort and Country Club a/k/a Perry Park Resort."

a. Designation of the complete name of the filing utility.

b. Articles of incorporation and, if operating under an assumed name, a copy of the certificate of the assumed name as filed with the Kentucky Secretary of State.

c. A short account of the status or history of any corporate transfer, reorganization or restructure concerning this utility prior to February 19, 1997.

Done at Frankfort, Kentucky, this 30th day of January, 1998.

By the Commission

ATTEST:

Executive Director

97-516

File

RICHARD L. "DICK" ROEDING, R.Ph.

11th Senate District
2534 Kearney Court
Lakeside Park, Kentucky 41017
Home: (606) 331-1684
Fax: (606) 331-1238

Senate Republican Caucus Chairman

State Capitol Annex
Room 257
Frankfort, Kentucky 40601
(502) 564-2450
Message Number 1-800-372-7181
droeding@mail.lrc.state.ky.us

January 23, 1998

Ms. Helen C. Helton
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

Re: Glenwood Hall Resort and Country Club
PSC Docket No. 97-516

Dear Ms. Helton:

This letter is written to request that I be added to the service list for receipt of all future orders and other documents which may be issued in the above-referenced matter. I would appreciate it if you could take such steps as may be necessary to cause this to be done. If any further action is needed or required as far as I am concerned, please let me know.

Sincerely,

Richard L. Roeding

Richard L. "Dick" Roeding, R.Ph.
Senate Republican Caucus Chairman

RECEIVED
JAN 26 1998
PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

January 23, 1998

To: All parties of record

RE: Case No. 97-516

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

Helen C. Helton
Executive Director

HCH/jm
Enclosure

Linda D. Dunn
Assistant Corporate Secretary
1409 Weiler Boulevard
Fort Worth, TX 76112

Mr. David L. Chervenak
3712 Lime Kiln Lane
Louisville, KY 40222

Mr. William Blick
Chairperson
Utilities Committee
Perry Park Resident Owners Assn.
P. O. Box 92
Perry Park, KY 40363

Honorable David E. Spenard
Assistant Attorney General
1024 Capitol Center Drive
Frankfort, KY 40601 8204

Mr. Wm. F. Conrad
22 Springport Drive
Perry Park, KY 40363

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GLENWOOD HALL RESORT AND COUNTRY CLUB FOR AN ADJUSTMENT OF RATES PURSUANT TO THE ALTERNATIVE RATE FILING PROCEDURE FOR SMALL UTILITIES	)	CASE NO. 97-516

O R D E R

This matter arising upon the motion of William F. Conrad for full intervention, and it appearing to the Commission that Mr. Conrad has a special interest which is not otherwise adequately represented, and that such intervention is likely to present issues and develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings, and this Commission being otherwise sufficiently advised,

IT IS HEREBY ORDERED that:

1. The motion of William F. Conrad to intervene is granted.

2. Mr. Conrad shall be entitled to the full rights of a party and shall be served with the Commission's Orders and with filed testimony, exhibits, pleadings, correspondence, and all other documents submitted by parties after the date of this Order.

3. Should Mr. Conrad file documents of any kind with the Commission in the course of these proceedings, he shall also serve a copy of said documents on all other parties of record.

Done at Frankfort, Kentucky, this 23rd day of January, 1998.

By the Commission

ATTEST:

Executive Director

97-576

January 6, 1998

RECEIVED
JAN - 8 1998
PUBLIC SERVICE COMMISSION

Executive Director
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Ky. 40602

I, William F. Conrad respectfully request leave to intervene by motion to strongly oppose the proposed water supply and accompanying fees; and I further oppose the proposed water and sewer rate hikes set forth by Glenwood Hall Golf and country Club Sewer and Water Division as submitted by Perry Park Resort, Inc.

A. EXCESSIVE SUPPLY

1. Do We actually need a new sorce ? Answer, No.
2. Present water plant is a well constructed brick and concrete structure with recent improvements and has delivered clean water for the past few months.
3. Present water has not been reported as contaminated in recent months
4. To the Residents of Glenwood Hall, an additional water supply is redundant and expensive ($388. per user) . The $100,000. total charge for Carroll County "hook up " includes UNequal users of water such as the Club House, Swimming Pool and Restaurant which are private business and large consumers of water. In other words "cost shifting to Residents.
5. "cost shifting" also applies to sewer costs. There are several sewer systems in this complex; at least 2 sytems inthe Mobile Home area, 1 or more systems in Club House area and 1 system in the River/Lake area to which most of the Swan Court, Inverness and Springport Housings are serviced. Again the Businesses are bundled with the Residences.

B. Exessive Rates

To increase water bills for Residences 323.8 % for 2000 gallons and to 857 % for each 1000 gallons more, is rediculous, outrageous, and unwarranted & unwise.

To increase sewer rates 337% is likewise unjust.

I'm not a newcomer to this residence which I built, held and lived in for the past 27 years. My Wife and I pioneered this place and I worked more than 5 years in Owenton since retirement from the U.S. Navy.

I STRONGLY OPPOSE THE PROBOSED RATE HIKES & CARROLL COUNTY WATER AND HOOK UP FEES.

RESPECTFULLY SUBMITTED,

William F. Conrad

William F. Conrad
22 Springport Drive
Perry Park, Ky. 40363

97-516

file

RECEIVED
JAN 20 1998
PUBLIC SERVICE COMMISSION

HELEN C. HELTON.
EXECUTIVE DIRECTOR.

THIS IS IN RESPONSE TO YOUR LETTER WE RECEIVED JAN 15TH YOU SENT ON JAN 6TH 1998 REGARDING GLENWOOD HALL RESORT + COUNTRY CLUB CASE # 97-516.

PLEASE SEND US ALL THE COPIES OF THE MEETINGS THAT ARE POSSIBLE UNDER THE LAW IN KENTUCKY. WE DO NOT THINK THAT THEY HAVE THE RITE TO RAISE THE PRICE FOR THE WATER IN ANY WAY. THANK YOU FOR YOUR HELP IN THIS MATTER.

Dick Blank.
Barbara Blank

PO BOX 87
PERRY PARK-KY 40363.

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

January 16, 1998

Mr. and Mrs. David Burdette
45 Springport Drive
Box 116
Perry Park, Kentucky 40363

Re: Case No. 97-516
Glenwood Hall Resort & Country Club

Dear Mr. and Mrs. Burdette:

This is in response to your letter received January 12 regarding your concerns in the above-mentioned case. Your letter is being treated as an official protest and will be placed in the case file of this proceeding. The Commission will carefully analyze this case. However, if you wish to actually participate in the proceeding, including any hearing which may be held, you must file a motion to intervene with the Commission.

Attached is a copy of Commission regulations concerning intervention. If you request limited intervention and your request is granted, you will receive copies of all Commission Orders entered in this case. You will not, however, be served with filed testimony, exhibits, pleadings, correspondence or other documents submitted by the parties. If you wish such information, you must request and be granted full intervention. If you are granted intervention and wish to request a hearing, you should file such a request with the Executive Director.

The Attorney General's Office for Rate Intervention, which represents consumers' interests, may be able to assist you. You may contact them at (502)696-5453 to inquire whether there will be a representative from that office participating in this case.

Thank you for your interest and concern in this matter.

Sincerely,

Helen C. Helton
Executive Director

hv
Attachment

AN EQUAL OPPORTUNITY EMPLOYER M/F/D

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

January 16, 1998

Mr. Lou Cahill
3153 David Court
Edgewood, Kentucky 41017

Re: Case No. 97-516
Glenwood Hall Resort & Country Club

Dear Mr. Cahill:

This is in response to your letter received January 12 regarding your concerns in the above-mentioned case. Your letter is being treated as an official protest and will be placed in the case file of this proceeding. The Commission will carefully analyze this case. However, if you wish to actually participate in the proceeding, including any hearing which may be held, you must file a motion to intervene with the Commission.

Attached is a copy of Commission regulations concerning intervention. If you request limited intervention and your request is granted, you will receive copies of all Commission Orders entered in this case. You will not, however, be served with filed testimony, exhibits, pleadings, correspondence or other documents submitted by the parties. If you wish such information, you must request and be granted full intervention. If you are granted intervention and wish to request a hearing, you should file such a request with the Executive Director.

The Attorney General's Office for Rate Intervention, which represents consumers' interests, may be able to assist you. You may contact them at (502)696-5453 to inquire whether there will be a representative from that office participating in this case.

Thank you for your interest and concern in this matter.

Sincerely,

Helen C. Helton
Executive Director

hv
Attachment

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

January 16, 1998

Mr. and Mrs. Jerry Schlorman
5916 Hazel Drive
Florence, Kentucky 41042

Re: Case No. 97-516
Glenwood Hall Resort & Country Club

Dear Mr. and Mrs. Schlorman:

This is in response to your letter received January 9 regarding your concerns in the above-mentioned case. Your letter is being treated as an official protest and will be placed in the case file of this proceeding. The Commission will carefully analyze this case. However, if you wish to actually participate in the proceeding, including any hearing which may be held, you must file a motion to intervene with the Commission.

Attached is a copy of Commission regulations concerning intervention. If you request limited intervention and your request is granted, you will receive copies of all Commission Orders entered in this case. You will not, however, be served with filed testimony, exhibits, pleadings, correspondence or other documents submitted by the parties. If you wish such information, you must request and be granted full intervention. If you are granted intervention and wish to request a hearing, you should file such a request with the Executive Director.

The Attorney General's Office for Rate Intervention, which represents consumers' interests, may be able to assist you. You may contact them at (502)696-5453 to inquire whether there will be a representative from that office participating in this case.

Thank you for your interest and concern in this matter.

Sincerely,

Helen C. Helton
Executive Director

hv
Attachment

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

January 16, 1998

Mr. Robert F. Wesselman, President
Perry Park Resort Owners Association
P. O. Box 112
Perry Park, Kentucky 40363

Re: Case No. 97-516
Glenwood Hall Resort & Country Club

Dear Mr. Wesselman:

This is in response to your letter received January 8 regarding your concerns in the above-mentioned case. Your letter is being treated as an official protest and will be placed in the case file of this proceeding. The Commission will carefully analyze this case. However, if you wish to actually participate in the proceeding, including any hearing which may be held, you must file a motion to intervene with the Commission.

Attached is a copy of Commission regulations concerning intervention. If you request limited intervention and your request is granted, you will receive copies of all Commission Orders entered in this case. You will not, however, be served with filed testimony, exhibits, pleadings, correspondence or other documents submitted by the parties. If you wish such information, you must request and be granted full intervention. If you are granted intervention and wish to request a hearing, you should file such a request with the Executive Director.

The Attorney General's Office for Rate Intervention, which represents consumers' interests, may be able to assist you. You may contact them at (502)696-5453 to inquire whether there will be a representative from that office participating in this case.

Thank you for your interest and concern in this matter.

Sincerely,

Helen C. Helton
Executive Director

hv
Attachment

AN EQUAL OPPORTUNITY EMPLOYER M/F/D

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

January 16, 1998

Mr. and Mrs. Arlynn L. Harroff
11013 Fairway Pointe Drive
Louisville, Kentucky 40241-3415

Re: Case No. 97-516
Glenwood Hall Resort & Country Club

Dear Mr. and Mrs. Harroff:

This is in response to your letter received January 9 regarding your concerns in the above-mentioned case. Your letter is being treated as an official protest and will be placed in the case file of this proceeding. The Commission will carefully analyze this case. However, if you wish to actually participate in the proceeding, including any hearing which may be held, you must file a motion to intervene with the Commission.

Attached is a copy of Commission regulations concerning intervention. If you request limited intervention and your request is granted, you will receive copies of all Commission Orders entered in this case. You will not, however, be served with filed testimony, exhibits, pleadings, correspondence or other documents submitted by the parties. If you wish such information, you must request and be granted full intervention. If you are granted intervention and wish to request a hearing, you should file such a request with the Executive Director.

The Attorney General's Office for Rate Intervention, which represents consumers' interests, may be able to assist you. You may contact them at (502)696-5453 to inquire whether there will be a representative from that office participating in this case.

Per your request we are enclosing a copy of the application filed in this case. Thank you for your interest and concern in this matter.

Sincerely,

Helen C. Helton
Executive Director

hv
Attachment

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

January 15, 1998

To: All parties of record

RE: Case No. 97-516

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

Helen C. Helton
Executive Director

HCH/hv
Enclosure

Linda D. Dunn
Assistant Corporate Secretary
1409 Weiler Boulevard
Fort Worth, TX 76112

Mr. David L. Chervenak
3712 Lime Kiln Lane
Louisville, KY 40222

Mr. William Blick
Chairperson
Utilities Committee
Perry Park Resident Owners Assn.
P. O. Box 92
Perry Park, KY 40363

Honorable David E. Spenard
Assistant Attorney General
1024 Capitol Center Drive
Frankfort, KY 40601 8204

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GLENWOOD HALL RESORT AND COUNTRY CLUB FOR AN ADJUSTMENT OF RATES PURSUANT TO THE ALTERNATIVE RATE FILING PROCEDURE FOR SMALL UTILITIES	)	CASE NO. 97-516

O R D E R

This matter arising upon the motion of the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("Attorney General"), filed January 12, 1998, pursuant to KRS 367.150(8) for full intervention as a party, such intervention being authorized by statute, and this Commission being otherwise sufficiently advised,

IT IS HEREBY ORDERED that the motion is granted and the Attorney General is hereby made a party to these proceedings.

Done at Frankfort, Kentucky, this 15th day of January, 1998.

By the Commission

ATTEST:

Executive Director

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

January 14, 1998

Linda D. Dunn
Assistant Corporate Secretary
1409 Weiler Boulevard
Fort Worth, TX. 76112

Mr. David L. Chervenak
3712 Lime Kiln Lane
Louisville, KY. 40222

Mr. William Blick
Chairperson
Utilities Committee
Perry Park Resident Owners Assn.
P. O. Box 92
Perry Park, KY. 40363

RE: Case No. 97-516

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

Helen C. Helton
Executive Director

HCH/hv
Enclosure

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GLENWOOD HALL RESORT AND COUNTRY CLUB FOR AN ADJUSTMENT OF RATES PURSUANT TO THE ALTERNATIVE RATE FILING PROCEDURE FOR SMALL UTILITIES	)	CASE NO. 97-516

O R D E R

This matter arising upon the motions of David L. Chervenak and William Blick for full intervention, and it appearing to the Commission that Mr. Chervenak and Mr. Blick have a special interest which is not otherwise adequately represented, and that such intervention is likely to present issues and develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings, and this Commission being otherwise sufficiently advised,

IT IS HEREBY ORDERED that:

1. The motions of David L. Chervenak and William Blick to intervene are granted.

2. Mr. Chervenak and Mr. Blick shall be entitled to the full rights of a party and shall be served with the Commission's Orders and with filed testimony, exhibits, pleadings, correspondence, and all other documents submitted by parties after the date of this Order.

3. Should either Mr. Chervenak or Mr. Blick file documents of any kind with the Commission in the course of these proceedings, they shall also serve a copy of said documents on all other parties of record.

Done at Frankfort, Kentucky, this 14th day of January, 1998.

By the Commission

ATTEST:

Executive Director

RECEIVED

JAN 1 2 1998

PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION FOR A RATE ADJUSTMENT FOR	)	
THE WATER AND SEWER RATES OF THE	)	CASE NO. 97-516
GLENWOOD HALL GOLF AND COUNTY CLUB	)	

MOTION TO INTERVENE

Comes now the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, pursuant to KRS 367.150(8), and moves to intervene in the above-styled proceeding. The Attorney General requests that he be permitted to intervene as a party to the fullest extent permitted by law in order to execute his statutory duties pursuant to KRS 367.150(8).

Respectfully submitted,

A.B. CHANDLER III
ATTORNEY GENERAL

David Edward Spenard

DAVID EDWARD SPENARD
ASSISTANT ATTORNEY GENERAL
1024 CAPITOL CENTER DRIVE
FRANKFORT, KENTUCKY 40601-8204
502.696.5457

CERTIFICATE OF SERVICE

Undersigned counsel hereby certifies that an original and ten (10) photocopies of the foregoing Motion To Intervene were served and filed by hand delivery to the Hon. Helen C. Helton, Executive Director, Public Service Commission, 730 Schenkel Lane, Frankfort, Kentucky 40601; furthermore, it was served by mailing a true and correct copy of the same, first class postage prepaid, to Lisa D. Dunn, Assistant Corporate Secretary, 1409 Weiler Boulevard, Fort Worth Texas, 76112, all on this 12th of January, 1998.

David Edward Spenard
Assistant Attorney General

O:\PSL\DSPENARD\ARFORMS\97-516WD.WPD

97-516

Jan. 9, 1998

Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Ky. 40602

RECEIVED
JAN 12 1998
PUBLIC SERVICE COMMISSION

Dear Sir:

In regard to the proposed water + sewer increase at Glenwood Hall Resort in Perry Park, Kentucky, I believe the proposed increase is grossly excessive. A 337.5% increase in the sewer rate, and a 323.8 rate increase for the water are not justified!

The reason for their high maintenance this year is because the system hasn't been maintained properly for years. If it had been maintained, this would not have happened all at once.

The water quality is still questionable + a lot of residents wont drink it. The water has improved over the last few months in so far as we can wash our clothes and flush our toilets without staining them.

Keep in mind that reason must prevail, if any increase is warranted.

Sincerely,
Linda Burdette
David R Burdette

45 Springport Drive
Box 116
Perry Park, KY 40363

97-516

RECEIVED
JAN 1 2 1998
PUBLIC SERVICE COMMISSION

Executive Director

Jan 6, 1998

Re:Glenwood Hall Resort

I protest the rate increase of water (323.8%) and sewer (337.5%) bills at Glenwood Hall Resort. The water that is supplied to us isn't fit to drink or wash clothes. I Have to haul water from home or buy bottled water to use for cooking and drinking. I hope you don't grant this increase.

Thank you,

Lou Cahill

Section 101
82 Bridge Haven

3153 David Ct
Edgewood, Ky 41017

97516

January 5, 1998

Jerry and Audrey Schlarman
5916 Hazel Dr.
Florence, Ky. 41042

RECEIVED
JAN 0 9 1998
PUBLIC SERVICE COMMISSION

To: Executive Director
Public Service Commission

We are writing to you about the water rate increase and sewer rate, that is being proposed by Glenwood Hall Golf & Country Club.

We have a weekend summer place at Glenwood Hall which is a mobile home on a lot, we own. The above address is our permanent home and mailing address.

Our water is turned off in winter but we would still have to pay the bill all year.

We are not objecting to a rate increase but the amount of the increase. It is being tripled and we feel that is too much. We are sending this letter as a motion that we feel the triple increase is too much.

Thank You
Mr and Mrs Jerry Schlarman

97-516

11013 Fairway Pointe Dr.
Louisville, KY 40241-3415
December 29, 1997

RECEIVED
JAN 0 9 1998
PUBLIC SERVICE COMMISSION

Executive Director
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40602

Dear Sir:

We are in receipt of the proposed rates and estimated amounts of increase per customer class for Glenwood Hall Golf & Country Club (Water Division). We own recreational property on Inverness Drive in Perry Park, KY.

We are appalled that you are even considering a proposed rate increase of 323.8% to 857.0% for water usage, and a proposed increase of 337.5% for sewer usage. While it is normal for water and sewer usage rates to be increased periodically, an increase of this size is almost criminal. **We protest.**

Please send us a copy of the application and supporting documents to our winter address: 16431 Millstone Circle, #101, Ft. Myers, FL 33908.

Sincerely,

Arlynn L. Harroff
Sondra G. Harroff

Arlynn L. Harroff and Sondra G. Harroff

PERRY PARK RESORT OWNERS ASSOCIATION
P.O. BOX 112
PERRY PARK, KY 40363

97-516

RECEIVED
JAN - 8 1998
PUBLIC SERVICE COMMISSION

January 6, 1998

Executive Director
Public Service Commission
730 Schenkel Lane, P.O. Box 615
Frankfort, KY 40602

Dear Sir:

On December 12, 1997 the residents of Glenwood Hall Resort in Perry Park, Kentucky were notified that the Glenwood Hall Golf and Country Club Sewer Division has applied for a rate adjustment before the Public Service Commission of Kentucky. As President of the Perry Park Resort Owners Association, (PPROA) which is comprised of the residents and property owners of Glenwood Hall Resort, I hereby move that:

"The rates proposed by the Glenwood Hall Golf and Country Club (Sewer Division) are inappropriate and excessive and should therefore be denied or significantly reduced."

The grounds for this motion are as follows:

1. Glenwood Hall Golf and Country Club (GHG&CC), while not a paying sewer customer is a major user of the sewer facilities and should pay their proportionate share of the expense to operate the system.

2. Attachment B Note (a) of the Application makes Pro forma adjustments to the payroll which do not accurately reflect the situation. The Office Manager total benefits of $23,211.92 is allocated 70% to utilities with 55% or $8916.32 to Pro forma water and 45% or $7332.02 to Pro forma sewer. During 1997 (the test period) and in the 1998 budget forecast, the Office Manager's entire salary and benefit costs are reflected in the GHG&CC Administrative Budget which is pro-rated in the form of Maintenance Fees back to the property owners many of whom would have to pay the increased water and sewer rates based on these same costs. We should not have to pay twice.

3. Attachment B Note (c) makes an adjustment of $993.60 rather than the appropriate $1,324.80 in the amortization of an expense item. This inflates the operating expenses by $331.20.

4. The requested rate increases includes a built in 12% profit based on expenses modified by the very significant Pro forma adjustments. Your approval of such a proposal not only would eliminate incentive to reduce expenses but in fact is a formula providing more profit for more expenses.

In summary, we believe the requested rate adjustment is excessive and not accurately supported by the application and should be denied or significantly reduced.

Sincerely,

Robert F. Wesselman

Robert F. Wesselman
President

PERRY PARK RESORT OWNERS ASSOCIATION
P.O. BOX 112
PERRY PARK, KY 40363

RECEIVED
JAN - 8 1998
PUBLIC SERVICE COMMISSION

January 6, 1998

Executive Director
Public Service Commission
730 Schenkel Lane, P.O. Box 615
Frankfort, KY 40602

Dear Sir:

On December 12, 1997 the residents of Glenwood Hall Resort in Perry Park, Kentucky were notified that the Glenwood Hall Golf and Country Club Water Division has applied for a rate adjustment before the Public Service Commission of Kentucky. As President of the Perry Park Resort Owners Association, (PPROA) which is comprised of the residents and property owners of Glenwood Hall Resort, I hereby move that:

"The rates proposed by the Glenwood Hall Golf and Country Club (Water Division) are inappropriate and excessive and should therefore be denied or significantly reduced."

The grounds for this motion are as follows:

1. The proposed rate of $21.05 for the first 2000 gallons is a 323.8% increase. The proposed rate of $13.06 per 1000 gallons for the next 8000 gallons is an 857% increase. With these rates the cost for a relatively modest 4000 gallons per month would be $47.17. By comparison, the Carrollton Utilities Company would charge $17.22 (using their higher "outside city limits" rates) for the same 4000 gallons.
2. Per the Billing Analysis Summary, the revenue and costs for operating the water plant are only allocated to billed metered customers. A major user of the water plant is the non billed and generally unmetered facilities owned and operated by the Glenwood Hall Golf and Country Club (GHG&CC). The GHG&CC are only now connecting up meters to their approximately 14 water using facilities so they can be connected to the Carroll County Water System in the future. Since GHG&CC was not metered but was a major user during the test period, the Billing Analysis Summary as presented should be considered invalid until it is made to include GHG&CC water usage and they be required to carry their proportionate share of costs.
3. Attachment B Note (a) of the Application makes Pro forma adjustments to the payroll which do not accurately reflect the situation. The Office Manager total benefits of $23,211.92 is allocated 70% to utilities with 55% or $8916.32 to Pro forma water and 45% or $7332.02 to Pro forma sewer. During 1997 (the test period) and in the 1998 budget forecast, the Office Manager's entire salary and benefit costs are reflected in the GHG&CC Administrative Budget which is pro-rated in the form of Maintenance Fees back to the property owners many of whom would have to pay the increased water and sewer rates based on these same costs. We should not have to pay twice.
4. The requested rate increases includes a built in 12% profit based on expenses modified by the very significant Pro forma adjustments. Your approval of such a proposal not only would eliminate incentive to reduce expenses but in fact is a formula providing more profit for more expenses.

In summary, we believe the requested rate adjustment is excessive and not accurately supported by the application and should be denied or significantly reduced.

Sincerely,

Robert F. Wesselman

Robert F. Wesselman
President

PERRY PARK RESORT OWNERS ASSOCIATION
P.O. BOX 112
PERRY PARK, KY 40363

RECEIVED
JAN - 8 1998
PUBLIC SERVICE COMMISSION

January 06, 1998

Office of the Attorney General
Utility Rate Intervention Division
209 St. Clair Street
Frankfort, Kentucky 40601

Dear Sir ,

Enclosed are copies of letters to the Kentucky Public Service Commission from Perry Park Resort Owners Association, Inc. (PPROA) regarding the Applications For Rate Adjustment filed by the Glenwood Hall Golf and Country Club (GHC&CC) Water Division and by their Sewer Division.

The letters briefly explain why we feel the level of rate increases are unjustified based on information in their own application. In addition, we believe that the application for such significant increases reflect the change in purpose of the new owners of GHG&CC from that of the original developer and that we property owners who use the water and sewer facilities must be protected from excessive rates.

The initial developer who built and maintained the existing water and sewer facilities charged construction costs, tie in fees and nominal monthly rates to users. The construction charges and tie in fees were acceptable to lot purchasers and the nominal monthly rates were attractive for development. Because of the nominal rates, it was of little consequence that the developer also used the water and sewer facilities on an unmetered and no charge basis or that the expenses associated with maintaining those facilities were pretty much blended with the entire operation and only partially segregated. Furthermore, it was the general intention of the initial developer as explained in the Property Report, the Declaration Of Restrictions and the Articles Of Incorporation of PPROA, to eventually turn over the operation of the water and sewer to PPROA for operation. In summary, their purpose in providing water and sewer services was to not to make a profit on utilities but rather to enhance the development of Glenwood Hall Resort by keeping user costs low.

The new owners of Glenwood Hall Resort obviously have a different purpose. Not only have the expenses gone up dramatically but they have tacked on a 12% profit margin. The two factors which were of little consequence with the nominal rates have now become very significant.

1. GHG&CC is a very significant user of the water and sewer facilities and should pay their proportionate share of the expenses for its operation. The existing Application does not reflect that they intend on doing that.

2. The major Pro forma adjustments which were made in the Application reflect the failure of GHG&CC to properly separate and allocate their expenses on an ongoing basis as required by I. 4) of the Application. In general the enterprise consists of three operations: Utilities, Resident Services and Business Centers. To the extent GHG&CC fails to separate and properly allocate expenses in these three areas, the residents have the opportunity to be overcharged as has occurred in this Application, i.e. a)Office Manager salary and benefits which are charged 70% to utilities are also being charged 100% to Administrative which then is pro rated back to Resident Services b) the improper adjustment of Kinder Electric amortization costs, and c) the failure to charge appropriate expenses to their Business Centers as explained in item 1. above.

We request that you intervene in this Application For Rate Adjustment on behalf of the residents of Glenwood Hall. While we recognize that there have been unusually large expenditures in 1997 due to the flood and various equipment failures, and that a rate adjustment may be in order, we believe that the application as it stands is defective and should be denied until appropriate corrections are made. Further we would like to have the opportunity to review any amendments made to the Application prior to its approval.

Thank you for your attention to this matter.

Sincerely,

Robert F. Wesselman

Robert F. Wesselman
President

97516

RECEIVED
JAN - 8 1998
PUBLIC SERVICE COMMISSION

January 6, 1998

Dear Sir:

I am writing this letter to voice my opposition to the rate increases requested by Glenwood Hall Golf and C.C., for the sewerage and water.

Most of the people living here are on a fixed income and cannot afford such increases. I feel like Linda Dunn is raping the people of Glenwood Hall Golf and C.C.

Yours truly,

William Seifert

WilliamL. Seifert

No Address

97-576

January 6, 1998

RECEIVED
JAN - 8 1998
PUBLIC SERVICE COMMISSION

Executive Director
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Ky. 40602

I, William F. Conrad respectfully request leave to intervene by motion to strongly oppose the proposed water supply and accompanying fees; and I further oppose the proposed water and sewer rate hikes set forth by Glenwood Hall Golf and country Club Sewer and Water Division as submitted by Perry Park Resort, Inc.

A. EXCESSIVE SUPPLY

1. Do We actually need a new sorce ? Answer, No.
2. Present water plant is a well constructed brick and concrete structure with recent improvements and has delivered clean water for the past few months.
3. Present water has not been reported as contaminated in recent months
4. To the Residents of Glenwood Hall, an additional water supply is redundant and expensive ($388. per user) . The $100,000. total charge for Carroll County "hook up " includes UN-qual users of water such as the Club House, Swimming Pool and Restaurant which are private business and large consumers of water. In other words "cost shifting to Residents.
5. "cost shifting" also applies to sewer costs. There are several sewer systems in this complex; at least 2 sytems inthe Mobile Home area, 1 or more systems in Club House area and 1 system in the River/Lake area to which most of the Swan Court, Inverness and Springport Housings are serviced. Again the Businesses are bundled with the Residences.

B. Exessive Rates

To increase water bills for Residences 323.8 % for 2000 gallons and to 857 % for each 1000 gallons more, is rediculous, outrageous, and unwarranted & unwise.

To increase sewer rates 337% is likewise unjust.

I'm not a newcomer to this residence which I built, held and lived in for the past 27 years. My Wife and I pioneered this place and I worked more than 5 years in Owenton since retirement from the U.S. Navy.

I STRONGLY OPPOSE THE PROBOSED RATE HIKES & CARROLL COUNTY WATER AND HOOK UP FEES.

RESPECTFULLY SUBMITTED,

William F. Conrad

William F. Conrad
22 Springport Drive
Perry Park, Ky. 40363

97-516

RECEIVED
JAN - 5 1998
PUBLIC SERVICE COMMISSION

Dear Executive Director,

I got a notice that the water rates in Perry Park - Glenwood Hall Resort are to be raised. I disagree with this raise in water rates.

Joe Mefford
J + Jan
Glenwood Hall
Perry Park, Ky.

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

January 5, 1998

Mr. and Mrs. Larry Ramsey
1490 Inverness Road
P. O. Box 71
Perry Park, Kentucky 40363-0071

Re: Case No. 97-516
Glenwood Hall Resort & Country Club

Dear Mr. and Mrs. Ramsey:

This is in response to your letter received December 24 regarding your concerns in the above-mentioned case. Your letter is being treated as an official protest and will be placed in the case file of this proceeding. The Commission will carefully analyze this case. However, if you wish to actually participate in the proceeding, including any hearing which may be held, you must file a motion to intervene with the Commission.

Attached is a copy of Commission regulations concerning intervention. If you request limited intervention and your request is granted, you will receive copies of all Commission Orders entered in this case. You will not, however, be served with filed testimony, exhibits, pleadings, correspondence or other documents submitted by the parties. If you wish such information, you must request and be granted full intervention. If you are granted intervention and wish to request a hearing, you should file such a request with the Executive Director.

The Attorney General's Office for Rate Intervention, which represents consumers' interests, may be able to assist you. You may contact them at (502)696-5453 to inquire whether there will be a representative from that office participating in this case.

Thank you for your interest and concern in this matter.

Sincerely,

Helen C. Helton

Helen C. Helton
Executive Director

hv
Attachment

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

January 5, 1998

Mr. James E. Reumann
P. O. Box 13
Perry Park, Kentucky 40363-0013

Re: Case No. 97-516
Glenwood Hall Resort & Country Club

Dear Mr. Reumann:

This is in response to your letter received December 31 regarding your concerns in the above-mentioned case. Your letter is being treated as an official protest and will be placed in the case file of this proceeding. The Commission will carefully analyze this case. However, if you wish to actually participate in the proceeding, including any hearing which may be held, you must file a motion to intervene with the Commission.

Attached is a copy of Commission regulations concerning intervention. If you request limited intervention and your request is granted, you will receive copies of all Commission Orders entered in this case. You will not, however, be served with filed testimony, exhibits, pleadings, correspondence or other documents submitted by the parties. If you wish such information, you must request and be granted full intervention. If you are granted intervention and wish to request a hearing, you should file such a request with the Executive Director.

The Attorney General's Office for Rate Intervention, which represents consumers' interests, may be able to assist you. You may contact them at (502)696-5453 to inquire whether there will be a representative from that office participating in this case.

Thank you for your interest and concern in this matter.

Sincerely,

Helen C. Helton
Executive Director

hv
Attachment

AN EQUAL OPPORTUNITY EMPLOYER M/F/D

97-516

RECEIVED
JAN - 5 1998
PUBLIC SERVICE COMMISSION

December 31, 1997

Gerald and Andrea Hardcorn
510 Whipporwill Lane
P. O. Box 28
Perry Park, KY 40363

Executive Director
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40602

Re: Proposed rate adjustment, Glenwood Hall Golf and Country Club

Dear Sir:

We are writing to express our objection to the proposed rate increase applied for by the management of the Water Division of the Glenwood Hall Golf and Country Club.

We are property owners and full-time residents of the resort, and have a 20 year history of property ownership there. We are also property owners in Florida, so also have a comparative rate to study. The proposed rate increase can only be described as outrageous, and a clear abuse of the new management of the resort.

In addition to the exorbitant rate increases requested, this management has also assessed each property owner $388.00. This is being assessed before the "new and improved" water service is even available to us, and despite the fact that, as property is constructed, a hook-up fee is charged.

We feel it is unfair for property owners to obviously cover the cost of capital improvements by investors, who seek to reap profits at every level, even at such basic services as water and sewage. We will certainly not share in profits, so why should we have to pay for their obligations as owners? Also, bringing in water from an outside source relieves them of the cost of maintaining the existing water treatment facility, and complying with the stringent testing and monitoring requirements. A study of the compliance in past months shows the history of non-compliance with existing regulations.

This rate request represents an attempt to re-cap their investment costs and relieve them of their responsibilities as owners, while unduly penalizing property owners with excessive fees. I urge you to deny this excessive rate increase.

Sincerely,

Gerald and Andrea Hardcorn

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

January 5, 1998

Mr. and Mrs. Dick Blank
P. O. Box 87
Perry Park, Kentucky 40363

Re: Case No. 97-516
Glenwood Hall Resort & Country Club

Dear Mr. and Mrs. Blank:

This is in response to your letter received December 29 regarding your concerns in the above-mentioned case. Your letter is being treated as an official protest and will be placed in the case file of this proceeding. The Commission will carefully analyze this case. However, if you wish to actually participate in the proceeding, including any hearing which may be held, you must file a motion to intervene with the Commission.

Attached is a copy of Commission regulations concerning intervention. If you request limited intervention and your request is granted, you will receive copies of all Commission Orders entered in this case. You will not, however, be served with filed testimony, exhibits, pleadings, correspondence or other documents submitted by the parties. If you wish such information, you must request and be granted full intervention. If you are granted intervention and wish to request a hearing, you should file such a request with the Executive Director.

The Attorney General's Office for Rate Intervention, which represents consumers' interests, may be able to assist you. You may contact them at (502)696-5453 to inquire whether there will be a representative from that office participating in this case.

Thank you for your interest and concern in this matter.

Sincerely,

Helen C. Helton
Executive Director

hv
Attachment

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

January 5, 1998

Mr. and Mrs. James Blick
30 Adams Bell Court
Perry Park, Kentucky 40363

Re: Case No. 97-516
Glenwood Hall Resort & Country Club

Dear Mr. and Mrs. Blick:

This is in response to your letter received December 29 regarding your concerns in the above-mentioned case. Your letter is being treated as an official protest and will be placed in the case file of this proceeding. The Commission will carefully analyze this case. However, if you wish to actually participate in the proceeding, including any hearing which may be held, you must file a motion to intervene with the Commission.

Attached is a copy of Commission regulations concerning intervention. If you request limited intervention and your request is granted, you will receive copies of all Commission Orders entered in this case. You will not, however, be served with filed testimony, exhibits, pleadings, correspondence or other documents submitted by the parties. If you wish such information, you must request and be granted full intervention. If you are granted intervention and wish to request a hearing, you should file such a request with the Executive Director.

The Attorney General's Office for Rate Intervention, which represents consumers' interests, may be able to assist you. You may contact them at (502)696-5453 to inquire whether there will be a representative from that office participating in this case.

Thank you for your interest and concern in this matter.

Sincerely,

Helen C. Helton
Executive Director

hv
Attachment

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

January 5, 1998

Mr. Jack A. Hagedom
3905 Rankin Drive
Erlanger, Kentucky 41018

Re: Case No. 97-516
Glenwood Hall Resort & Country Club

Dear Mr. Hagedom:

This is in response to your letter received December 30 regarding your concerns in the above-mentioned case. Your letter is being treated as an official protest and will be placed in the case file of this proceeding. The Commission will carefully analyze this case. However, if you wish to actually participate in the proceeding, including any hearing which may be held, you must file a motion to intervene with the Commission.

Attached is a copy of Commission regulations concerning intervention. If you request limited intervention and your request is granted, you will receive copies of all Commission Orders entered in this case. You will not, however, be served with filed testimony, exhibits, pleadings, correspondence or other documents submitted by the parties. If you wish such information, you must request and be granted full intervention. If you are granted intervention and wish to request a hearing, you should file such a request with the Executive Director.

The Attorney General's Office for Rate Intervention, which represents consumers' interests, may be able to assist you. You may contact them at (502)696-5453 to inquire whether there will be a representative from that office participating in this case.

Thank you for your interest and concern in this matter.

Sincerely,

Helen C. Helton
Executive Director

hv
Attachment

GLENWOOD HALL
GOLF & COUNTRY CLUB

97-02499

P.O. BOX 147 Perry Park, KY 40363 (502) 484-2159

December 15, 1997

FILED
DEC 22 1997
PUBLIC SERVICE COMMISSION

RECEIVED
DEC 22 1997
PUBLIC SERVICE COMMISSION

Kentucky Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40604

RE: Application for Rate Adjustment –
Glenwood Hall Golf & Country Club – Sewer Division

Dear Sir or Madam:

case no. 97-516

Enclosed please find the original, plus 11 copies of our completed Application for a Rate Adjustment. I have enclosed, as requested, a copy of the customer notice, which has been mailed to all customers of the Sewer Division. A copy of this notice has been posted at the place of business as well.

The Articles of Incorporation as well as Annual Reports for the previous three years are already on file with the Commission.

With this Application we are requesting Emergency Rate Relief, effective immediately. As is clearly demonstrated by the financial information provided with this Application, the companies "operations will be materially impaired or damaged by the failure to permit the rates to become effective during the period" of review. The Rate Adjustment process was begun by the Company early this year, working with Mr. Carl Combs of the Public Service Commission. After submitting volumes of paper work to Mr. Combs for his review and analysis, we awaited his input. We were contacted by Mr. Scott Lawless, of the PSC, months later, and learned that Mr. Combs had left the employment of the PSC, and our application had been virtually ignored.

Mr. Lawless was very helpful, and did everything he could to assist us, but he essentially had to start the process from the beginning. As such, we feel that the Application process has been unduly prolonged. It is our contention, that had the PSC advised us of the change in personnel, in a more timely manner, we would have completed the Application process by this time.

97-516

RECEIVED
DEC 31 1997
PUBLIC SERVICE COMMISSION

James E. Reumann
P.O. Box 13
Perry Park, Ky 40363-0013
December 29, 1997

Executive Director
Public Service Commission
Commonwealth of Kentucky
730 Schenkel Lane
P.O. 615
Frankfort, Ky. 40602

Re; Application for Rate Increase by Glenwood Hall Golf & Country Club Water Division

Dear Sir,

I am a resident of the Glenwood Hall Resort and therefore am a user of the water utility and have been since 1973.

I am writing this letter to you to ask that you refuse to grant this exhorbitant rate increase to to the Glenwood Hall water Division.

I have been a customer of the utility since 1973; I can attest to the fact that the water division has been mismanaged both under former management as well as current management.

Example: Under former management, the water plant operated with one [1] employee; today, under new management, there are at least three full time employees assigned to the water plant and service is no better and quality is worse.

Example; under both former and current management, it is not unusual to come home from work and find out that the water is roily and muddy. This discovery often happens when laundry has been put in a washer and we end up with totally damaged white clothing. Management refuses to infor-residents of the periods that they decide to shut the water system down to perform maintenance functions. Large plumbing bills have resulted. Muck from the water system has damaged the heating elements in water heaters; they have been replaced and water heaters have been replaced due to the muck. We drain the water heater and still this situation persists.

Example; former management knew they had a problem with the water plant and were advised what to do to correct the situation, but never performed corrective actions. Current management took over the management of the resort in the spring of 1997 sight unseen and want the residents to pay for their negligence.

Water rates could remain low and competitive if managent [former as well as current] would market the resort and encourage building. Economic policies of management tend to scare prospective builders away from the community.

Former and current management tell residents they are working with the management of the carroll County Water District to bring a water line into the resort. We have received a billing from management for $388.00 per customer to pay for that line.

The fact of the matter is, I have had a conversation with a member of the Carroll County Fiscal Court and he told me, when we last talked, that no one from Glenwood Hall had ever approached Carroll County Fiscal Court and requested permission to extend water lines. All conversations have been with the manager of the water district.

Again, I ask that you refuse this udderly ridiculous rate increase requested by management of the water division of Glenwood Hall Golf & Country Club.

Sincerely,

James E. Reumann

Dec 29. 97

97-516

Executive Director
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Ky. 40602

RECEIVED
DEC 30 1997
PUBLIC SERVICE COMMISSION

I Jack Hogedorn being a property owner of at Perry Park Resort. Perry Park Ky 40363.

I am in protest of the proposed rate increase for water and sewer charges. A rate increase of over 300% is way out of line.

I think this matter should be looked into by Public Service Commission in Frankfort Ky.

Sincerely,
Jack A. Hogedorn
3905 Rankin Dr
Erlanger Ky 41018
A Ky Tax Payer

97-506

COTTON AND ALLEN
Certified Public Accountants
First Trust Centre
200 South Fifth Street, Suite 201 South
Louisville, KY 40202 • 502/589-6050

DAVID L. CHERVENAK
C. P. A.

3712 Lime Kiln Lane
Louisville, KY 40222
2/31/97

EXECUTIVE DIRECTOR
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE P.O. BOX 615
FRANKFORT KY 40602

THE UNDERSIGNED IS A PROPERTY OWNER IN GLENWOOD HALL GOLF AND COUNTRY CLUB AT PERRY PARK, KY. IN THAT STATUS I AM FILING MOTION TO INTERVENE IN THE MATTER OF THE RATE INCREASES OF BOTH THE WATER DIVISION AND SEWER DIVISION.

THE 300% + INCREASE IN BOTH RATES IS UNCONSCIONABLE AND UNWARRANTED. THESE RATES WOULD SET THE COST OF WATER AND SEWER AT A VACATION RESIDENCE IN EXCESS OF THAT WHICH I PAY AT MY PRIMARY RESIDENCE WERE I RESIDE 90% OF THE YEAR. IN FACT MY TOTAL USAGE OF THE FACILITY AT GLENWOOD HALL IN 1997 AMOUNTED TO ONE WEEKEND. THE PROPOSED RATES WOULD HAVE ME PAY IN EXCESS OF $400.00 JUST FOR THE PRIVILEGE OF HAVING WATER AVAILABLE WITH SUBSTANTIALLY NO USAGE FOR THE YEAR.

THERE MUST BE A BETTER SYSTEM.

I PROPOSE KEEPING THE PRESENT RATE FOR THE FIRST 2000 GALLONS AND INCREASE THE RATES FOR USAGE OVER THAT AMOUNT BY WHAT IS NECESSARY TO MAKE THE SITUATION

FINANCIALLY VIABLE.

David Cherveenak

DAVID L CHERVENAK
3712 LIME KILN LANE
LOUISVILLE KY 40220

RECEIVED
DEC 3 0 1997
PUBLIC SERVICE COMMISSION

Glenwood Hall Golf and Country Club (Sewer Division) has applied for a rate adjustment before the Public Service Commission of Kentucky.

The proposed rates and estimated amount of increase per customer class, are as follows:

CURRENT RATE

Monthly Rate	$4.00

PROPOSED RATES

Consumption	Rate	% of increase
Monthly Rare	$13.50	337.5%

The rates contained in this notice are the rates proposed by Glenwood Hall Golf and Country Club (Sewer Division). However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice.

Any corporation, association, body politic or person may request leave to intervene by motion within thiry (30) days after notice of the proposed rate changes is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Serviced Commission, 730 Schenkel Lane, P.O box 615, Frankfort, Ky. 40602, and shall set forth the grounds for the motion, including the status and interest at the movant.

Copies of the application may be obtained at no charge form Glenwood Hall Golf and Country Club-Sewer Division at 595 Springport Ferry Rd., P.O. Box 147, Perry Park, Ky. 40363.

Upon request from an intervenor, the applicant shall furnish to the intervenor a copy of the application and supporting documents.

Glenwood Hall Golf and Country Club (Water Division) has applied for a rate adjustment before the Public Service Commission of Kentucky.

The proposed rates and estimated amount of increase per customer class, are as follows:

CURRENT RATE

Consumption	Rate
1st 2,000 gallons	$ 6.50
next 3,000 gallons	2.70
next 5,000 gallons	2.40
next 15,000 gallons	2.10

PROPOSED RATES

Consumption	Rate	% of increase
1st 2,000 gallons	$21.05	323.8 %
next 8,000 gallons	13.06 per 1000 gallons	857.0 %
over 10,000 gallons	11.04 per 1000 gallons	

The rates contained in this notice are the rates proposed by Glenwood Hall Golf and Country Club (Water Division). However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice.

Any corporation, association, body politic or person may request leave to intervene by motion within thiry (30) days after notice of the proposed rate changes is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Serviced Commission, 730 Schenkel Lane, P.O box 615, Frankfort, Ky. 40602, and shall set forth the grounds for the motion, including the status and interest at the movant.

Copies of the application may be obtained at no charge form Glenwood Hall Golf and Country Club-Water Division at 595 Springport Ferry Rd., P.O. Box 147, Perry Park, Ky. 40363.

Upon request from an intervenor, the applicant shall furnish to the intervenor a copy of the application and supporting documents.

97-516

RECEIVED
DEC 29 1997
PUBLIC SERVICE COMMISSION

EXECUTIVE DIRECTOR
PUBLIC SERVICE COMMISSIION
730 SCHENKEL LANE, PO BOX 615
FRANKFORT KY 40602

DECEMBER 22, 1997

DEAR SIR:

I AM WRITING TO YOU ON BEHALF OF THE PERRY PARK RESIDENT OWNERS ASSOCIATION (PPROA) TO PROTEST THE PROPOSED SEWER AND WATER RATE INCREASE. WE HAVE BEEN INFORMED OF THE REQUEST BY PERRY PARK RESORT INC. (PPRI). WE CONSIDER THE AMOUNT OF THE INCREASE TO BE EXCESSIVE AND WANT TO GO ON RECORD AS BEING OPPOSED TO THIS RATE INCREASE.

WE CANNOT FIND JUSTIFICATION FOR A 337.5% SEWER RATE INCREASE. OUR ORGANIZATION REPRESENTS 605 PROPERTY OWNERS IN THE PERRY PARK RESORT AND WE ARE ASKING YOUR COMMITTEE TO INTERVENE ON OUR BEHALF AND DENY THE PROPOSED RATE INCREASE. WE FEEL WE ARE BEING PENALIZED FOR THE MISMANAGEMENT AND NEGLECT OF THE PREVIOUS OWNERS, (ICH, INC.)

THE QUALITY OF OUR WATER IS SUB-STANDARD AND OCCASIONALLY UNFIT FOR USE. mANY OF US HAVE INSTALLED FILTERING SYSTEMS AT OUR OWN EXPENSE AND STILL OFTEN HAVE TO BUY BOTTLED WATER. SOMETIME YOU CANNOT USE THE WATER FOR LAUNDRY AS IT IS DISCOLORED AND WILL RUIN CLOTHES. I MUST SAY THE QUALITY OF THE WATER HAS IMPROVED RECENTLY, BUT DOES NOT JUSTIFY A 323.8% RATE INCREASE.

WE ARE ASKING FOR YOUR CONSIDERATION AND INTERVENTION AND DENY PPRI THE PROPOSED RATE INCREASE.

SINCERELY,
William Blick
WILLIAM BLICK, PPROA
CHAIRPERSON,
UTILITIES COMMITTEE

P.O. box 92
Perry Park, Ky
40363
Phone 502 484 0104

cc: PPRI

RECEIVED
DEC 29 1997
PUBLIC SERVICE COMMISSION

12-01-97

97-516

We are writing to object the proposed drastic increase in our water bills. The water in Glenwood Hall is so poor we have to spend anywhere from $10 to $20 a month on pre-use house filters just to be able to use the water. If you don't, you ruin your laundry with rust & spots. Before Mr Tom Bishop was here we didn't have to change these filters nearly so often.

Please consider this when you vote on the proposed increase.

Sincerely

Barbara Blank
Dick Blank

PO Box 87
Perry Park Ky 40363

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE

RECEIVED
DEC 29 1997
PUBLIC SERVICE COMMISSION

12-[illegible]-97

97-516

We are writing to object the proposed drastic increase in our water bills. The water in Glenwood Hall is so poor we have to spend anywhere from $10 to $20 a month on pre-use house filters just to be able to use the water. If you don't, you ruin your laundry with rust spots. Before Mr Tom Bishop was here we didn't have to change these filters nearly so often.

Please consider this when you vote on the proposed increase.

Sincerely

Barbara Blank
Dick Blank

PO Box 87
Perry Park Ky 40363

RECEIVED
DEC 29 1997
PUBLIC SERVICE COMMISSION

97-516

12/26/97

To Whom it may Concern:

Dear Sir,

I am writing this letter in protest as to the Commission allowing the Glenwood Hall Resort, Perry Park, Ky owners to raise the water & sewer rates more than 300%.

As a resident customer you have to be scared to even use the water. We frequently get notices that our Turbidity tests were not taken or turned in late

We are frequently placed on "Boil your water" notices, and this wasn't done efficiently, many residents were left at risk. Very often our water is a brownish color. Ruins our clothes when we wash them. Personally my family has lost all

(2)

of our white clothes & had to be replaced. This happened several times because unskilled workers were too lazy to inform residents that they were going to work on the system.

All of the water & sewer problems were caused by bad management. Bad management in all areas in the park. We are going on the third park manager in a year. Most of us buy drinking water because we're afraid of it. We've also installed expensive water filtering systems.

This company needs to be reprimanded rather than rewarded.

Most of the residents are on fixed incomes & their cost of living increase was about 2%.

The sewer system is only in a small part of the park and it is managed poorly.

The people of the park have applied to the Carroll County water district to supply us with water and this is supposed to happen this year (we've heard this for several years). This will Cost residents money & save park owners money.

Please don't allow this outfit to "rape us". Perry Park Resort owned by I.C.H. Their proposed increase is way out of line.

The Company should have furnished us forms to fill out in Complaint. They waited until the park is empty. 90% of the residents are not here in winter.

(4)

Please do not allow this increase.

(disabled)

James & Jean Blick
30 Adams Bell Ct.
Perry Park, Ky 40363

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

December 29, 1997

Linda D. Dunn
Assistant Corporate Secretary
1409 Weiler Boulevard
Fort Worth, TX. 76112

RE: Case No. 97-516
GLENWOOD HALL RESORT & COUNTRY CLUB
(Rates - ARF)

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received December 22, 1997 and has been assigned Case No. 97-516. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,

Helen C. Helton
Executive Director

HCH

LARRY + ANNETTE RAMSEY
1490 INVERNESS RD
PO BOX 71 PERRY PARK, KY
40363-0071

97-516

12-21-97

RECEIVED
DEC 24 1997
PUBLIC SERVICE COMMISSION

To whom it may Concern!

Our Names are Larry + Annette Ramsey, we have had a place at Glenwood Hall Resorts for 14 years.

We are protesting the proposed rate hikes for the sewer + water service we receive here.

We have been here; as I stated before 14 years, the service has always been terrible. The water has been undrinkable most of this Time, It the Water has cost us $1,000,000 ands of dollars over the years, due to ruined clothes we washed them in, the Water! I am not, the only one that has this problem many, many has had this same problem I do not know of anyone thats drinks this Water With out filtering it somehow. We have had many many Water Boil advisory. They "Perry Park Resort" are suppose to; by the Article of Corp. furnish us with drinkable Water ~~[illegible]~~ Which they in my opinion have not done. We live in the country here + have no other means of drinkable Water

I have been in business myself for 26 years. If I did not furnish a good product that I did not get paid what is the difference "NONE"

I have contacted the following agencys & people over the years.

(1) Ky Division of Water EPA
Kevin Flowers 1-606-292-6411

(2) Owen Co Health Dept
1005 22E Hwy
Owenton, Ky 40359

(3) Consumer Protection Agency
1-502-573-2200

(4) Public Service Commision
502-564-3940
Jim Johnson

(5) EPA Water Division
1-502-564-3410
Donna.

(OVER Please)

Please give this some consideration before you grant a Increase in the Water + Sewer fee's

Larry Ramsey
1490 Inverness Rd.
PO Box 71
Perry Park, Ky
40363-0071
1-502-484-2500

December 11, 1997

Glenwood Hall Golf and Country Club (Water Division) has applied for a rate adjustment before the Public Service Commission of Kentucky.

The proposed rates and estimated amount of increase per customer class are as follows:

CURRENT RATE

Consumption	Rate
1st 2,000 gallons	$ 6.50
next 3,000 gallons	2.70
next 5,000 gallons	2.40
next 15,000 gallons	2.10

PROPOSED RATES

Consumption	Rate	% of increase
1st 2,000 gallons	$21.05	323.8 %
next 8,000 gallons	13.06 per 1000 gallons	857.0 %
over 10,000 gallons	11.04 per 1000 gallons	

oppose

The rates contained in this notice are the rates proposed by Glenwood Hall Golf and Country Club (Water Division). However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice.

Any corporation, association, body politic or person may request leave to intervene by motion within thirty (30) days after notice of the proposed rate changes is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, 730 Schenkel Lane, P.O box 615, Frankfort, Ky. 40602, and shall set forth the grounds for the motion, including the status and interest at the movant.

Copies of the application may be obtained at no charge from Glenwood Hall Golf and Country Club-Water Division at 595 Springport Ferry Rd., P.O. Box 147, Perry Park, Ky. 40363.

Upon request from an intervenor, the applicant shall furnish to the intervenor a copy of the application and supporting documents.

Glenwood Hall Golf and Country Club (Sewer Division) has applied for a rate adjustment before the Public Service Commission of Kentucky.

The proposed rates and estimated amount of increase per customer class, are as follows:

CURRENT RATE

Monthly Rate	$4.00

PROPOSED RATES

Consumption	Rate	% of increase
Monthly Rare	$13.50	337.5% — oppose

The rates contained in this notice are the rates proposed by Glenwood Hall Golf and Country Club (Sewer Division). However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice.

Any corporation, association, body politic or person may request leave to intervene by motion within thiry (30) days after notice of the proposed rate changes is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Serviced Commission, 730 Schenkel Lane, P.O box 615, Frankfort, Ky. 40602, and shall set forth the grounds for the motion, including the status and interest at the movant.

Copies of the application may be obtained at no charge form Glenwood Hall Golf and Country Club-Sewer Division at 595 Springport Ferry Rd., P.O. Box 147, Perry Park, Ky. 40363.

Upon request from an intervenor, the applicant shall furnish to the intervenor a copy of the application and supporting documents.

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

January 5, 1998

Linda D. Dunn
Assistant Corporate Secretary
1409 Weiler Boulevard
Fort Worth, TX. 76112

RE: Case No. 97-516
GLENWOOD HALL RESORT & COUNTRY CLUB

The Commission staff has reviewed your application in the above case and finds that it meets the minimum filing requirements. Enclosed please find a stamped filed copy of the first page of your filing. This case has been docketed and will be processed as expeditiously as possible.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,

Helen C. Helton
Executive Director

HCH/hv
Enclosure

GLENWOOD HALL
GOLF & COUNTRY CLUB

97-02499

P.O. BOX 147 **Perry Park, KY 40363** **(502) 484-2159**

December 15, 1997

FILED
DEC 22 1997
PUBLIC SERVICE COMMISSION

RECEIVED
DEC 22 1997
PUBLIC SERVICE COMMISSION

Kentucky Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40604

RE: Application for Rate Adjustment –
Glenwood Hall Golf & Country Club – Sewer Division

Dear Sir or Madam:

case no. 97-516

Enclosed please find the original, plus 11 copies of our completed Application for a Rate Adjustment. I have enclosed, as requested, a copy of the customer notice, which has been mailed to all customers of the Sewer Division. A copy of this notice has been posted at the place of business as well.

The Articles of Incorporation as well as Annual Reports for the previous three years are already on file with the Commission.

With this Application we are requesting Emergency Rate Relief, effective immediately. As is clearly demonstrated by the financial information provided with this Application, the companies "operations will be materially impaired or damaged by the failure to permit the rates to become effective during the period" of review. The Rate Adjustment process was begun by the Company early this year, working with Mr. Carl Combs of the Public Service Commission. After submitting volumes of paper work to Mr. Combs for his review and analysis, we awaited his input. We were contacted by Mr. Scott Lawless, of the PSC, months later, and learned that Mr. Combs had left the employment of the PSC, and our application had been virtually ignored.

Mr. Lawless was very helpful, and did everything he could to assist us, but he essentially had to start the process from the beginning. As such, we feel that the Application process has been unduly prolonged. It is our contention, that had the PSC advised us of the change in personnel, in a more timely manner, we would have completed the Application process by this time.

Please direct all questions and/or correspondence to my attention at the following address

Linda D. Dunn
1409 Weiler Boulevard
Fort Worth, TX 76112
(817) 446-4224
(817) 446-7140 – Fax

Thank you in advance, for your consideration of this Application.

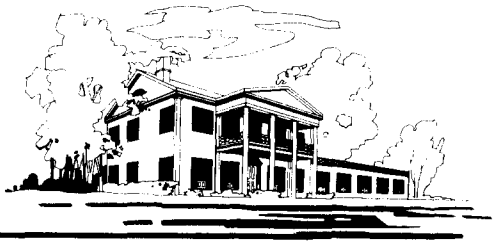
Sincerely,

Linda D. Dunn
Assistant Corporate Secretary

LDD:ld

CC: Office of the Attorney General
Utility Rate Intervention Division
209 St. Clair Street
Frankfurt, KY 40601

GLENWOOD HALL
GOLF & COUNTRY CLUB



P.O. BOX 147 **Perry Park, KY 40363** **(502) 484-2159**

December 11, 1997

Glenwood Hall Golf and Country Club (Sewer Division) has applied for a rate adjustment before the Public Service Commission of Kentucky.

The proposed rates and estimated amount of increase per customer class, are as follows:

CURRENT RATE

Monthly Rate	$4.00

PROPOSED RATES

Consumption	Rate	% of increase
Monthly Rare	$13.50	337.5%

The rates contained in this notice are the rates proposed by Glenwood Hall Golf and Country Club (Sewer Division). However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice.

Any corporation, association, body politic or person may request leave to intervene by motion within thiry (30) days after notice of the proposed rate changes is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Serviced Commission, 730 Schenkel Lane, P.O box 615, Frankfort, Ky. 40602, and shall set forth the grounds for the motion, including the status and interest at the movant.

Copies of the application may be obtained at no charge form Glenwood Hall Golf and Country Club-Sewer Division at 595 Springport Ferry Rd., P.O. Box 147, Perry Park, Ky. 40363.

Upon request from an intervenor, the applicant shall furnish to the intervenor a copy of the application and supporting documents.

PERRY PARK RESORT, INC. FAX: (502) 484-2467

RECEIVED
DEC 22 1997
PUBLIC SERVICE COMMISSION

APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

For Small Utilities
Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

Glenwood Hall Golf and Country Club (Sewer Division)
Name of Utility

P.O. Box 147

Perry Park, Kentucky 40363
Business Mailing Address

Telephone Number 502 / 484-2159
Area Code Number

I. Basic Information

NAME, TITLE, ADDRESS and telephone number of the person to whom correspondence or communications concerning this application should be directed:

NAME: Linda Dunn

Address: 1409 Weiler Blvd.
Fort Worth,
~~Dallas~~, Texas 76112

Telephone Number: 817 / 446-4224

1)	Do you have less than 400 customers?	Yes	No
2)	Do you have less than $200,000 in Gross Annual Revenue?	Yes	No
3)	Has the utility filed an annual report with this Commission for the past year and the two previous years?	Yes	No
4)	Are the utility's records kept separate from any other commonly-owned enterprise?	Yes 1	No

NOTICE: To be eligible for consideration of a rate adjustment under this regulation, you must have answered yes to either question 1 or 2 and yes to both questions 3 and 4 above. If you answer no to questions 3 or 4, you must obtain written approval from the Commission prior to filing this Application. If these requirements are not met, you must file under the Commission's procedural rules, 807 KAR 5:001.

1 Separate Checking account not maintained but separate income statements are compiled.

II. Increased Cost Information

(1) The most recent Annual Report will be used as the basic test period data in order to determine the reasonableness of the proposed rates. The Annual Report used as the basis for this rate revision is the one filed with the Commission for the 12 months ending December 31, 19XX. Test period used was 12 months ended October 31, 1997.

a. If you have reason to believe some of the items of revenue and expense listed in the Annual Report will increase or decrease, please list each item, the expected increase or decrease and the adjusted amount.

Item Per Annual Report	Amount Per Annual Report	Increase (Decrease)	Adjusted Amount
Revenue	$	$	$
Total Revenue	$_____	$_____	$_____
Expense			
See Attachment A			
Total Expense	$_____	$_____	$_____
Revenue Less Expense	$_____	$_____	$_____

b. Please describe each item that you adjusted on page 2 and how you know it will change. (Please attach invoices, letters, contracts or receipts which will help in proving the change in cost).

See Attachment B

c. Please list your present and proposed rates for each class (i.e., residential, commercial, etc.) of customer and the percentage of increase proposed for each class:

Customer Class	Present Rates	Proposed Rates	Percent Increase

See Attachment C

III. Other Information

a. Please complete the following questions:

1) Please describe any events or occurrences which may have an effect on this rate review that should be brought to the Commission's attention (e.g., excessive line losses, major repairs, planned construction).

Refer to Attachment B

2) Total number of customers as of the date of filing: 185

3) Total amount of increased revenue requested: $21,080.97

4) Please circle Yes or No:

a) Does the utility have outstanding indebtedness? Yes No

If yes, attach a copy of any documents such as promissory notes, bond resolutions, mortgage agreements, etc.

b) Were all revenues and expenses listed in the Annual Report for 19___ incurred and collected from January 1 to December 31 of that year. Yes No

N/A. Test year was 12 mths ended 10/31/97

If no, list total revenue and total expense incurred prior to or subsequent to this period and attach invoices or other analysis which show how amounts were arrived at.

5) If utility expenses depreciation, attach a copy of the depreciation schedule of utility plant in service.
No depreciation expensed during test year. All assets are fully depreciated.

6) If utility is a sewer utility:

a) Attach a copy of the latest State and Federal Income Tax Returns.
N/A. Sewer Division does not prepare income tax returns.

b) How much of the utility plant was recovered through the sale of lots or other contributions unknown $ or %? (If unknown, state the reason.)

Current owner is not original developer. There is no record of contributions made by customers or the developer.

b. Please state the reason or reasons why a rate adjustment is requested. (Attach additional pages if necessary).

Current rates are not adequate to cover operating expenses.

IV. Billing Analysis ~~See Attachment D~~

The billing analysis is the chart reflecting the usage by the customers as well as the revenue generated by a specific level of rates. A billing analysis of both the current and proposed rates is mandatory for analysis of this rate filing. The following is a step-by-step description which may be used to complete the billing analysis. A completed sample of a billing analysis is also included. Although the sample reflects water usage, it is equally applicable for gas companies using a declining block rate design. This billing analysis is not intended for companies using a flat rate design.

a. Usage Table (Usage by Rate Increment)

Information needed to complete the usage table should be obtained from the meter books or other available usage records. The usage table is used to spread total usage into the proper incremental rate step.

Column No. 1 is the incremental steps in the present or proposed rate schedule for which the analysis is being made. Column No. 2 is the number of bills in each incremental rate step. Column No. 3 is the total gallons used in each incremental rate step. Column Nos. 4, 5, 6, 7, 8, and 9 are labeled to correspond to the incremental rate steps shown in Column No. 1 and contain the actual number of gallons used in each incremental rate step.

Example for completing Usage Table is as follows:

Column No. 1 is incremental rate steps.

Columns No. 2 and 3 are completed by using information obtained from usage records.

Columns No. 4, 5, 6, 7, 8, and 9 are completed by the following steps:

Step 1: 1st 2,000 gallons minimum bill rate level
432 Bills
518,400 gallons used
All bills use 2,000 gallons or less, therefore, all usage is recorded in Column 4.

Step 2: Next 3,000 gallons rate level
1,735 Bills
4,858,000 gallons used
1st 2,000 minimum x 1,735 bills = 3,470,000 gallons - record in Column 4
Next 3,000 gallons - remainder of water over 2,000 = 1,388,000 - record in Column 5

Step 3: Next 10,000 gallons rate level
1,830 Bills
16,268,700 gallons used
1st 2,000 minimum x 1,830 bills = 3,660,000 gallons - record in Column 4
Next 3,000 gallons x 1,830 bills = 5,490,000 gallons - record in Column 5
Next 10,000 gallons - remainder of water over 3,000 = 7,118,700 gallons - record in Column 6

Step 4: Next 25,000 gallons rate level
650 Bills
15,275,000 gallons used
1st 2,000 minimum x 650 bills = 1,300,000 gallons - record in Column 4
Next 3,000 gallons x 650 bills = 1,950,000 gallons - record in Column 5
Next 10,000 gallons x 650 bills = 6,500,000 gallons - record in Column 6
Next 25,000 gallons - remainder of water over 10,000 = 5,525,000 gallons - record in Column 7

Step 5: Over 40,000 gallons rate level
153 Bills
9,975,600 gallons used
1st 2,000 minimum x 153 bills = 306,000 gallons - record in Column 4
Next 3,000 gallons x 153 bills = 459,000 gallons - record in Column 5
Next 10,000 gallons x 153 bills = 1,530,000 gallons - record in Column 6
Next 25,000 gallons x 153 bills = 3,825,000 gallons - record in Column 7
Over 40,000 gallons - remainder of water over 25,000 = 3,855,600 gallons - record in Column 8

Step 6: Total each column for transfer to Revenue Table.

b. <u>Revenue Table</u> (Revenue by Rate Increment)

Revenue Table is used to determine the revenue produced from the Usage Table. Column No. 1 is the incremental rate steps in the rate schedule for which the analysis is being made. Column No. 2 indicates the total number of bills. Column No. 3 is the number of gallons accumulated in each rate increment (Totals from Columns 4, 5, 6, 7, and 8 of the above usage table). Column No. 4 is the rates to be used in determining revenue. Column No. 5 contains revenue produced.

Test Period from 1-1-81 to 12-31-81

USAGE TABLE

Usage by Rate Increment

Class: Residential

(1)	(2) Bills	(3) Gallons/Mcf	(4) 1st 2,000	(5) Next 3,000	(6) Next 10,000	(7) Next 25,000	(8) Over 40,000	(9) Total
1st 2,000: Minimum Bill	432	518,400	518,400					518,400
Next 3,000 Gallons	1,735	4,858,000	3,470,000	1,388,000				4,858,000
Next 10,000 Gallons	1,830	16,268,700	3,660,000	5,490,000	7,188,700			16,268,700
Next 25,000 Gallons	650	15,275,000	1,300,000	1,950,000	6,500,000	5,525,000		15,275,000
Over 40,000 Gallons	153	9,975,600	306,000	459,000	1,530,000	3,825,000	3,855,600	9,975,600
Total	4,800	46,895,700	9,254,400	9,287,000	15,148,700	9,350,000	3,855,600	46,895,700

REVENUE TABLE

Revenue By Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rate	(5) Revenue
1st 2,000: Minimum Bill	4,800	9,254,400	$5.00 Min.	$24,100.00
Next 3,000 Gallons		9,287,000	2.50	23,217.50
Next 10,000 Gallons		15,148,700	2.00	30,297.40
Next 25,000 Gallons		9,350,000	1.25	11,687.50
Over 40,000 Gallons		3,855,600	.75	2,891.70
				$92,094.10 Total Revenue

Instructions for completing Revenue Table:

(1) Complete Columns No. 1, 2, and 3 using information from Usage Table.
(2) Complete Column No. 4 using rates either present or proposed.
(3) Column No. 5 is completed by first multiplying the bills times the minimum charge.
(4) Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

V. General Information/Customer Notice

1) Filing Requirements:

a. If the applicant is a corporation, a certified copy of its Articles of Incorporation must be attached to this Application. If the articles and any amendments thereto have already been filed with the Commission in a prior proceeding, it will be sufficient to state that fact in the Application and refer to the style and case number of the prior proceeding.

b. An original and 11 copies of the completed Application should be sent to:

Kentucky Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, Kentucky 40602

Telephone: 502/564-3940

c. One copy of the completed Application should also be sent at the same time to:

Office of the Attorney General
Utility Rate Intervention Division
209 St. Clair Street
Frankfort, Kentucky 40601

2) All correspondence and responses to supplemental information should also be sent to this address.

3) A copy of the customer notice must be filed with this Application. Proper notice must comply with Sections 3 and 4 of this regulation.

4) Copies of this form and the regulation may be obtained from the Commission's Office of Executive Director; or by calling 502/564-7167.

5) I have read and completed this Application and to the best of my knowledge all the information contained in this Application is true and correct.

Signed _____
Officer of the Company

Title Asst. Corporate Secretary

Date 12/15/97

Perry Park Resort, Inc. dba Glenwood Hall Golf and Country Club
Pro forma Operating Income Statement
Sewer Division

Attachment A

	Test Year 12 months Ended 10/31/97	Adjustments	Pro forma Operations	Adjustments	Pro forma Operations Proposed Rates
Operating Revenues					
Flat Rate Revenues	8,880.00		8,880.00	21,080.97	29,960.97
Operating Expenses					
Salaries and Wages (Benefits)		16,945.88 (a)	16,945.88		16,945.88
Repairs and Maintenance	7,103.80	(1,896.75)(b)			
		(993.60)(c)			
		62.48 (d)			
		170.39 (e)			
		339.50 (f)	4,785.82		4,785.82
Utilities - Electric	4,502.40	131.56 (g)	4,633.96		4,633.96
Total Operating Expenses	11,606.20	14,759.46	26,365.66	0.00	26,365.66
Net Operating Income	(2,726.20)	(14,759.46)	(17,485.66)	21,080.97	3,595.32

Calculation of Revenue Required	
Operating Expenses	26,365.66
Divided by: 88 percent ratio	0.88
Revenue Required	29,960.97
Less: Operating Expenses	(26,365.66)
Net Operating Income	3,595.32

Perry Park Resort, Inc. dba Glenwood Hall Golf and Country Club
Pro forma Operating Income Statement
Sewer Division

Attachment B

(a)
To adjust all payroll related expenses to reflect proper allocation to the water and sewer division.

Pro forma Adjustments	
Operations Manager Annual Salary	27,000.00
FICA	2,065.50
FUI on first $7,000	56.00
SUI on first $7,000	210.00
Workers Compensation	1,514.70
Health Insurance	1,200.00
Total benefits to operations manager	32,046.20
Times: percent of time spent on water operations	70%
Pro forma Water	22,432.34
Pro forma Sewer	9,613.86
Office Manager Annual Salary	19,200.00
FICA	1,468.80
FUI on first $7,000	56.00
SUI on first $7,000	210.00
Workers Compensation	1,077.12
Health Insurance	1,200.00
Total benefits to office manager	23,211.92
Times: percent of time spent performing utility operations	70%
Pro forma amount to be allocated to water and sewer divisions	16,248.34
Times: percent of water customers to total customers per 1996 A/R	55%
Pro forma Water	8,916.32
Pro forma Sewer	7,332.02
Total Pro forma Water Adjustment	31,348.66
Total Pro forma Sewer Adjustment	16,945.88

(b)
To amortize expenses incurred due to flood damage that were charged to the repairs and maintenance expense account.

Vendor	Amount
Tom Stewart	691.00
Electro Mechanical	1,679.94
Total	2,370.94
Divide by: 5 years	5.00
Annual Recovery	474.19
Less: Test year	(2,370.94)
Adjustment	(1,896.75)

Perry Park Resort, Inc. dba Glenwood Hall Golf and Country Club
Pro forma Operating Income Statement
Sewer Division

Attachment B

(c)
To amortize major repair expense to blower unit that is not expected to recur annually.

Vendor	Amount
Kinder Electric	1,656.00
Divide by: 5 years	5.00
Annual Recovery	331.20
Less: Test year	(1,324.80)
Adjustment	(993.60)

(d)
Amortization of software development.

Adjustment	62.48

(e)
To amortize sewer flood damage expenses that were inadvertently charged to the water division.

$851.96 paid to Pure Stream divided by 5 years	170.39

(f)
To allocate test year expenses that were inadvertently charged to the water division.

Amount paid to Mr. Rooter	339.50

(g)

Pro forma purchased power for pumping	4,633.96
Less: Test year	(4,502.40)
Adjustment	131.56

Perry Park Resort, Inc. dba Glenwood Hall Golf and Country Club
Comparison of Present and Proposed Rates with Percentage Increase
Sewer Division

Attachment C

PROPOSED RATE

Monthly Rate	$13.50

CURRENT RATES

Monthly Rate	$4.00

PERCENTAGE INCREASE

Monthly Rate	237.50%

GLENWOOD HALL
GOLF & COUNTRY CLUB

97-02498

P.O. BOX 147 Perry Park, KY 40363 (502) 484-2159

December 15, 1997

RECEIVED
DEC 22 1997
PUBLIC SERVICE COMMISSION

Kentucky Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40604

RE: Application for Rate Adjustment –
Glenwood Hall Golf & Country Club – Water Division

Dear Sir or Madam:

Case no. 97-516

Enclosed please find the original, plus 11 copies of our completed Application for a Rate Adjustment. I have enclosed, as requested, a copy of the customer notice, which has been mailed to all customers of the Water Division. A copy of this notice has been posted at the place of business as well.

The Articles of Incorporation as well as Annual Reports for the previous three years are already on file with the Commission.

With this Application we are requesting Emergency Rate Relief, effective immediately. As is clearly demonstrated by the financial information provided with this Application, the companies "operations will be materially impaired or damaged by the failure to permit the rates to become effective during the period" of review. The Rate Adjustment process was begun by the Company early this year, working with Mr. Carl Combs of the Public Service Commission. After submitting volumes of paper work to Mr. Combs for his review and analysis, we awaited his input. We were contacted by Mr. Scott Lawless, of the PSC, months later, and learned that Mr. Combs had left the employment of the PSC, and our application had been virtually ignored.

Mr. Lawless was very helpful, and did everything he could to assist us, but he essentially had to start the process from the beginning. As such, we feel that the Application process has been unduly prolonged. It is our contention, that had the PSC advised us of the change in personnel, in a more timely manner, we would have completed the Application process by this time.

:

Please direct all questions and/or correspondence to my attention at the following address

Linda D. Dunn
1409 Weiler Boulevard
Fort Worth, TX 76112
(817) 446-4224
(817) 446-7140 – Fax

Thank you in advance, for your consideration of this Application.

Sincerely,

Linda D. Dunn
Assistant Corporate Secretary

LDD:ld

CC: Office of the Attorney General
Utility Rate Intervention Division
209 St. Clair Street
Frankfurt, KY 40601

GLENWOOD HALL
GOLF & COUNTRY CLUB

P.O. BOX 147 Perry Park, KY 40363 (502) 484-2159

December 11, 1997

RECEIVED
DEC 22 1997
PUBLIC SERVICE COMMISSION

Glenwood Hall Golf and Country Club (Water Division) has applied for a rate adjustment before the Public Service Commission of Kentucky.

The proposed rates and estimated amount of increase per customer class, are as follows:

CURRENT RATE

Consumption	Rate
1st 2,000 gallons	$ 6.50
next 3,000 gallons	2.70
next 5,000 gallons	2.40
next 15,000 gallons	2.10

PROPOSED RATES

Consumption	Rate	% of increase
1st 2,000 gallons	$21.05	323.8 %
next 8,000 gallons	13.06 per 1000 gallons	857.0 %
over 10,000 gallons	11.04 per 1000 gallons	

The rates contained in this notice are the rates proposed by Glenwood Hall Golf and Country Club (Water Division). However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice.

Any corporation, association, body politic or person may request leave to intervene by motion within thiry (30) days after notice of the proposed rate changes is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Serviced Commission, 730 Schenkel Lane, P.O box 615, Frankfort, Ky. 40602, and shall set forth the grounds for the motion, including the status and interest at the movant.

Copies of the application may be obtained at no charge form Glenwood Hall Golf and Country Club-Water Division at 595 Springport Ferry Rd., P.O. Box 147, Perry Park, Ky. 40363.

Upon request from an intervenor, the applicant shall furnish to the intervenor a copy of the application and supporting documents.

APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

For Small Utilities
Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

RECEIVED
DEC 22 1997
PUBLIC SERVICE COMMISSION

Glenwood Hall Golf and Country Club (Water Division)
Name of Utility

P.O. Box 147

Perry Park, Kentucky 40363
Business Mailing Address

Telephone Number 502 / 484-2159
Area Code Number

I. Basic Information

NAME, TITLE, ADDRESS and telephone number of the person to whom correspondence or communications concerning this application should be directed:

NAME: Linda Dunn

Address: 1409 Weiler Blvd.
Fort Worth, ~~Dallas,~~ Texas 76112

Telephone Number: 817 / 446-4224

1) Do you have less than 400 customers? Yes No

2) Do you have less than $200,000 in Gross Annual Revenue? Yes No

3) Has the utility filed an annual report with this Commission for the past year and the two previous years? Yes No

4) Are the utility's records kept separate from any other commonly-owned enterprise? Yes[1] No

NOTICE: To be eligible for consideration of a rate adjustment under this regulation, you must have answered yes to either question 1 or 2 and yes to both questions 3 and 4 above. If you answer no to questions 3 or 4, you must obtain written approval from the Commission prior to filing this Application. If these requirements are not met, you must file under the Commission's procedural rules, 807 KAR 5:001.

1 Separate checking account not maintained but separate income statements are compiled.

II. Increased Cost Information

(1) The most recent Annual Report will be used as the basic test period data in order to determine the reasonableness of the proposed rates. The Annual Report used as the basis for this rate revision is the one filed with the Commission for the 12 months ending December 31, 19XX. Test period used was 12 months ended October 31, 1997.

a. If you have reason to believe some of the items of revenue and expense listed in the Annual Report will increase or decrease, please list each item, the expected increase or decrease and the adjusted amount.

Item Per Annual Report	Amount Per Annual Report	Increase (Decrease)	Adjusted Amount
Revenue	$	$	$
Total Revenue	$_____	$_____	$_____
Expense			
See Attachment A			
Total Expense	$_____	$_____	$_____
Revenue Less Expense	$_____	$_____	$_____

:ase describe each item that you adjusted on page 2 and
ow you know it will change. (Please attach invoices,
letters, contracts or receipts which will help in proving
b. the change in cost).

See Attachment B

a.

c. Please list your present and proposed rates for each cl
(i.e., residential, commercial, etc.) of customer and t
percentage of increase proposed for each class:

Customer Class	Present Rates	Proposed Rates	Perc Inc

See Attachment C

b)

t

5) If utility expenses depreciation, attach a copy of the depreciation schedule of utility plant in service.
Only one item currently being depreciated. See detail below.

6) If utility is a sewer utility: N/A

a) Attach a copy of the latest State and Federal Income Tax Returns.

b) How much of the utility plant was recovered through the sale of lots or other contributions _____ $ or %? (If unknown, state the reason.)

Water pump purchased from Kinder Electric at a cost of $8,890. Depreciated over 5 years.

b. Please state the reason or reasons why a rate adjustment is requested. (Attach additional pages if necessary).

Current rates are not adequate to cover operating expenses.

IV. Billing Analysis See Attachment D

The billing analysis is the chart reflecting the usage by the customers as well as the revenue generated by a specific level of rates. A billing analysis of both the current and proposed rates is mandatory for analysis of this rate filing. The following is a step-by-step description which may be used to complete the billing analysis. A completed sample of a billing analysis is also included. Although the sample reflects water usage, it is equally applicable for gas companies using a declining block rate design. This billing analysis is not intended for companies using a flat rate design.

a. Usage Table (Usage by Rate Increment)

Information needed to complete the usage table should be obtained from the meter books or other available usage records. The usage table is used to spread total usage into the proper incremental rate step.

Column No. 1 is the incremental steps in the present or proposed rate schedule for which the analysis is being made. Column No. 2 is the number of bills in each incremental rate step. Column No. 3 is the total gallons used in each incremental rate step. Column Nos. 4, 5, 6, 7, 8, and 9 are labeled to correspond to the incremental rate steps shown in Column No. 1 and contain the actual number of gallons used in each incremental rate step.

Example for completing Usage Table is as follows:

Column No. 1 is incremental rate steps.

Columns No. 2 and 3 are completed by using information obtained from usage records.

Columns No. 4, 5, 6, 7, 8, and 9 are completed by the following steps:

Step 1: 1st 2,000 gallons minimum bill rate level
432 Bills
518,400 gallons used
All bills use 2,000 gallons or less, therefore, all usage is recorded in Column 4.

Step 2: Next 3,000 gallons rate level
1,735 Bills
4,858,000 gallons used
1st 2,000 minimum x 1,735 bills = 3,470,000 gallons - record in Column 4
Next 3,000 gallons - remainder of water over 2,000 = 1,388,000 - record in Column 5

Step 3: Next 10,000 gallons rate level
1,830 Bills
16,268,700 gallons used
1st 2,000 minimum x 1,830 bills = 3,660,000 gallons - record in Column 4
Next 3,000 gallons x 1,830 bills = 5,490,000 gallons - record in Column 5
Next 10,000 gallons - remainder of water over 3,000 = 7,118,700 gallons - record in Column 6

Step 4: Next 25,000 gallons rate level
650 Bills
15,275,000 gallons used
1st 2,000 minimum x 650 bills = 1,300,000 gallons - record in Column 4
Next 3,000 gallons x 650 bills = 1,950,000 gallons - record in Column 5
Next 10,000 gallons x 650 bills = 6,500,000 gallons - record in Column 6
Next 25,000 gallons - remainder of water over 10,000 = 5,525,000 gallons - record in Column 7

Step 5: Over 40,000 gallons rate level
153 Bills
9,975,600 gallons used
1st 2,000 minimum x 153 bills = 306,000 gallons - record in Column 4
Next 3,000 gallons x 153 bills = 459,000 gallons - record in Column 5
Next 10,000 gallons x 153 bills = 1,530,000 gallons - record in Column 6
Next 25,000 gallons x 153 bills = 3,825,000 gallons - record in Column 7
Over 40,000 gallons - remainder of water over 25,000 = 3,855,600 gallons - record in Column 8

Step 6: Total each column for transfer to Revenue Table.

b. Revenue Table (Revenue by Rate Increment)

Revenue Table is used to determine the revenue produced from the Usage Table. Column No. 1 is the incremental rate steps in the rate schedule for which the analysis is being made. Column No. 2 indicates the total number of bills. Column No. 3 is the number of gallons accumulated in each rate increment (Totals from Columns 4, 5, 6, 7, and 8 of the above usage table). Column No. 4 is the rates to be used in determining revenue. Column No. 5 contains revenue produced.

Test Period from 1-1-81 to 12-31-81

USAGE TABLE

Usage by Rate Increment

Class: Residential

(1)	(2) Bills	(3) Gallons/Mcf	(4) 1st 2,000	(5) Next 3,000	(6) Next 10,000	(7) Next 25,000	(8) Over 40,000	(9) Total
1st 2,000: Minimum Bill	432	518,400	518,400					518,400
Next 3,000 Gallons	1,735	4,858,000	3,470,000	1,388,000				4,858,000
Next 10,000 Gallons	1,830	16,268,700	3,660,000	5,490,000	7,188,700			16,268,700
Next 25,000 Gallons	650	15,275,000	1,300,000	1,950,000	6,500,000	5,525,000		15,275,000
Over 40,000 Gallons	153	9,975,600	306,000	459,000	1,530,000	3,825,000	3,855,600	9,975,600
Total	4,800	46,895,700	9,254,400	9,287,000	15,148,700	9,350,000	3,855,600	46,895,700

REVENUE TABLE

Revenue By Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rate	(5) Revenue
1st 2,000: Minimum Bill	4,800	9,254,400	$5.00 Min.	$24,100.00
Next 3,000 Gallons		9,287,000	2.50	23,217.50
Next 10,000 Gallons		15,148,700	2.00	30,297.40
Next 25,000 Gallons		9,350,000	1.25	11,687.50
Over 40,000 Gallons		3,855,600	.75	2,891.70
				$92,094.10 Total Revenue

Instructions for completing Revenue Table:

(1) Complete Columns No. 1, 2, and 3 using information from Usage Table.
(2) Complete Column No. 4 using rates either present or proposed.
(3) Column No. 5 is completed by first multiplying the bills times the minimum charge.
(4) Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

V. General Information/Customer Notice

1) Filing Requirements:

a. If the applicant is a corporation, a certified copy of its Articles of Incorporation must be attached to this Application. If the articles and any amendments thereto have already been filed with the Commission in a prior proceeding, it will be sufficient to state that fact in the Application and refer to the style and case number of the prior proceeding.

b. An original and 11 copies of the completed Application should be sent to:

Kentucky Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, Kentucky 40602

Telephone: 502/564-3940

c. One copy of the completed Application should also be sent at the same time to:

Office of the Attorney General
Utility Rate Intervention Division
209 St. Clair Street
Frankfort, Kentucky 40601

2) All correspondence and responses to supplemental information should also be sent to this address.

3) A copy of the customer notice must be filed with this Application. Proper notice must comply with Sections 3 and 4 of this regulation.

4) Copies of this form and the regulation may be obtained from the Commission's Office of Executive Director; or by calling 502/564-7167.

5) I have read and completed this Application and to the best of my knowledge all the information contained in this Application is true and correct.

Signed _____
Officer of the Company

Title Asst Corporate Secretary

Date 12/15/97

Perry Park Resort, Inc. dba Glenwood Hall Golf and Country Club
Pro forma Operating Income Statement
Water Division

Attachment A

	Test Year 12 months Ended 10/31/97	Adjustments	Pro forma Operations	Adjustments	Pro forma Operations Proposed Rates
Operating Revenues					
Metered Water Sales	25,398.76		25,398.76	71,736.54	97,135.30
Operating Expenses					
Gasoline	1,147.03	(1,147.03) (e)	0.00		0.00
Licenses and Fees	110.00		110.00		110.00
FICA Expense Employer	1,001.46	(1,001.46) (a)	0.00		0.00
FUI Expense Employer	61.40	(61.40) (a)	0.00		0.00
SUI Expense Employer	324.75	(324.75) (a)	0.00		0.00
Workers Compensation	859.86	(859.86) (a)	0.00		0.00
Professional Fees	18,391.83	(6,138.51) (b)			
		(10,391.40) (c)			
		(1,312.01) (d)	549.91		549.91
Postage	33.23		33.23		33.23
Recruiting Expense	88.96		88.96		88.96
Repairs and Maintenance	50,146.96	(1,411.96) (e)			
		(10,728.46) (f)			
		(10,499.03) (g)	27,507.50		27,507.50
Salaries and Wages (Benefits)	15,325.00	(15,325.00) (a)			
		31,348.66 (a)	31,348.66		31,348.66
Contract Labor	627.00	(627.00) (h)	0.00		0.00
Supplies	6,260.42	(925.76) (i)	5,334.66		5,334.66
Telephone	249.00		249.00		249.00
Auto and Travel	176.31		176.31		176.31
Miscellaneous and General	507.19		507.19		507.19
Utilities - Electric	8,265.72	9,342.24 (j)	17,607.96		17,607.96
Utilities - Gas	187.68		187.68		187.68
Depreciation	123.48	1,654.52 (k)	1,778.00		1,778.00
Total Operating Expenses	103,887.28	(18,408.21)	85,479.07	0.00	85,479.07
Net Operating Income	(78,488.52)	18,408.21	(60,080.31)	71,736.54	11,656.24

Calculation of Revenue Required	
Operating Expenses	85,479.07
Divided by: 88 percent ratio	0.88
Revenue Required	97,135.30
Less: Operating Expenses	(85,479.07)
Net Operating Income	11,656.24

Perry Park Resort, Inc. dba Glenwood Hall Golf and Country Club
Adjustments Made to Test Year Operations
Water Division

Attachment B

(a)
To adjust all payroll related expenses to reflect proper allocation to the water and sewer division.

To eliminate test year:	
FICA Expense Employer	(1,001.46)
FUI Expense Employer	(61.40)
SUI Expense Employer	(324.75)
Workers Compensation	(859.86)
Salaries and Wages (Benefits)	(15,325.00)
Pro forma Adjustments	
Operations Manager Annual Salary	27,000.00
FICA	2,065.50
FUI on first $7,000	56.00
SUI on first $7,000	210.00
Workers Compensation	1,514.70
Health Insurance	1,200.00
Total benefits to operations manager	32,046.20
Times: percent of time spent on water operations	70%
Pro forma Water	22,432.34
Pro forma Sewer	9,613.86
Office Manager Annual Salary	19,200.00
FICA	1,468.80
FUI on first $7,000	56.00
SUI on first $7,000	210.00
Workers Compensation	1,077.12
Health Insurance	1,200.00
Total benefits to office manager	23,211.92
Times: percent of time spent performing utility operations	70%
Pro forma amount to be allocated to water and sewer divisions	16,248.34
Times: percent of water customers to total customers per 1996 A/R	55%
Pro forma Water	8,916.32
Pro forma Sewer	7,332.02
Total Pro forma Water Adjustment	31,348.66
Total Pro forma Sewer Adjustment	16,945.88

(b)
To eliminate legal fees that were incurred during the test year for the preparation of an alternative rate filing ("ARF") and research on requesting a Federal Emergency Management Agency ("FEMA") loan. The majority of the legal fees were incurred for assistance with the preparation of this ARF application which was eventually provided by Commission Staff. The FEMA loan which was sought to cover flood damage was never obtained. Both items are considered to be nonrecurring and provided no benefit to our customers and have therefore been eliminated from test year operations.

Total test year legal fees	(6,138.51)

Perry Park Resort, Inc. dba Glenwood Hall Golf and Country Club
Adjustments Made to Test Year Operations
Water Division

Attachment B

(c)
To eliminate billing and other miscellaneous fees charged by Southwest Financial and Lone Star during the test year. The majority of the expense associated with Southwest Financial has not actually been incurred. It is an estimate of future billings for services that may or may not be provided. Therefore, these expenses have been eliminated from test year operations. The actual expense incurred from Southwest Financial during the test year was $504.10 which was for miscellaneous services such as providing copies of invoices and postage. These items are considered to be nonrecurring and have thus been eliminated from test year operations as well. The charges from Lone Star were primarily for customer account billing services. Our customer billing is currently performed by our office manager whose salary has been allocated to both the water and sewer divisions. Therefore, we have eliminated the Lone Star charges from test year operations.

Vendor	Amount
Southwest Financial (Future Estimates)	(5,495.90)
Southwest Financial (Incurred Expenses)	(504.10)
Lone Star	(4,391.40)
Total	(10,391.40)

(d)
To amortize professional fees paid to Lightfoot Guest for the development of billing software.

Amount paid to Lighfoot Guest	1,561.92
Divide by: 5 years	5.00
Annual Recovery	312.38
Amount allocated to water, 80 percent of total (estimate)	249.91
Less: Test year	(1,561.92)
Adjustment	(1,312.01)
Amount allocated to sewer, 20 percent of total (estimate)	62.48

(e)
To eliminate items charged to water operations that should have been charged to other divisions.

Vendor	Appropriate Division	Amount
Pure Stream (flood damage)	Sewer	(851.96)
Rumpke	Dining Hall	(220.50)
Mr. Rooter	Sewer	(339.50)
Adjustment for repairs and maintenance		(1,411.96)
Ferrel Gas - Gasoline	Club House	(1,147.03)

Perry Park Resort, Inc. dba Glenwood Hall Golf and Country Club
Adjustments Made to Test Year Operations
Water Division

Attachment B

(f)
To amortize expenses incurred due to flood damage that were charged to the repairs and maintenance expense account.

Vendor	Amount
Water Works and Industrial Supply	674.69
USA Blue Book	526.55
Water Works and Industrial Supply	2,726.90
Electro Mechanical	763.25
Lexington Industrial	1,854.38
C.I. Thornburg	191.90
Craig's Rental	134.20
C.I. Thornburg	340.54
Electro Mechanical	1,080.00
C.I. Thornburg	217.30
Lexington Industrial	1,139.40
Lexington Industrial	2,820.90
Lexington Industrial	420.84
McCoy and McCoy	275.00
McCoy and McCoy	44.50
Florence Winwater Works Co.	87.78
USA Blue Book	13.42
USA Blue Book	36.98
USA Blue Book	62.05
Total	13,410.58
Divide by: 5 years	5.00
Annual Recovery	2,682.12
Less: Test year	(13,410.58)
Adjustment	(10,728.46)

(g)
To amortize various expenses that are considered to be nonrecurring in nature.

Vendor	Description	Amount
Guthrie Sales and Service Co. Inc.	5 tons of sand	1,261.44
Kinder Electric	Motor overhaul	7,085.40
Mainstream Comm. Divers	Tank cleaning	1,845.80
JEBE Co.	Chlorinator	571.15
Kinder Electric	Installation of Water Pump	1,640.00
Luhn and Oak Co.	Installation of Water Pump	360.00
Luhn and Oak Co.	Installation of Water Pump	360.00
Total		13,123.79
Divide by: 5 years		5.00
Annual Recovery		2,624.76
Less: Test year		(13,123.79)
Adjustment		(10,499.03)

Perry Park Resort, Inc. dba Glenwood Hall Golf and Country Club
Adjustments Made to Test Year Operations
Water Division

Attachment B

(h)
To eliminate contract labor for servicing water and sewer plant prior to hiring operating manager.

Adjustment	(627.00)

(i)
To amortize expenses incurred due to flood damage that were charged to the supplies expense account.

Vendor	Amount
Water Works and Industrial Supply	1,157.20
Divide by: 5 years	5.00
Annual Recovery	231.44
Less: Test year	(1,157.20)
Adjustment	(925.76)

(j)

Pro forma Purchased Power for Pumping	17,607.96
Less: Test year	(8,265.72)
Adjustment	9,342.24

(k)
To adjust test year depreciation and amortization to reflect a full year of amortization to be taken on the water pump installed during the test year.

Cost capitalized per books	8,890.00
Divide by: 5 years	5.00
Annual Recovery	1,778.00
Less: Test year expense	(123.48)
Adjustment	1,654.52

Perry Park Resort, Inc. dba Glenwood Hall Golf and Country Club
Comparison of Present and Proposed Rates with Percentage Increase
Water Division

Attachment C

PROPOSED RATES

First	2,000 Gallons	$21.05	Minimum Bill
Next	8,000 Gallons	13.06	Per 1,000 Gallons
Over	10,000 Gallons	11.04	Per 1,000 Gallons

CURRENT RATES

First	2,000 Gallons	$6.50	Minimum Bill
Next	3,000 Gallons	2.70	Per 1,000 Gallons
Next	5,000 Gallons	2.40	Per 1,000 Gallons
Next	15,000 Gallons	2.10	Per 1,000 Gallons
Next	25,000 Gallons	1.80	Per 1,000 Gallons
Next	50,000 Gallons	1.50	Per 1,000 Gallons
Next	100,000 Gallons	1.20	Per 1,000 Gallons
Over	200,000 Gallons	1.00	Per 1,000 Gallons

PERCENTAGE INCREASE

First	2,000 Gallons	223.85%
Next	3,000 Gallons	383.70%
Next	5,000 Gallons	444.17%
Next	15,000 Gallons	425.71%
Next	25,000 Gallons	513.33%
Next	50,000 Gallons	636.00%
Next	100,000 Gallons	820.00%
Over	200,000 Gallons	1004.00% **

** Note: There is no usage that falls into this rate block

Attachment D

Perry Park Resort, Inc. dba Glenwood Hall Golf and Country Club
Billing Analysis Summary
Water Division

CLASS:	USAGE	BILLS	GALLONS	FIRST 2,000	NEXT 3,000	NEXT 5,000	NEXT 15,000	NEXT 25,000	NEXT 50,000	NEXT 100,000	OVER 200,000
FIRST	2,000	1,786	850,215	850,215							
NEXT	3,000	624	2,097,676	1,248,000	849,676						
NEXT	5,000	220	1,466,910	440,000	660,000	366,910					
NEXT	15,000	59	878,799	118,000	177,000	295,000	288,799				
NEXT	25,000	9	311,050	18,000	27,000	45,000	135,000	86,050			
NEXT	50,000	2	150,280	4,000	6,000	10,000	30,000	50,000	50,280		
NEXT	100,000	1	128,050	2,000	3,000	5,000	15,000	25,000	50,000	28,050	
OVER	200,000	0	0	0	0	0	0	0	0	0	0
TOTAL		2,701	5,882,980	2,680,215	1,722,676	721,910	468,799	161,050	100,280	28,050	0

		BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	2,701	2,680,215	$6.50	$17,556.50
NEXT	3,000		1,722,676	2.70	4,651.23
NEXT	5,000		721,910	2.40	1,732.58
NEXT	15,000		468,799	2.10	984.48
NEXT	25,000		161,050	1.80	289.89
NEXT	50,000		100,280	1.50	150.42
NEXT	100,000		28,050	1.20	33.66
OVER	200,000		0	1.00	0.00
	TOTAL	2,701	5,882,980		$25,398.76

Perry Park Resort, Inc. dba Glenwood Hall Golf and Country Club
Cost of Service Study
Water Division

Attachment D

	TOTAL	COMMODITY	DEMAND	CUSTOMER
Salaries and Wages	31,349		22,432	8,917
Postage	33			33
Recruiting expense	89			89
Repairs and Maintenance	27,508		27,508	
Electric	17,608	17,608		
Operating Ratio	11,656		5,828	5,828
Sub-Total	88,243	17,608	55,768	14,867
Allocation Percentage	100.00%		78.95%	21.05%
License & Fees	110		87	23
Professional Fees	550		434	116
Supplies	5,335		4,212	1,123
Telephone	249		197	52
Travel	176		139	37
Gas	188		148	40
Miscellaneous	507		400	107
Sub-Total	7,115		5,617	1,498
Total Operation and Maintenance	95,358	17,608	61,385	16,365
Allocation Percentage	100.00%		95.00%	5.00%
Depreciation Expense	1,778		1,689	89
REVENUE REQUIRED FROM RATES	97,136	17,608	63,075	16,453

	total gallons	first 2,000	next 8,000	over 10,000
Actual Usage	5,882,980	2,680,215	2,444,586	758,179
	100.00%	45.56%	41.55%	12.89%
Weighted Usage	7,834,234	4,020,323	3,055,733	758,179
	100.00%	51.32%	39.00%	9.68%
COMMODITY	17,608	8,022	7,317	2,269
DEMAND	63,075	32,368	24,602	6,104
		40,390	31,919	8,373
CUSTOMER		16,453		
Customer Allocation		56,844		
Number of Bills		2,701		

	first 2,000	next 8,000	over 10,000	
PROPOSED RATE SCHEDULE	**21.05**	**13.06**	**11.04**	
	minimum bill	per 1000 gallons	per 1000 gallons	
	56,843.64	31,918.89	8,373.47	$97,136.00

BEFORE THE

KENTUCKY PUBLIC SERVICE COMMISSION

CASE NO. 97-516

FILED

APR 6 1998

PUBLIC SERVICE COMMISSION

RE: GLENWOOD HALL GOLF AND COUNTRY CLUB
WATER AND SEWER DIVISIONS

Pursuant to notice duly given, the above-styled matter came to be heard March 23, 1998, at 9:00 A.M. in the Hearing Room of the Kentucky Public Service Commission, 730 Schenkel Lane, Frankfort, Kentucky 40601; The Honorable Paul Shapiro presiding.

VIVIAN A. LEWIS
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(502) 695-1373

BEFORE THE

KENTUCKY PUBLIC SERVICE COMMISSION

CASE NO. 97-516

RE: GLENWOOD HALL GOLF AND COUNTRY CLUB
WATER AND SEWER DIVISIONS

APPEARANCES:

Hon. Paul Shapiro
Hearing Officer
PUBLIC SERVICE COMMISSION

Hon. James R. Goff
Legal Counsel
PUBLIC SERVICE COMMISSION

Hon. David Edward Spenard
Hon. Monica McFarland
Assistant Attorneys General
1024 Capital Center Drive
Frankfort, Kentucky 40601
Legal Counsel
UTILITY & RATE INTERVENTION DIVISION

Hon. Katherine Yunker
P. O. Box 21784
Lexington, Kentucky 40522
Legal Counsel
GLENWOOD HALL GOLF AND COUNTRY CLUB

Mr. William F. Conrad
22 Spring Court Drive
Perry Park, Kentucky
REPRESENTING HIMSELF

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1 HEARING OFFICER SHAPIRO:

2 The matter before the Public Service Commission
3 this morning is on the application of Glenwood
4 Hall Resort and Country Club for an adjustment of
5 rates pursuant to the alternative rate filing
6 procedure for small utilities, Case Number 97-516.
7 My name is Paul Shapiro, I'm a Hearing Examiner
8 for the Commission and I've been requested by the
9 Commission to conduct the hearing today. Let me
10 first ask if the applicant is present and ready to
11 proceed?

12 MS. YUNKER:

13 Yes.

14 HEARING OFFICER SHAPIRO:

15 We have several intervenors, the Attorney General?

16 MR. SPENARD:

17 Present and ready.

18 HEARING OFFICER SHAPIRO:

19 Is there a Donald--David L. Chervenack? He's not
20 here? A William Blick?

21 GENTLEMAN IN AUDIENCE:

22 He's not here yet.

23 HEARING OFFICER SHAPIRO:

24 And William Conrad?

1 MR. CONRAD:

2 I'm here.

3 HEARING OFFICER SHAPIRO:

4 You're here. Before we get into the evidentiary

5 portion of the hearing, let me first ask if there

6 are any members of the audience who would like to

7 make public comment concerning the application

8 that has been filed here today? Public comment is

9 open to anybody who is not a party to the

10 proceeding but who wishes to comment on the issues

11 that are before the Commission. Is there anyone

12 here who would like to do that? Okay. If you

13 would, come around here to where it says witness

14 and tell us who you are and what your comments

15 are.

16 MR. BURDETTE:

17 More question than comment. I have a problem with

18 this application. I think it is incorrect.

19 HEARING OFFICER SHAPIRO:

20 Well, first of all, what is your name?

21 MR. BURDETTE:

22 David Burdette, resident of Glenwood Hall.

23 HEARING OFFICER SHAPIRO:

24 Mr. Burdette, if you wouldn't mind, have a seat.

1 COURT REPORTER:

2 Spell your last name for me please?

3 MR. BURDETTE:

4 B-u-r-d-e-t-t-e.

5 HEARING OFFICER SHAPIRO:

6 What is your address Mr. Burdette?

7 MR. BURDETTE:

8 Forty-seven Springport, Glenwood Hall, Perry Park.

9 On Attachment B of the rate application I see here

10 for an operations manager annual salary, I

11 question do we have an operations manager on the

12 payroll? And then we have an office manager

13 annual salary, that person--I asked who that

14 person was individually and wasn't and would not

15 get an answer. I'd like to know who that is. And

16 some of these benefits that are on here to bring

17 the amount up, I really am curious do they exist.

18 Now, that's my questions personally.

19 HEARING OFFICER SHAPIRO:

20 Well, Mr. Burdette, this is just an opportunity

21 for you to comment upon the application of the

22 issues. It is not an opportunity for you to ask

23 questions. If you had wanted to ask questions, it

24 would have been necessary for you to intervene as

1 a party in this procedure.

2 MR. BURDETTE:

3 Well, then my comment is that this application is

4 not correct. That's it.

5 HEARING OFFICER SHAPIRO:

6 Does anybody else wish to make a comment at this

7 time?

8 MS. HARMELING:

9 My name is Jane Harmeling, H-a-r-m-e-l-i-n-g, I

10 live at 1320 Inverness Road, Perry Park. My only

11 comment is that I don't think that the residents

12 of Glenwood Hall are at all objecting to a fair

13 raise in water rates. 300 and above percent raise

14 at one time, to me, is exorbitant and uncalled

15 for. Our water plant has been in neglect for all

16 the years that I have lived at Glenwood Hall, that

17 has been since 1986. They have been operating

18 with the plant that has been outdated. I don't

19 know what else to say about that plant, it needs

20 to be rebuilt if it is going to stay there. I

21 know a new company or supposedly a new company

22 took over, but we are paying for the neglect that

23 has been in that water plant for years and years

24 and years and years. And they are going to try to

1 recoup that by gouging us for over 300% rate water
2 increase at one time. I think it is very, very,
3 very unfair. I'm not at liberty to comment on the
4 application itself and the expenses, although I
5 think most of us are very leery about the past
6 actions of our--the company, ICH, that ran
7 Glenwood Hall Resort before. So, that is why we
8 are all really questioning the truth to the
9 expense account on that application. We have not
10 had good relations in the past and so far it is
11 real questionable as how well we are able to work
12 with the new company. So, that is why we are
13 skeptical. But, again, I don't have figures and
14 it is not my place right now to comment on that.
15 I'm just saying that it is a totally, totally,
16 totally unfair over 300% water increase at the
17 same--at one time. It is a way for them to recoup
18 all the wrong that was done to that water plant
19 for years and they are gouging us for it. I just
20 wanted to make that comment, I think that is
21 totally unfair. There is no place on earth that I
22 know of that has increased water rates over 300%
23 at one time to recoup for lost expenses. This is
24 a new company and we are not going to pay for

1 neglect. Thank you.

2 HEARING OFFICER SHAPIRO:

3 Anyone else? Please come up here and I'll ask

4 that the counsel for the applicant enter her

5 appearance please?

6 MS. YUNKER:

7 Katherine Yunker, P. O. Box 21784, Lexington,

8 Kentucky 40522, for the applicant.

9 HEARING OFFICER SHAPIRO:

10 Counsel for the intervenor Attorney General?

11 MR. SPENARD:

12 Appearing on behalf of A. B. Chandler III,

13 Attorney General, David Edward Spenard, 1024

14 Capital Center Drive, Frankfort, Kentucky 40601.

15 Also appearing on behalf of the Attorney General

16 Monica McFarland.

17 HEARING OFFICER SHAPIRO:

18 Same address?

19 MR. SPENARD:

20 Yes.

21 HEARING OFFICER SHAPIRO:

22 I believe we had, was it Mr. Blick, or Mr. Conrad?

23 You are--was it Mr. Conrad?

24

1 MR. CONRAD:

2 Yes.

3 HEARING OFFICER SHAPIRO:

4 Okay. Do you want to--Mr. Conrad, you are an

5 intervenor so you can participate in this

6 proceeding.

7 MR. CONRAD:

8 Where should I sit?

9 HEARING OFFICER SHAPIRO:

10 You can sit right next to Ms. McFarland.

11 LADY IN AUDIENCE:

12 Mr. Shapiro, you are fading out on your speech.

13 HEARING OFFICER SHAPIRO:

14 Oh, I'm sorry. I'll try to speak into this

15 microphone. Mr. Blick, do you want to give us

16 your full name and address please?

17 MR. CONRAD:

18 William F. Conrad--

19 HEARING OFFICER SHAPIRO:

20 Mr. Conrad, I'm sorry, I call you Mr. Blick and

21 you are Mr. Conrad.

22 MR. CONRAD:

23 Conrad.

24

1 COURT REPORTER:

2 And your address please?

3 MR. CONRAD:

4 Twenty-two Springport Drive, Perry Park, Kentucky.

5 HEARING OFFICER SHAPIRO:

6 And who is appearing here on behalf of the

7 Commission Staff?

8 MR. GOFF:

9 James R. Goff, Staff Attorney.

10 HEARING OFFICER SHAPIRO:

11 Mr. Conrad, since you are not represented by

12 counsel, let me explain to you briefly what the

13 procedure is that we will be following here today.

14 Prior to the hearing I was advised that the

15 Commission Staff had prepared an amended Staff

16 Report. I don't know if you have copies of the

17 Staff Report that were originally filed but the

18 Staff Report is a report that two members of the

19 staff have prepared in which they make certain

20 recommendations. And apparently they have gone

21 over those--some of those figures and have amended

22 the original report. So, what we will be doing

23 this morning is we will allow the staff attorney

24 to present that amended report through the staff

1 members who prepared it. After he has done so,
2 then we will probably take a short recess so that
3 all the parties can review that report, take at
4 look at it, see what changes have been made and be
5 better able to proceed with the hearing. When we
6 come back, the applicant will make a--will be
7 permitted to make a short opening statement. The
8 purpose of an opening statement is to tell the
9 Commission why they should be granted the relief
10 that they have requested in the petition that--
11 well, I guess it is a motion that is the basis for
12 this hearing this morning. After they have done
13 that, then the intervenors, in this case there are
14 two of you, that being the Attorney General and
15 yourself, will be allowed to make an opening
16 statement as well as to why they think the relief
17 should not be granted, or at least not granted in
18 the form requested. After the opening statements
19 have been made, then the applicant will present
20 testimony in support of the application and as
21 each witness testifies they will be subject to
22 cross-examination by you as an intervenor and by
23 the Attorney General and also by Commission Staff.
24 After the applicant has presented all of its

1 evidence, then the intervenors will have an
2 opportunity to present their evidence and the
3 Attorney General may or may not have some
4 witnesses he wishes to call, and you may or may
5 not have some witnesses you wish to call.
6 However, you can also make a statement under oath
7 at that time in support of your opposition. After
8 all the evidence has been presented, then the
9 parties will be allowed to make closing arguments.
10 For that purpose we reverse the order, and the
11 reason we reverse the order is that it is thought
12 that because the applicant has what is known as
13 the burden of proof, then that puts them at a
14 disadvantage from a procedural standpoint. So, to
15 offset that, they are allowed to make the final
16 closing argument. In other words, they hear what
17 you have to say and then they can respond to it.
18 That is the same procedure that is followed in a
19 trial in court. Once all the closing arguments
20 have been made, then the matter will be taken
21 under submission before the Commission and the
22 Commission will make its decision based upon the
23 record as presented here today. Do you have any
24 questions Mr. Conrad?

1 MR. CONRAD:

2 Not at this time, but I will maybe later. thank

3 you Mr. Shapiro.

4 HEARING OFFICER SHAPIRO:

5 Okay. but you understand the procedure then?

6 MR. CONRAD:

7 Yes, thank you.

8 HEARING OFFICER SHAPIRO:

9 Okay. At this point, then, I'll ask Mr. Goff if

10 he wants to call any witnesses?

11 MR. GOFF:

12 Call--

13 HEARING OFFICER SHAPIRO:

14 Have you got copies of the amended report?

15 MR. GOFF:

16 Yes.

17 (WITNESS DULY SWORN)

18

19 The witness, JACK SCOTT LAWLESS, having first been

20 duly sworn, testified as follows:

21 DIRECT EXAMINATION

22 BY MR. GOFF:

23 Q Would you state your name please?

24 A My name is Jack Scott Lawless.

1 Q What is your position sir?
2 A I'm an Auditor with the Kentucky Public Service
3 Commission.
4 Q Did you, as part of the Public Service
5 Commission Staff, file a Staff Report
6 concerning the application of Glennwood Hall
7 Golf and Country Club for their water and
8 sewer rates?
9 A Yes, I did.
10 Q Have you subsequently made additions to or
11 amendments to that Staff Report?
12 A Yes, we have.
13 Q And would you tell us what basically those
14 amendments and additions were?
15 A Okay. The staff made one amendment that
16 affects the recommended water rates to be
17 approved in this case. The staff
18 inadvertently, in its preparation of the
19 original Staff Report, omitted approximately
20 $1,300.00 in operating revenue. And we would
21 like to amend that, the original report, to
22 include those revenues.
23 Q How will those--how will that amendment
24 affect the rate request for water rates?

1 A It decreased the water rate by approximately
2 $5.00 on 5,000 gallons of usage.
3 Q Was that the only change that the staff made
4 in its prior Staff Report that has been filed
5 in this record?
6 A Yes, sir.
7 Q And would you wish that to be filed as part
8 of the Staff Report at this time?
9 A Yes, I would.
10 MR. GOFF:
11 Mark it as Exhibit A, I assume.
12 HEARING OFFICER SHAPIRO:
13 Commission's Exhibit 1.
14 (EXHIBIT SO MARKED: PSC Exhibit No. 1)
15 MR. GOFF:
16 That's all I have of this witness.
17 HEARING OFFICER SHAPIRO:
18 Mr. Lawless, can you specifically tell us where
19 that--is it $1,300 you said?
20 A Yes, sir, approximately. It was $1,300 and some
21 change.
22 HEARING OFFICER SHAPIRO:
23 And where would you find it in the original report
24 and the corresponding amount in the amended

1 report?

2 A Okay. What--it was omitted in the original

3 report, so you won't find it in there. What we

4 did, if you turn to Appendix A of the original

5 report, and if you look at--okay, if you look at

6 the first column that is labeled test year 12

7 months ended 10-31-97, metered water sales is

8 listed as $25,398.76. And then if you look at the

9 Amended Staff Report, Appendix A, you will find

10 that that number has been changed to $26,758.87.

11 And that, if you want me to continue, then if you

12 turn the page to Appendix D, which we have also

13 amended, that is staff's Cost-of-Service Study.

14 If you look approximately half-way down the page

15 you will see where it lists actual usage, weighted

16 usage, commodity demands, those numbers have also

17 changed, which that is where staff is calculating

18 the rates to be recommended in this case. And if

19 you will notice, the proposed rate schedule in

20 Appendix D of the original application, just as a

21 reference point, the first 2,000 gallons was

22 listed at $21.05, on the amended it is listed at

23 $19.56. And then the other rates changed

24 accordingly. And in Appendix E, which then

1 follows, those are recommended rates by staff.
2 And as you can tell, those have changed
3 correspondingly to Appendix D. And I will point
4 out, that is just water rates. And that's it.
5 HEARING OFFICER SHAPIRO:
6 Ms. Yunker, do you have any questions you'd like
7 to ask Mr. Lawless? I think at this time more for
8 clarification purposes than anything else. You
9 will have another opportunity.
10 MS. YUNKER:
11 No.
12 HEARING OFFICER SHAPIRO:
13 Same, Mr. Spenard?
14 MR. SPENARD:
15 Not at this stage.
16 HEARING OFFICER SHAPIRO:
17 Mr. Conrad?
18 MR. CONRAD:
19 Not at this stage.
20 HEARING OFFICER SHAPIRO:
21 Thank you Mr. Lawless. Do you have anything
22 further at this time?
23 MR. GOFF:
24 We have nothing further at this time.

1 HEARING OFFICER SHAPIRO:

2 Okay. Why don't--we will be in recess until

3 quarter until ten. Will that give you sufficient

4 time?

5 MS. YUNKER:

6 I think so, yes.

7 HEARING OFFICER SHAPIRO:

8 Thank you.

9 (OFF THE RECORD)

10 HEARING OFFICER SHAPIRO:

11 Back on the record. Ms. Yunker, do you have an

12 opening statement?

13 MS. YUNKER:

14 I have a brief one Mr. Shapiro. This hearing is

15 not the--necessarily the ultimate rate hearing,

16 although we would hope that perhaps all of the

17 evidence that was necessary to support the rate

18 increase could be gathered at this hearing. This

19 hearing is for permission to put the rates into

20 effect in the interim before there is a final

21 order from the Commission. By statute, the

22 Commission may order or may permit the rates to be

23 put in in the interim period if it finds that the

24 company's or the utility's credit or operations

would be materially impaired or damaged by the failure to permit the rates to become effective during the period. The Staff audit performed before the application was filed and on which the application was based, the original Staff Report and the Amended Staff Report, all noticed that there is a significant and ongoing net operating loss to the utility such that--to the two utilities--such that neither is recovering its current out of pocket costs, if you will. That is clearly not a sustainable situation. Not only are current costs not being covered but there is no--there is no ability to put money aside for emergencies such as occurred during the flood last year during March. There is nothing to put aside to start to replace and to improve what is an antiquated system so that efficient service may be provided at a reasonable cost to the residents. The rates which are being requested are, like all rates, must be forward-looking. The fact that there have been significant losses in the past is water over the dam. Those are not to be recovered by these rates. These rates are to put the utility divisions on a firm and sensible financial

1 footing so that they may also be put on a firm and
2 sensible technological footing so as to provide
3 efficient and reasonable service to the residents,
4 not just now, but in the future. Thank you.
5 HEARING OFFICER SHAPIRO:
6 Mr. Spenard?
7 MR. SPENARD:
8 We agree that the application is going to produce
9 rates on a forward-looking basis. We believe that
10 the test year is based upon unreasonably high
11 amounts for expense and will acknowledge that this
12 is an emergency application. But the importance
13 of having correct figures for billing is just as
14 important in this case as it would be for the
15 final determination by the Commission in a
16 subsequent hearing. Thank you.
17 HEARING OFFICER SHAPIRO:
18 Mr. Conrad?
19 MR. CONRAD:
20 Well, I'd like to bring out the fact that there--
21 its one thing to say that you have got these
22 expenses facing you and everything, but that was
23 knowledge that should have been, and I'm sure was,
24 known when the purchase of this plant or this

1 organization was made. Now, it is like it has
2 been brought out before, it was neglected, some of
3 these things by the previous owners. Now, they
4 neglected to say that they have also captured
5 thousands of logs in the last few months, I'm
6 talking about the last three or four months, that
7 has been a valuable asset to them. So, it is not
8 like they are in the poor house on this operation.
9 That's the point I would like to make there. I've
10 got other things to talk about, but that's--I'm
11 countering her point about the expense that they
12 are going to incur. In other words, it is way
13 more than offset, I'm sure, by the logging
14 operations.
15 HEARING OFFICER SHAPIRO:
16 Ms. Yunker, you want to call your first witness?
17 MS. YUNKER:
18 Okay. Mr. Shapiro, we'd like to have a panel,
19 given there is no prefiled testimony so as not to
20 then be referring questions back and forth to each
21 other.
22 HEARING OFFICER SHAPIRO:
23 Is that acceptable?
24

1 MR. SPENARD:

2 We have no objection as long as they are both

3 sworn. But on a point of clarification, has there

4 been proof of publication or proof of the notice

5 of publication of this hearing?

6 HEARING OFFICER SHAPIRO:

7 I assume that you are going to cover that in your

8 direct examination?

9 LADY IN AUDIENCE:

10 When?

11 MR. CONRAD:

12 We haven't seen it.

13 HEARING OFFICER SHAPIRO:

14 You are going to have to just listen to the

15 proceeding. The only people who can ask questions

16 are the intervenors in this proceeding or the

17 Commission Staff. So, if you have anything you

18 would like Mr. Conrad to ask, or Mr. Spenard, you

19 can ask him to ask it if you have an opportunity

20 during a recess or something. But other than

21 that, I'm afraid I'm going to have to limit the

22 questioning to the people who are actually parties

23 to the proceeding.

24 (TWO WITNESS DULY SWORN)

1 The witnesses, LINDA DUNN and CURT MOBERT, having
2 first been duly sworn, testified as follows:
3
4 DIRECT EXAMINATION
5 BY MS. YUNKER:
6 Q Ms. Dunn, would you please state your full name
7 and your business address for the reporter?
8 MS. DUNN:
9 My name is Linda Dunn, my business address is 1409
10 Wiler Boulevard, Fort Worth, Texas.
11 Q And it's D-u-n-n?
12 MS. DUNN:
13 D-u-n-n.
14 Q And what is your connection to the applicant
15 in this proceeding?
16 MS. DUNN:
17 I am the Assistant Corporate Secretary.
18 Q For what corporation?
19 MS. DUNN:
20 For ICH Corporation.
21 Q Mr. Moberg, would you please state your full
22 name and business address for the court
23 reporter?
24

1 MR. MOBERG:

2 My name is Curt, that's spelled with a C, C-u-r-t,

3 last name is Moberg, M-o-b-e-r-g, I'm the General

4 Manager of the Glennwood Hall Golf and Country

5 Club, business address is Box 147, Perry Park,

6 Kentucky.

7 Q And how long have you been the General

8 Manager?

9 MR. MOBERG:

10 Since November 7 of '97.

11 Q Are you also a--do you also live in the

12 Glennwood Hall--

13 MR. MOBERG:

14 Yes, I do.

15 Q Ms. Dunn, how long have you been the assistant

16 Secretary for the ICH Corporation?

17 MS. DUNN:

18 Since March of 1997.

19 Q Did you have any connection to the applicant

20 before that date?

21 MS. DUNN:

22 No, I did not.

23 Q The Commission's Order establishing this

24 hearing ordered that the applicant publish

1 notice of the hearing at least once before
2 this hearing was held. Mr. Moberg, has that
3 been done?
4 MS. DUNN:
5 Yes, it has.
6 Q Do you have with you an affidavit of
7 publication by the Owenton News Herald?
8 MS. DUNN:
9 Yes, I do. On the March 11th publication
10 with a copy of the publication paper that it
11 was in.
12 MS. YUNKER:
13 Mr. Shapiro, we only have that original
14 of it, would you like us to have copies
15 made as well as submit the original for
16 the record or will the original be--
17 HEARING OFFICER SHAPIRO:
18 You haven't got any copies for the
19 parties, though, is that correct?
20 MS. YUNKER:
21 That's correct. We could have some made
22 now.
23 HEARING OFFICER SHAPIRO:
24 Yes, well, why don't we just submit the

1 original at this point and if the
2 parties want copies they can obtain
3 them. And there will be a copy of the--
4 these will be a part of the public
5 record anyway.
6 Q Ms. Dunn, your signature is the one that appears
7 on the--
8 HEARING OFFICER SHAPIRO:
9 Well, before you do that, let's mark
10 that as Applicant 1 and make it a part
11 of the record.
12 (EXHIBIT SO MARKED: Applicant Exhibit No. 1)
13 Q Ms. Dunn, there were two applications received by
14 the Kentucky Public Service Commission which
15 initiated this proceeding, one for the water
16 division and one for the sewer division. Did you
17 sign those applications?
18 MS. DUNN:
19 Yes, ma'am, I did.
20 Q Could you tell us briefly how those
21 applications were prepared?
22 MS. DUNN:
23 In April or May of 1997 I became aware of the
24 fact that we could secure the assistance of

1 the Public Service Commission in preparing
2 our--and that they would be willing to come
3 in and review and audit our records and
4 assist us in this preparation. In May or
5 June of 1997 I initiated contact with Mr.
6 Carl Combs of the PSC who came to our
7 facility and started that process for us.
8 Mr. Combs subsequently left the Public
9 Service Commission and Mr. Scott Lawless
10 picked that up for us and provided us some
11 very able assistance and insight into our
12 application. And he had drafted what was his
13 original recommendation as to what we should
14 submit and--after doing a thorough and
15 extensive audit of our records there. I
16 reviewed that, I essentially submitted the
17 application that had been prepared for us, by
18 them, as ours.
19 Q You also submitted some additional
20 information, I believe, in February regarding
21 the corporate structure for the sewer and
22 utility divisions; is that correct?
23 MS. DUNN:
24 That is correct.

1 Q Since the filing of the application, Mr.
2 Moberg, has there been--have there been any
3 significant developments in the operation of
4 the water or the sewer plant?
5 MR. MOBERG:
6 There has been in the water plant, yes.
7 Q And what has been that development?
8 MR. MOBERG:
9 Well, based on the type of water that we were
10 producing and on the--no one here would be in
11 dispute of the fact that our water was not of
12 a great quality over the years. And, of
13 course, I can only relate to that since
14 November. But many of the residents that we
15 have on the properties came to me and showed
16 me clothes of theirs that had been damaged
17 with iron deposits and so forth, in the
18 water. And, so, with an effort to provide
19 two major things, one is safe water and the
20 second one is just to improve the general
21 quality of the water. We searched for people
22 who could do a better job taking care of that
23 water for us and still meet all the necessary
24 requirements. And in a two or three month

1 search we were able to come up with a company
2 that is called Control Technologies,
3 Incorporated, whom we are presently using on
4 a contract basis to actually run our water
5 plant.
6 Q And are--is Control Technologies charging you
7 for that service?
8 MR. MOBERG:
9 Yes, they are.
10 Q And approximately what is the charge for that
11 service?
12 MR. MOBERG:
13 Well, we had two basic charges. The first
14 charge would be start-up costs that we
15 incurred for them to improve the situation
16 and bring it up to a very acceptable
17 standard. And then we also have another
18 charge that will be an ongoing monthly charge
19 to us that we will incur. The start up cost
20 is going to be approximately $7,800 for the
21 first month of March, then we will be looking
22 at approximately $4,400 per month thereafter
23 for their services.
24 Q Are the--do the revenues--the revenues on the

1 basis of the current rates for the water
2 division, are they at the level of $4,400 a
3 month?
4 MR. MOBERG:
5 No, they are not.
6 Q Approximately what level are they?
7 MR. MOBERG:
8 They are approximately at $1,800, $1,900, in
9 that neighborhood.
10 Q Before the hearing you showed me a letter
11 dated February 19, 1998, addressed to you
12 from Michael E. Turner of Control
13 Technologies, Inc., setting forth their
14 agreement with you to take care of the
15 system. Do you have that in front of you?
16 MR. MOBERG:
17 Yes, I do.
18 Q Is that a accurate copy of the letter which
19 you received?
20 MR. MOBERG:
21 Yes, it is.
22 Q And does that properly reflect the agreement that
23 you have with Control Technologies?
24

1 MR. MOBERG:

2 Yes, it does.

3 MS. YUNKER:

4 We made copies of that. We would like

5 to make that--enter that as Applicant's

6 Exhibit 2 for the record.

7 MR. SPENARD:

8 I have no objection to it being entered.

9 HEARING OFFICER SHAPIRO:

10 So ordered.

11 (EXHIBIT SO MARKED: Applicant Exhibit No. 2)

12 Q This is to either of you, with respect to the

13 water division, is it--on a current basis, is it

14 recovering through its revenues its current

15 operating costs?

16 MR. MOBERG:

17 No, it is not.

18 Q And with respect to the sewer division, is

19 it, on a current basis, is it, for the

20 revenues that are coming in at the current

21 rate, is it recovering its current costs?

22 MR. MOBERG:

23 No, it is not.

24

MS. YUNKER:

No further questions on direct.

HEARING OFFICER SHAPIRO:

Mr. Spenard?

CROSS EXAMINATION

BY MR. SPENARD:

Q Good morning. The Applicant's Exhibit 2, the letter from Control Technologies dated February 19, 1998, am I correct that this letter is not part of the materials that have previously been submitted to the Public Service Commission?

MR. MOBERG:

That's correct.

Q In the past, did the management of Glennwood Hall water and sewer divisions insure that the facilities were maintained in proper fashion?

MR. MOBERG:

Would you repeat that question, I'm not sure that I--

Q The question is in the past did the management of Glennwood Hall water and sewer division insure that the facilities were maintained in proper fashion?

1 MR. MOBERG:

2 I'd like for you to speak to it.

3 MS. YUNKER:

4 I'm sorry. These individuals only

5 became involved about this time last

6 year, are you asking them to comment on

7 the former management or on their own

8 management over the past year?

9 MR. SPENARD:

10 Let's bifurcate it into two sections.

11 That's fine, that's a clarification.

12 Q Are you familiar with the past management of

13 the Glennwood Hall Water and Sewer Divisions

14 for, say, the past eight to ten years, or

15 however long it has been in operation?

16 MR. MOBERG:

17 I am not, no.

18 Q Okay.

19 MS. DUNN:

20 Only in reference to how it has related to things

21 that we have had to deal with subsequently.

22 Q Okay. Is it your opinion that there had been

23 a lack of maintenance in prior years?

24

1 MS. DUNN:

2 I am not an expert in that, but it would appear to

3 me that inadequate maintenance had been performed.

4 MR. MOBERG:

5 I would also agree to that, since I got here in

6 November, that it would appear as though what Jane

7 Harmeling had indicated in her statement is

8 absolutely true.

9 Q And the fact that the maintenance had been

10 inadequate has been one of the causes of higher

11 costs for the operations of the water and sewer

12 divisions; is that correct?

13 MR. MOBERG:

14 It is very difficult for me to answer that as

15 correct because I can only look at the cost that

16 it takes to complete the two primary concerns that

17 we have to date and going-forward, and one of

18 those being the quality of the water and the

19 safety of the water is requiring this amount

20 forward.

21 Q Ms. Dunn?

22 MS. DUNN:

23 Well, I would have to concur. I mean, we have

24 certainly--it is beyond my level of expertise to

1 determine to what extent this has been influenced
2 by past. I do know that maintaining it on an
3 ongoing basis is certainly very, very expensive.
4 Q Well, Ms. Dunn, is it your opinion that the--
5 do you have an opinion concerning whether or
6 not the maintenance that was performed in the
7 past has any impact on the cost for this year
8 and for the years to come?
9 MS. DUNN:
10 Again, I don't know. I don't know even what exact
11 maintenance was performed in the past, and so it
12 would be very difficult for me to respond to that.
13 MR. MOBERG:
14 Perhaps I could answer that question just a little
15 better.
16 Q That's okay, I directed the question to Ms.
17 Dunn. And you relied upon the Commission to
18 prepare the application; is that correct?
19 MS. DUNN:
20 Yes, I did.
21 Q And you have submitted the application, basically,
22 as the Commission Staff has proposed; is that
23 correct?
24

1 MS. DUNN:

2 That is correct.

3 Q And you have no objection to the amendment

4 that was submitted this morning, the amended

5 report; is that correct?

6 MS. DUNN:

7 I do not.

8 MR. SPENARD:

9 At this stage I have no further

10 questions.

11 HEARING OFFICER SHAPIRO:

12 Mr. Conrad, do you have any questions of these

13 witnesses?

14

15 CROSS EXAMINATION

16 BY MR. CONRAD:

17 Q Do you have water meters at the restaurant, at the

18 pro shop and at the swimming pool?

19 MR. MOBERG:

20 At this time we do not.

21 Q Ms. Dunn, has--do these--any of these expense

22 reflect your--the expense of your trips to--

23 back and forth from Texas?

24

1 MS. DUNN:

2 To the extent that there is an allocation for

3 overhead there is a--there would be, which would

4 be a part of the overall administrative staff,

5 that would be reflected.

6 MR. CONRAD:

7 That's all.

8 HEARING OFFICER SHAPIRO:

9 Mr. Goff?

10

11 CROSS EXAMINATION

12 BY MR. GOFF:

13 Q Mr. Moberg, who is the--could you tell us the name

14 of the certified operator of the water?

15 MR. MOBERG:

16 Well, right now it is Mike Turner of Control

17 Technologies.

18 Q So, Control Technologies is operating it and

19 furnishing a certified operator?

20 MR. MOBERG:

21 That is correct; that is correct.

22 Q Could you tell me how long has this water and

23 sewer plant been in service? Do you know when it

24 was placed in service, either you or Ms. Dunn?

1 MS. DUNN:

2 Approximately 20--I believe it is 20 to 25 years

3 old, but I don't know exactly.

4 Q Is the--the overhead charge for the trips,

5 are they included in this application that

6 you have submitted?

7 MS. DUNN:

8 Only to the extent, I believe there is an

9 allocation for overhead that is part of the

10 overall administrative expenses. And if you will

11 excuse me, I need to--

12 Q Okay, go ahead.

13 MS. DUNN:

14 Actually, I believe that is--there is not, as a

15 matter of fact. That what we chose to do about

16 that was to--we have some administrative--a very

17 small amount of the--of an office worker has been

18 charged but none of my expenses are included in

19 that report. So, I correct myself from my

20 previous testimony.

21 Q How--let me ask another question concerning

22 what you pre--a little--the reference to the

23 meters that the restaurant, pool and pro

24 shop, are those going to be placed there?

1 MS. DUNN:

2 They will be. They will be.

3 Q And you--can you give us any time period in

4 which that will be done?

5 MR. MOBERG:

6 It will be done just sometime this spring, you

7 know, we haven't placed that as an urgency at this

8 point.

9 Q Let me ask you, in regard to your service to

10 the overall community, is service limited to

11 only the residents of Glennwood Hall Park?

12 MS. DUNN:

13 Yes, sir, it is.

14 Q Is that by some provision in your rules or

15 regulations or when you purchase a property

16 in the park? Or is it just you don't serve

17 anyone else except to Glennwood Hall?

18 MS. DUNN:

19 We are not capable of serving anyone beyond that,

20 at this point. But I don't--I don't--I do not

21 know if it is specified in any particular

22 regulation.

23 MS. YUNKER:

24 Mr. Goff, the tariff on file for the

1 water and the sewer division states that
2 it is at Glennwood Hall Resort and
3 Country Club, the services.
4 MR. GOFF:
5 All right. I have no further questions.
6 HEARING OFFICER SHAPIRO:
7 Let me ask one question. You stated that there is
8 no meter at three separate facilities on the
9 property, one was I believe the clubhouse and
10 there were two others. Are they presently
11 receiving water and, if so, how are they being
12 billed?
13 MS. DUNN:
14 They are receiving water and we have taken the
15 stand that every utility is entitled to a small
16 portion that would fall under the unregulated
17 aspect of its operation. And have, because of
18 limited staffing and we really run a pretty bare
19 bones operation, had decided that going through
20 and billing ourselves and writing ourselves a
21 check, because the expenses would obviously go in
22 one side and the revenue on the other, that it
23 would not--that it wasn't worth the time that it
24 would take in order to do that.

1 HEARING OFFICER SHAPIRO:

2 Okay. Ms. Yunker, do you have any redirect?

3 MS. YUNKER:

4 Just one.

5

6 REDIRECT EXAMINATION

7 BY MS. YUNKER:

8 Q Are either of you aware, do either of you know of

9 any increases in the past to the rates charged to

10 the residents of Glennwood Hall for either water

11 or sewer?

12 MS. DUNN:

13 I am not aware of any.

14 MR. MOBERG:

15 I am not aware of any.

16 Q To the best of your knowledge and

17 information, this is the first rate increase

18 proposed?

19 MS. DUNN:

20 To the best of my knowledge, that is true.

21 MR. MOBERG:

22 I would concur with that.

23 MR. SPENARD:

24 Nothing further at this time.

1 MR. CONRAD:

2 It should be noted that the restaurant and the

3 golf course has been open to the public and public

4 uses.

5 HEARING OFFICER SHAPIRO:

6 Well, this is the time to ask questions. Do you

7 have any questions about this? You can ask that

8 if you want to. You can ask if that is not a

9 fact?

10

11 RECROSS EXAMINATION

12 BY MR. CONRAD:

13 Q Has the golf course and the public--been made

14 public and the restaurant?

15 MR. MOBERG:

16 Yes, it has.

17 MR. CONRAD:

18 Okay.

19 MR. GOFF:

20 I have one additional quick.

21

22 RECROSS EXAMINATION

23 BY MR. GOFF:

24 Q The letter that you submitted from Control

1 Technologies, does that cover both the water and
2 the sewer operations?
3 MR. MOBERG:
4 Just the water.
5 Q Just the water?
6 MR. MOBERG:
7 Yes.
8 HEARING OFFICER SHAPIRO:
9 Who operates the sewer system?
10 MR. MOBERG:
11 We operate it currently with our present staff.
12 Q Do you have anyone--is there a--who is
13 operating the sewer system then?
14 MR. MOBERG:
15 Well, we have two individuals on our staff that
16 are operating it, and we are operating it in a
17 ongoing teaching aspect to try to get
18 certification to our employees to do that with the
19 state water quality people.
20 Q It is understood, then, at the present time there
21 is not a certified operator there?
22 MR. MOBERG:
23 That is correct, at this time there is not.
24 Q And that you are working with the state on an

1 ongoing to get someone certified?

2 MR. MOBERG:

3 Yes, we are.

4 MS. YUNKER:

5 One follow up Mr. Shapiro.

6

7 REDIRECT EXAMINATION

8 BY MS. YUNKER:

9 Q Water used on the golf course, is that water that

10 comes through the water division's system?

11 MR. MOBERG:

12 No, it isn't. It is a totally different system

13 that is used for the irrigation for the golf

14 course proper.

15 MS. DUNN:

16 If I may elaborate, we pay the Kentucky River

17 Association for that water and it is taken--it is

18 not our water at all, and it comes from--I believe

19 it comes from the river.

20 HEARING OFFICER SHAPIRO:

21 Is that all? Okay, thank you. Have you any

22 other witnesses Ms. Yunker?

23 MS. YUNKER:

24 I'm sorry, no further witnesses.

1 HEARING OFFICER SHAPIRO:

2 Mr. Spenard?

3 MR. SPENARD:

4 We have no witnesses, but we anticipate that the

5 staff calling its witnesses that prepared the

6 report.

7 HEARING OFFICER SHAPIRO:

8 Are you going to call the--

9 MR. GOFF:

10 I hadn't planned on it, we had already submitted

11 that. If you want to we will call them and make

12 them subject to cross-examination.

13 HEARING OFFICER SHAPIRO:

14 Let's just call them if you want to.

15 MR. SPENARD:

16 Yes, okay.

17 HEARING OFFICER SHAPIRO:

18 Maybe Scott Lawless.

19 MR. SPENARD:

20 At this stage we call Mr. Lawless.

21 HEARING OFFICER SHAPIRO:

22 Mr. Lawless you are still under oath.

23 A Yes, sir.

24

1 The witness, JACK SCOTT LAWLESS, having been
2 previously sworn, testified as follows:
3 DIRECT EXAMINATION
4 BY MR. SPENARD:
5 Q Good morning Mr. Lawless.
6 A Good morning.
7 Q We will concentrate this morning on the water
8 division, to begin with, and per Appendix A of the
9 Staff Report, and I'm looking at the Amended Staff
10 Report,--
11 A Okay.
12 Q --it's recommendation is an annual operating
13 revenue amount of $97,135.30; is that
14 correct?
15 A That is correct.
16 Q Okay. And this level of expected annual
17 operating revenue produces a net operating
18 income of $11,000--excuse me $11,656.24; is
19 that correct?
20 A That's correct.
21 Q And that amount of net operating income
22 represents approximately 45% of the test year
23 operating revenues; is that correct?
24 A I'm sorry--for clarification, if you are

1 asking me if $11,656 is 47% of what I have
2 listed as pro forma operating metered water
3 sales of $26,758.00?
4 Q That is what I'm asking.
5 A Subject to check, I would agree with that.
6 Q Okay. We are going to be doing some
7 calculations this morning and--do you have a
8 calculator?
9 A I don't.
10 Q Okay. Can the witness be supplied with a
11 calculator?
12 HEARING OFFICER SHAPIRO:
13 You'll have a calculator?
14 MR. SPENARD:
15 Sure, and if he wants to take the--it is
16 just for the convenience of the witness.
17 If he wants to take everything subject
18 to check, that is fine.
19 A That will be fine with me.
20 Q Great. The original Staff Report--well,
21 let's take a look at your--on your Cost-of-
22 Service Study which appears as Appendix D on
23 your--for the Amended Report, you list an
24 amount of depreciation expense at $1,778; is

1 that correct?
2 A $1,778, is that what you said?
3 Q Yes, sir.
4 A Yes, sir, that amount is listed as
5 depreciation expense on Appendix D.
6 Q Yes, sir.
7 A But if I could take this opportunity to
8 clarify, my testimony with regard to Appendix
9 D will--I mean, is somewhat limited because I
10 did not prepare that schedule.
11 Q Okay. And did Mr. Kirtley prepare that
12 schedule?
13 A Yes, sir, he did.
14 Q Okay.
15 A For convenience sake, I would just point out
16 that he used numbers that I provided to him
17 to prepare this schedule. The numbers that I
18 prepared to him would be on the top portion
19 of the page in the first column that is
20 listed as total.
21 Q Okay.
22 A And those numbers, I believe, correspond to
23 the amounts on Appendix A which I did
24 prepare.

1 Q Okay.

2 A Okay. As far as the allocations and things

3 of that nature on Appendix D, that would be

4 questions that I would have referred to Mr.

5 Kirtley.

6 Q So, for example you are not in a position to

7 tell me why only 95% of that depreciation

8 expense was allocated to the demand

9 component?

10 A I am not.

11 Q But you can--but you are in a position to

12 indicate that it is your recommendation that

13 the utility be provided with an operating

14 ratio of $11,656?

15 A Yes, I am.

16 Q And you base that on a Commission formula used for

17 operating ratios of .88?

18 A Yes, sir.

19 Q And is it the case that when the utility as a

20 user of water, uses water, that it actually

21 isn't complete offset because of the

22 operating ratio?

23 A I think you will have to--

24 Q Okay. If the utility uses $100 worth of

1 water, the water that is used will contain
2 some portion of profit; is that correct?
3 That bill for $100 uses of water will
4 create--will contain a portion of a profit
5 margin that is to recoup that operating
6 ratio; is that correct?
7 A To a certain degree. If I may restate your
8 question and maybe you will agree with me
9 that if you are asking me if the utility
10 provides water to itself, thus increasing its
11 production, which thus increases the cost of
12 that production, and when we tack on profit
13 based on the expense and that is what will be
14 billed, yes, there is an operating margin
15 built into that cost of water, just like any
16 other cost of water that is provided to any
17 other customer.
18 Q So, it is not as simple as saying that if
19 they use water and pay for the water that
20 they would write themselves a check back.
21 There is an amount that would have to be
22 reconciled for that operating ratio because
23 they are a for profit enterprise?
24 A Could you restate that for me?

1 Q Okay. The testimony, if I understood the
2 testimony correctly and the testimony speaks
3 for itself, the position of the application
4 is that they are a consumer of water and that
5 they could write themselves a check for the
6 incremental usage, but it wouldn't have a
7 zero--they are not simply paying for the cost
8 of the water, a person who uses water for
9 this is also going to be paying a portion for
10 the margin?
11 A Right. And as you stated, that is the
12 company's position.
13 Q Okay.
14 A But I do not believe that to be staff
15 position. Staff has included an amount in
16 its Staff Report as usage by divisions of
17 Glennwood Hall other than water.
18 Q Okay. And that is what you are talking about
19 in the Amended Staff Report under Section B
20 when you--when this report indicates it came
21 to the staff's attention that water usage for
22 certain club facilities such as the pool and
23 clubhouse had been understated? Are you
24 saying that that captured what you are

1 talking about?

2 A I can testify that that number includes

3 revenue to be collected or to be charged to

4 other divisions of Glennwood Hall. The

5 amounts of that charge was calculated by

6 Brent Kirtley.

7 Q Okay. Mr. Lawless, did you prepare the

8 Appendix that actually contains the breakdown

9 of the rates for the water division, and that

10 would be Appendix E; did you prepare Appendix

11 E or was that prepared by Mr. Kirtley?

12 A Mr. Kirtley prepared Exhibit E.

13 Q I'm going to ask you some questions

14 concerning sewer operations at this stage.

15 A Okay.

16 Q And you may not be in a position to answer

17 the questions and if you are not, well,

18 simply refer me to Mr. Kirtley. Per page 11

19 of the Staff Report there are a 185 sewer

20 customers paying a flat rate of $4 a month;

21 is that correct?

22 A I'm sorry, what page were you referring to?

23 Q Per page 11 of the initial Staff Report?

24 A Yes, sir.

1 Q And per page 15 of the Staff Report the sewer
2 division revenue requirement has been
3 determined to be $29,584.61; is that correct?
4 A That's correct.
5 Q And if we look at Appendix B, the pro forma
6 operating statement for the sewer division,--
7 A Yes, sir.
8 Q --this schedule reflects a test year 12
9 months ended operating revenues in the amount
10 of $8,880. And that is the figure of the 185
11 customers paying $4 a month for 12 months; is
12 that the calculation?
13 A Yes, sir.
14 Q And the company seeks to increase revenue by
15 $20,704.61 in order to produce expected
16 annual revenue amount of $29,584.61; is that
17 correct? And we are just going across the
18 top of Appendix B.
19 A Yes, sir.
20 Q Okay. And if we take the Appendix for--
21 Appendix F for the sewer division, it is the
22 Staff's recommendation that a monthly bill of
23 $13.50 be approved; is that correct?
24 A That's correct.

1 Q And if we take $13.50 and multiply it by 12 to
2 annualize that, then multiply it by 185 customers,
3 we actually get an amount of $29,970 rather than
4 the $29,584.61; is that correct?
5 A Yes, sir, that's correct.
6 Q And if we use that amount, the actual net
7 operating income under a $13.50 tariff is in
8 excess of the operating income amount
9 recommended on the Appendix B; is that
10 correct?
11 A That's correct.
12 Q And at this stage is it--are you in a
13 position to testify concerning whether or not
14 the Appendix F should be revised such that
15 the monthly bill recommended under Appendix F
16 match the proposed rates and net operating
17 income on Appendix B?
18 A I'm not sure I understood what the question
19 was after all that. I did not prepare
20 Appendix F. If you are asking me--
21 Q That's fine.
22 A Okay.
23 Q And in a--you are aware that in other rate
24 cases--I'm sorry.

1 A You're all right, go ahead.
2 Q Because this is an investor owned utility,
3 there is a desire to make sure that the
4 utility gets a return on the investment; is
5 this correct?
6 A On my behalf?
7 Q They haven't--they have--I'm sorry. In an
8 investor owned utility the investor owned
9 utility is entitled to an opportunity to earn
10 a return on the assets that they utilize to
11 deliver the service; is that your
12 understanding
13 A In certain utility situations that is
14 possible, but in this situation that is not
15 possible.
16 Q But this is a for profit operation?
17 A This is a for profit operation, to my
18 understanding.
19 Q And under the law a for profit operation is
20 entitled to an opportunity to earn a return
21 on the assets that they place into service
22 for public benefits; is that correct? Is
23 that your understanding of the law?
24 A Well, I--

1 Q If you can't answer the question, you can't
2 answer the question.
3 A You know, I'm not an attorney.
4 Q Sure, sure.
5 A You know, any opinion I give on the law
6 would--I don't know what kind of weight that
7 would hold,--
8 Q I understand.
9 A --but I will testify that most utilities are
10 in business to make a profit.
11 Q And there was not a--what we would call a
12 full-blown study of the equity requirement.
13 You simply applied the Commission's operating
14 ratio to determine that net operating income?
15 A That's correct.
16 MR. SPENARD:
17 Okay. And at this stage we have no
18 questions, no further questions of this
19 witness. But we would like to call Mr.
20 Kirtley and if Mr. Kirtley refers us
21 back to this witness we would like to
22 have the opportunity, if need be, to
23 call him but I think he has answered my
24 questions.

1 HEARING OFFICER SHAPIRO:

2 Ms. Yunker?

3 MS. YUNKER:

4 Is there an--to make things efficient, is this

5 going to be the one time that Mr. Lawless is going

6 to take the stand, I mean, so I should just go

7 ahead and ask him anything?

8 MR. SPENARD:

9 I have no reason to anticipate that we would

10 recall Mr. Lawless unless we are referred back to

11 Mr. Lawless by Mr. Kirtley.

12 MS. YUNKER:

13 Right. But, I meant--I guess I'm just saying that

14 it is not as though he is going to be offered on

15 direct by the staff later and I should wait to ask

16 questions?

17 HEARING OFFICER SHAPIRO:

18 No, he won't be.

19 MR. GOFF:

20 No, he will not be.

21 MS. YUNKER:

22 Okay.

23 HEARING OFFICER SHAPIRO:

24 Wait a minute, I guess we need to go next to Mr.

1 Conrad. Mr. Conrad, do you have any questions of
2 this witness?
3 MR. CONRAD:
4 No.
5 HEARING OFFICER SHAPIRO:
6 Now you can go.
7
8 CROSS EXAMINATION
9 BY MS. YUNKER:
10 Q The Staff Report indicates that there is a net
11 operating loss for both the water and the sewer
12 division; is that correct?
13 A That's correct.
14 Q And that's true even with the amended
15 numbers?
16 A The amended present rate revenue or the--
17 Q Yes, exactly.
18 A Yes, ma'am.
19 Q Where do those negative dollars come from?
20 A I do not know. I would assume that they come
21 from investors of ICH Corporation.
22 Q But--
23 A Either directly or indirectly.
24 Q Some place from outside of the utility part

1 of the operations; is that correct?
2 A That's correct. The utility operations are
3 not recovering the revenue necessary to cover
4 its costs.
5 Q In both the audit that you did, before the
6 application was filed, and in the Staff
7 Report, is there any provision made so that
8 the utilities or their corporate parent can
9 recover monies that have been lost in the
10 past?
11 A No, ma'am. But if I could make one
12 clarifying point, a lot of people have
13 referred to my examination as an audit. If
14 there is any technical auditors out there I
15 will make the point that I did not perform an
16 audit, I did not render an opinion on
17 Glennwood Hall's financial statements of any
18 such way. I did a rate analysis.
19 Q Okay. You mentioned that it was often
20 possible to provide for a reasonable return
21 on assets or investment to investor owned
22 utility, but it wasn't here. And in response
23 to a question from the Attorney General, the
24 rate division--that no full-blown rate of

1 return analysis was done. Is there a reason
2 for that or is that just the typical
3 procedure within our--is there a particular
4 reason that that wasn't done?
5 A Well, generally, the Commission has employed
6 the methodology of operating ratio to
7 determine the allowable net operating income
8 for small utilities. And that it is an
9 alternative procedure to determining a return
10 on an investment because in these cases--
11 well, in any case, a return on investment
12 would include a calculation of the weighted
13 cost of capital and a recovery thereon. And
14 in this particular instance, you know, the--I
15 didn't actually go through and perform any
16 calculations, but I would guess that their
17 capital structure would be a negative number.
18 So, how could I--even if I could determine an
19 acceptable return on such an investment, what
20 investment do I have to calculate that return
21 on? That, in my opinion, is why the
22 methodology of an operating ratio is used by
23 this Commission.
24 Q You stated that the amendment was to rectify

1 what your analysis was was an understatement
2 of the water usage by the--I'll call them the
3 affiliated facilities. Is it--has it been
4 the staff's position all along that usage by
5 those facilities should be treated just like
6 usage by any other non-affiliated customer?
7 A I would defer that technical, you know,
8 aspect of the question to Mr. Kirtley.
9 MS. YUNKER:
10 I have no further questions. Thank you.
11 HEARING OFFICER SHAPIRO:
12 Mr. Goff?
13 MR. GOFF:
14 Nothing, no questions.
15 MR. SPENARD:
16 We have no recross, no redirect.
17 HEARING OFFICER SHAPIRO:
18 Thank you Mr. Lawless.
19 A Thank you.
20 MR. SPENARD:
21 At this stage we would call Mr. Kirtley to the
22 stand.
23 HEARING OFFICER SHAPIRO:
24 Mr. Kirtley.

MR. SPENARD:

And also ask that Mr. Kirtley be provided with a calculator.

MR. KIRTLEY:

Am I allowed to make a comment before I'm on record?

HEARING OFFICER SHAPIRO:

That's fine.

MR. KIRTLEY:

If questioning is going to be regarding the cost of service study, you might want to ask Ms. Lee to join me, Carryn Lee, my supervisor.

MR. SPENARD:

And in terms to answer as we did previously in tandem. There is no objection as long as they are both sworn, I would also call Ms. Lee.

HEARING OFFICER SHAPIRO:

That might save some time.

(TWO WITNESSES DULY SWORN)

The witnesses, BRENT KIRTLEY and CARRYN LEE, having been duly sworn, testified as follows:

1 DIRECT EXAMINATION

2 BY MR. SPENARD:

3 Q Good morning Mr. Kirtley, good morning Ms. Lee.

4 MS. LEE:

5 Good morning.

6 MR. KIRTLEY:

7 Good morning.

8 Q I'm going to start with the water division and--

9 HEARING OFFICER SHAPIRO:

10 Let's identify the witnesses first, let

11 them identify themselves.

12 Q Okay. Mr. Kirtley, would you identify

13 yourself?

14 MR. KIRTLEY:

15 Yes. Brent Kirtley, I am a member of Commission

16 Staff.

17 HEARING OFFICER SHAPIRO:

18 What is your business address Mr.

19 Kirtley?

20 MR. KIRTLEY:

21 Okay. It is 730 Schenkle Lane, Frankfort,

22 Kentucky 40601.

23 HEARING OFFICER SHAPIRO:

24 And in what capacity are you employed by

1 the Commission?
2 MR. KIRTLEY:
3 I am a public utilities rate analyst.
4 HEARING OFFICER SHAPIRO:
5 Ms. Lee?
6 MS. LEE:
7 My name is Carryn Lee, I'm also employed by the
8 Public Service Commission, my business address is
9 730 Schenkel Lane, Frankfort.
10 HEARING OFFICER SHAPIRO:
11 In what capacity are you employed by the
12 Commission?
13 MS. LEE:
14 I'm employed as a Rates and Tariffs Manager with
15 the Commission.
16 Q Mr. Kirtley, if I understood the previous
17 testimony of Mr. Lawless, you are in a position to
18 answer questions concerning the Cost-of-Service
19 Study for the water division that appears as
20 Appendix D, I'm looking at the Appendix D from the
21 Amended Staff Report; is that correct?
22 MR. KIRTLEY:
23 Yes, with some questions on the Cost-of-Service
24 Study, as indicated, I might need to defer to Ms.

1 Lee.

2 Q That's fine. Let's take a look at

3 depreciation expense and on Appendix D the

4 depreciation expense is $1,778. And that has

5 been allocated 95% to demand and 5% to

6 customers; is that correct?

7 MR. KIRTLEY:

8 Is your question directed for me?

9 Q Yes, sir.

10 MR. KIRTLEY:

11 Okay. I do believe that is correct, but I will

12 again defer on the Cost-of-Service Study to Ms.

13 Lee. But that is what is indicated there on the--

14 Q Okay. Well, Ms. Lee, this amount of

15 depreciation traces back to page 11 of the

16 Staff Report, specifically, under the

17 discussion of depreciation, test year

18 depreciation was adjusted to reflect a full

19 years depreciation of a water pump; is that

20 correct?

21 MS. LEE:

22 That's correct.

23 Q And why is only 95% of this expense allocated

24 to the demand component in the Cost-of-

1 Service Study?

2 MS. LEE:

3 Generally, when we prepare a Cost-of-Service

4 Study, we have a complete breakdown of

5 depreciation and, so, we can--it is easy to

6 determine a percentage. We didn't have a complete

7 breakdown in this case and, so, what I did was

8 just use 95 and 5% based on my experience with

9 other--in preparing other studies.

10 Q Okay. Would it be unreasonable or arbitrary

11 to allocate 100% of the depreciation expense

12 to demand component, in your opinion, Ms.

13 Lee?

14 MS. LEE:

15 I think there would be some depreciation expense

16 to the customers. There is depreciation on meters

17 and there is going to be depreciation on service

18 lines and, so, I--there is going to be a small

19 percentage to the customer.

20 Q Okay, in this particular instance for this

21 particular amount, $1,778, that is for the

22 cost of this water pump; is that correct?

23 MS. LEE:

24 Yes, it is.

1 Q And there are no other meters or there is no
2 other equipment discussed in the depreciation
3 expense; is that correct?
4 MS. LEE:
5 That is correct.
6 Q But it still would be your opinion to
7 allocate 95% to the demand component?
8 MS. LEE:
9 In this case I certainly wouldn't have a problem
10 since that is where the cost of a pump to allocate
11 a 100% to the demand. What that would--the impact
12 of that would be to lower the minimum bill a very
13 small amount.
14 Q Approximately two cents or so?
15 MS. LEE:
16 Two or three cents, and it would increase the per
17 thousand gallons for the, you know, usage.
18 Q Okay. Ms. Lee, if we were to reduce the operating
19 ratio, the impact of that reduction would be to
20 reduce the amount of total operation and
21 maintenance expense; is that correct? I'm looking
22 at the operation--operating ratio that appears in
23 the upper portion, $11,656?
24

1 MS. LEE:

2 Yes, it would.

3 Q And currently the operating ratio is split

4 equally between the demand component and the

5 customer component; is that correct?

6 MR. LEE:

7 That's correct.

8 Q And if we were to reduce this, the net impact--or,

9 at least, let's look at the upper portion of this

10 Cost-of-Service Study. If we were to reduce the

11 amount of the operating ratio and split that

12 reduction equally between customer demand to keep

13 the operating ratio to be split evenly between

14 customer demand 50/50, it would lower the subtotal

15 of $88,243; is that correct, on a dollar for

16 dollar basis?

17 MS. LEE:

18 Yes, sir; yes, sir, it would.

19 Q And the--another thing that would result is

20 it could potentially impact the allocation

21 percentages between the demand and customer

22 amounts for those other expenses that are

23 listed, such as licenses and fees,

24 professional fees, supplies, telephone. If

1 we changed the operating ratio we might
2 change the allocation percentage as well?
3 MS. LEE:
4 It might, yes, sir.
5 Q Okay. Under the assumption in this case that
6 we were to reduce the operating ratio by half
7 to $2,000--excuse me, by half to $5,828, that
8 would result in $2,914 being split equally
9 between demand and customers; is that
10 correct?
11 MS. LEE:
12 That's correct.
13 Q And rather than having $55,768 for the demand
14 component subtotal, we would have $52,854; is
15 that correct?
16 MS. LEE:
17 I'll accept that.
18 Q Okay. And for the customer's subtotal,
19 rather than having $14,867, we would have
20 $11,953; is that correct?
21 MS. LEE:
22 I'll accept that.
23 Q And I will apologize at this stage because we had
24 made exhibits to reflect this prior to knowing

1 that there had been an amended filing. The
2 allocation percentage is based on adding together
3 the demand subtotal and the customer subtotal and
4 finding out what percentage of that total each of
5 those factors represents; is that correct?
6 MS. LEE:
7 Yes, sir, it is.
8 Q And in this instance would you accept,
9 subject to check, that if we were under the
10 scenario that the operating ratio was reduced
11 by half, the new allocation percentage would
12 be 81.56% for demand and the new allocation
13 percentage for customer would be 18.44%?
14 MS. LEE:
15 Yes, sir, I'll accept that.
16 Q And the result would be that subtotal for each of
17 those categories would change?
18 MS. LEE:
19 Yes.
20 Q Is that correct? And when the customer--when the
21 customer component is reduced, one of the results
22 of the reduction of that customer component being
23 reduced is the minimum bill will be reduced?
24

1 MS. LEE:

2 That's correct.

3 Q Okay. And when I'm looking at the actual usage,

4 the breakdown on your Cost-of-Service on the

5 bottom portion of the page,--

6 MS. LEE:

7 Yes.

8 Q --the way that the weighted usage is

9 determined is that you take the actual usage

10 and then add to it one-half of the first

11 block, one-half of the 2,000--excuse me, one-

12 half for the first 2,000 actual usage and

13 then one-quarter of the actual usage for the

14 next 8,000 gallons; is that correct?

15 MS. LEE:

16 That's correct.

17 Q Okay. And from there you derive your

18 weightings for the--for assigning the

19 commodity and the demand components to these

20 different blocks; is that correct?

21 MS. LEE:

22 That's correct.

23 Q Okay. When we look at the proposed rate

24 schedule we see, under the first 2,000

1 gallons, it is currently recommended that
2 $19.50 be collected as a minimum bill; is
3 that correct?
4 MS. LEE:
5 That's correct.
6 Q And if we take a change to the depreciation
7 expense, the reduction--it would change the
8 allocation of those depreciation expenses to
9 100% to the demand component, that would
10 lower that proposed rate schedule, that
11 proposed minimum bill a very small amount,
12 but it would approximately two cents or so?
13 MS. LEE:
14 I would accept that.
15 Q And then that potentially could have a small
16 change to the next two blocks, just very
17 minor, one cent, because you are shifting,--
18 MS. LEE:
19 Shifting the cost.
20 Q --you are shifting the cost. And if we were
21 to lower, under the scenario, we would lower
22 the operating ratio, there would also be a--
23 there would be a reduction for that minimum
24 bill, and there would also be a shifting of

1 cost, you would have to revise--a person
2 would have to revise all three blocks in
3 order to reflect a change in lowering the net
4 operating income?
5 MS. LEE:
6 If you lower the operating ratio, then you would
7 decrease the minimum bill and decrease the rates
8 per thousand gallons.
9 Q Okay. The most dramatic change, or I
10 shouldn't say dramatic, the--in terms of
11 significance, it would be on that first block
12 of usage, a significant reduction in the net
13 operating income will have the most
14 significant impact on that first block of
15 usage because that is where every customer is
16 going to pay in that first block?
17 MS. LEE:
18 That's correct.
19 Q Okay, all right. We are going to switch to
20 sewer for a moment. The page 15 of the Staff
21 Report reflects that the revenue requirement
22 for sewer has been determined to be
23 $29,584.61; is that correct?
24

1 MR. KIRTLEY:

2 Yes.

3 Q And on Appendix B of the initial Staff Report it

4 reflects that this amount of income will produce

5 net operating income of $3,550.15; is that

6 correct?

7 MR. KIRTLEY:

8 Yes.

9 Q Okay. And if we look at the Appendix F for

10 sewer operations we see a $13.50 monthly bill

11 and, as indicated previously, if we take

12 $13.50, we annualize that by multiplying it

13 by 12, we take 185 customers and multiply

14 that, we actually get an amount that is

15 $29,970; is that correct?

16 MR. KIRTLEY:

17 Yes, it is.

18 Q And when we compare the $29,970 that appears

19 on Appendix F by multiplying out that $13.50,

20 that is actually greater than the pro forma

21 operating--operations proposed rates that

22 appears on Appendix B; is that correct?

23 MR. KIRTLEY:

24 Yes, it is.

1 Q And as the Staff Report currently indicates
2 that the required operating revenues should
3 generate, in fact, if we look at page 15 it
4 states in the second paragraph under Section
5 D, "The recommended rates in Appendix F will
6 generate the required operating revenue from
7 sewer rates of $29,584.61;" is that what the
8 Staff Report states?
9 MR. KIRTLEY:
10 That is what is in the staff report.
11 Q And if the amount in Appendix F of $13.50 is
12 used, the utility will actually collect in
13 excess of the amount listed in the Staff
14 Report; is that correct?
15 MR. KIRTLEY:
16 I believe that is correct.
17 Q And at this stage would it be correct that if we
18 take $29,584.61, we divide that by the 185
19 customers, and then we further divide that by 12
20 to get a monthly bill, that the recommended rate
21 to raise the revenues in the Staff Report is a
22 monthly bill of $13.33?
23 MR. KIRTLEY:
24 That is correct.

1 Q And at this stage I'm going to hand out what I'm
2 going to mark as Attorney General's Exhibit 1. At
3 this stage is it your testimony that the
4 recommended rates should be adjusted on Appendix F
5 from $13.50 to $13.33 to make sure that the
6 amounts listed in the Staff Report match that to
7 be collected through the rates?
8 MR. KIRTLEY:
9 Yes, that is correct.
10 HEARING OFFICER SHAPIRO:
11 Let me see if I follow what you just
12 said, Mr. Kirtley.
13 MR. SPENARD:
14 Yes, sir.
15 HEARING OFFICER SHAPIRO:
16 It is your recommendation then that the
17 Amended Staff Report--that the original
18 Staff Report be amended to reduce the
19 recommended rate from $13.50 per month
20 for sewer service to $13.33?
21 MR. KIRTLEY:
22 Yes, sir.
23 Q And at this stage I'm going to ask you to take a
24 look at Appendix B for the sewer division, and

1 this is the--we are back to the pro forma
2 operating statement. And under Appendix B there
3 is a net operating income recommended by the Staff
4 Report of $3,550.15; is that correct?
5 MR. KIRTLEY:
6 Yes.
7 Q And under the scenario where the net operating
8 income is reduced in half, the net operating
9 income, under that scenario, net operating income
10 would be reduced to $1,775.08; is that correct,
11 approximately?
12 MR. KIRTLEY:
13 I'll accept that, subject to check.
14 Q Okay. And the result is, for such a
15 reduction, that there would be--there would
16 be some changes to the actual--when the net
17 operating income is reduced, the operating
18 revenues would also be reduced. Instead of
19 $29,584.61, there would be a reduction in the
20 amount of operating revenues required if
21 there is a reduction of the net operating
22 income required; is that correct?
23 MR. KIRTLEY:
24 Yes, I believe so.

1 Q Okay. And under that scenario we would
2 actually reduce the rates from $29,584.61 on
3 the pro forma operation proposed rates,
4 again, this is under a hypothetical, to
5 $27,809.54; is that correct? Holding all of
6 the other--holding all of the other items on
7 Appendix B constant and just changing net
8 operating income?
9 MR. KIRTLEY:
10 What was your number again?
11 Q The first number was we would change from the
12 current number of $29,584.61 to $27,809.54?
13 MR. KIRTLEY:
14 I would accept that, subject to check, I believe
15 that is correct.
16 Q And if we take $27,809.54, we divide that by
17 185 customers, and further divide that by 12
18 months, under that scenario, the resulting
19 rate would be $12.53 per month; is that
20 correct?
21 MR. KIRTLEY:
22 Subject to check, I do believe that is--that to be
23 so.
24 Q And I'm going to, at this stage, distribute

1 an exhibit to the parties, I would like it to
2 be labeled AG Exhibit 2 and it is captioned
3 Appendix F, Staff Report, Case Number 97-516,
4 Recommended Rates Sewer Division (Attorney
5 General's Position). And, again, I want to
6 go back and indicate that this is a scenario
7 that we are discussing that if net operating
8 income is changed and reduced that this would
9 be the amount, the $12.53, would be the
10 amount that would be reflected to generate
11 the revenues on a revised Appendix B; is that
12 correct?
13 MR. KIRTLEY:
14 Again, I preface by saying subject to check, yes,
15 I do believe that to be true.
16 HEARING OFFICER SHAPIRO:
17 Well, what figure would you be reducing
18 on Exhibit--on Appendix B?
19 MR. SPENARD:
20 The Appendix B net operating income
21 would be reduced from $3,550.15 to
22 $1,775.08 to reflect a reduction by one-
23 half of the net operating income that
24 has been recommended in the Staff's

1 report for the sewer division.

2 MR. GOFF:

3 Are you asking hypothetical questions?

4 MR. SPENARD:

5 I'm asking this hypothetical.

6 HEARING OFFICER SHAPIRO:

7 Now, where did you get--how did you come

8 up with the $3,000 figure?

9 MR. SPENARD:

10 The $3,550.15 figure is the amount that

11 has been recommended in the Staff Report

12 for the net operating income for the

13 sewer division and that--

14 HEARING OFFICER SHAPIRO:

15 And that is not shown on exhibit or

16 Appendix B is it?

17 MR. SPENARD:

18 That is shown on Appendix B to the Staff

19 Report.

20 HEARING OFFICER SHAPIRO:

21 Three thousand some dollars?

22 MR. SPENARD:

23 $3,550.15.

24

1 HEARING OFFICER SHAPIRO:

2 Oh, okay, I see it at the bottom--the

3 very bottom line?

4 MR. SPENARD:

5 That's right. And then we have

6 submitted a hypothetical to demonstrate

7 that if we were to take Appendix B and

8 hold all the other numbers on Appendix B

9 constant, with the exception of net

10 operating income, change the net

11 operating income by reducing it by one-

12 half, that the $12.53 amount would be

13 the amount required to support that

14 cost-of-service, or that proposed

15 operating income amount.

16 MR. GOFF:

17 I would object, I don't see any

18 foundation for that whatsoever. Why

19 don't you reduce it by 3/4 or only a

20 1/4, there is nothing in the record to

21 indicate that it would be--should be

22 reduced by 1/2.

23 HEARING OFFICER SHAPIRO:

24 Yes, what is the basis for reducing it?

1 MR. SPENARD:

2 The basis for reducing this is that we
3 have had testimony in this case that
4 the--we currently do not have meters on
5 some of the facilities. There was
6 testimony in the direct, and the
7 testimony speaks for itself, that there
8 is some notion that some of the water
9 that is being utilized is considered a
10 benefit of being an operator. We had
11 testimony on direct that this is a
12 number that has been traditionally--or
13 this operating ratio is a mechanism
14 traditionally used by the Commission.
15 But at this stage we believe that there
16 is some factors that would warrant a
17 deviation from using a straight-forward
18 application of this operating ratio.
19 One, these costs are based upon
20 expenses. We are looking at what is
21 going-forward. When you look at the
22 test year we are looking at cost that
23 are unreasonably high. And it would be
24 our position that if we reduce the net

1 operating income, that would give the
2 utility incentive to manage its
3 operations for a better opportunity to
4 earn. It is our position that the test
5 year amounts are simply unreasonably
6 high and unreliable in that some of
7 this--some of the water sales aren't
8 even metered at this stage.
9 HEARING OFFICER SHAPIRO:
10 Well, as I understood the operating
11 ratio of 88%, that was to--that was used
12 instead of a--trying to determine what a
13 reasonable rate of return would be on
14 the capital assets; isn't that correct?
15 In other words, no one here in making
16 this staff report, making these
17 recommendations, there hasn't nothing--
18 there has been no account made of what
19 the assets of this utility are; is that
20 right? The value of the capital assets
21 I should say?
22 MR. KIRTLEY:
23 That ratio was not calculated by myself and I
24 would really defer to Mr. Lawless to comment on

1 how that is done.

2 HEARING OFFICER SHAPIRO:

3 Okay.

4 MS. YUNKER:

5 Mr. Lawless indicated that he felt that

6 given the operating losses over time

7 that the net capital on the books would

8 be negative--

9 HEARING OFFICER SHAPIRO:

10 Right.

11 MS. YUNKER:

12 --in this case, and applying a

13 percentage, return on equity to a

14 negative--

15 HEARING OFFICER SHAPIRO:

16 But the 88% was used as a method of

17 determining what the rate of return

18 should be, wasn't it?

19 MR. SPENARD:

20 On a forward-looking basis, that is

21 correct. The Staff Report in this case

22 does not recommend--if we take the Staff

23 Report as amended, the Staff Report does

24 not recommend losses in the future. The

1 Staff Report recommends that they will
2 be covering the cost of service, but at
3 this stage it is our contention not that
4 they--we obviously think that they
5 should recover their cost of service.
6 At this stage what we are looking at is
7 their opportunity to earn, and we
8 believe that the evidence in this case
9 warrants a deviation from the operating
10 ratio, that .88 figure that is
11 traditionally used by the Commission.
12 And whether or not the objection, in my
13 opinion, goes to weight not sufficiently
14 or the argument of whether it should be
15 employed, not whether we have the right
16 to make that suggestion.
17 HEARING OFFICER SHAPIRO:
18 Well, of course, you have the right to
19 make any suggestion that the evidence
20 supports.
21 MR. SPENARD:
22 That's correct.
23 HEARING OFFICER SHAPIRO:
24 But I understood you to say earlier that

one of your objections to the proposed rates is that they are based upon expenses that are overstated?

MR. SPENARD:

That's correct.

HEARING OFFICER SHAPIRO:

And now what you are--I think what you are saying to us here at this point is that the evidence is that there are additional--there is additional income so, in essence, it is not the--it is additional income that should be taken into account, that being the income that would be attributable to the use of the water in these other facilities.

MR. SPENARD:

Actually, it is both. In terms of the maintenance in the past--in the past for this utility under--it is not a matter of fault, but under prior ownership the maintenance--

HEARING OFFICER SHAPIRO:

Are you saying there is two--the rates are higher than they should be because

1 the expenses are overstated and the
2 income is understated?
3 MR. SPENARD:
4 That's correct. And on a going-forward
5 basis what we are looking at is giving
6 the utility an opportunity to earn its
7 return. And at this stage the use of
8 the point--it is our position that the
9 use of the point, the straight-forward
10 application of that .88 ratio would
11 permit the utility to garner an amount
12 in excess of what it is otherwise
13 entitled to earn. So, we are asking for
14 an adjustment to that Commission ratio.
15 HEARING OFFICER SHAPIRO:
16 So, that's--again, we are getting into
17 argument here more than we are--
18 MR. SPENARD:
19 Sure.
20 HEARING OFFICER SHAPIRO:
21 --evidence. And--but I'm just trying to
22 see where the evidence is leading or
23 where you say it is leading, of course,
24 where I'm sure other people will say it

1 is not. That's the nature of these
2 things.
3 MR. SPENARD:
4 Well, I'm--
5 HEARING OFFICER SHAPIRO:
6 That's fine, I'm just trying to clarify,
7 I just want to see where we are going
8 here.
9 MR. SPENARD:
10 Okay.
11 HEARING OFFICER SHAPIRO:
12 Is there an objection?
13 MS. YUNKER:
14 To the entry of this exhibit, is that
15 what is--what the question is?
16 HEARING OFFICER SHAPIRO:
17 Any objection anywhere.
18 MS. YUNKER:
19 I mean, as I understand it the exhibit
20 states that it is the Attorney General's
21 position, the lack of a basis for that
22 position is I don't think a reason to
23 object to its entry.
24

1 HEARING OFFICER SHAPIRO:

2 Well, I think to object--the exhibit is
3 just another--is more argumentative than
4 anything. I think it's conclusion that
5 you reached based upon what the
6 evidence--you think the evidence shows.

7 MR. SPENARD:

8 And that's why we specifically indicated
9 that this was a scenario and have not
10 asked the staff to adopt our position
11 and indicated on the exhibit that it is
12 the Attorney General's position which is
13 different from the prior--the prior
14 revision where the staff has accepted
15 that an adjustment is needed from $13.50
16 to $13.33. So, we--I believe that we
17 are being clear on the fact that this is
18 our position rather than a request for
19 the staff to adopt our position. At
20 this stage what we are doing is we are
21 instructing the Commission as to our
22 position, not trying to correct the
23 staff's position.
24

1 HEARING OFFICER SHAPIRO:

2 Well, I'm going to let it come in for
3 that purpose. It just simply says that
4 this is what the Attorney General thinks
5 that it ought to be. I'm not sure that
6 it is a proper exhibit in the sense that
7 it is evidence. It is more in the way
8 of argument but I'll let it in for that
9 purpose.

10 MR. SPENARD:

11 Okay.

12 HEARING OFFICER SHAPIRO:

13 That was Exhibit 2, has Exhibit 1 been
14 moved into evidence?

15 MR. SPENARD:

16 I have not moved either exhibit into
17 evidence and was going to do so at the
18 close of the question, but at this
19 stage, for simplicity, I would move that
20 both AG Exhibit 1 and AG Exhibit 2 be
21 entered into the record.

22 HEARING OFFICER SHAPIRO:

23 Any objection?

24

1 MR. YUNKER:

2 I'm of the understanding that the staff

3 has now adopted AG Exhibit 1 as a

4 revision to Appendix F?

5 HEARING OFFICER SHAPIRO:

6 Well, I think the evidence is that it is

7 simply a mathematical calculation.

8 MR. YUNKER:

9 No, this is Exhibit 1, which is--

10 HEARING OFFICER SHAPIRO:

11 Exhibit 1 was just a mathematical

12 calculation.

13 MS. YUNKER:

14 Right, but I guess the way that it is--

15 what's reflected on it is that it

16 actually makes it--it purports to show

17 the Staff Report recommended rates as

18 revised.

19 HEARING OFFICER SHAPIRO:

20 Well, the way I understood the

21 testimony, essentially, it was a

22 mathematical computation which was

23 derived at by dividing one number by

24 another number and coming up with this

1 $12 or 13--what was it?

2 MR. GOFF:

3 $13.33.

4 HEARING OFFICER SHAPIRO:

5 $13.33, and I never did understand why,

6 fully, how that--how the $13.50 was

7 derived, apparently based on the same

8 figures. But that's--but we will let it

9 go at that, I guess.

10 MR. SPENARD:

11 Well, before--

12 HEARING OFFICER SHAPIRO:

13 That may be in the evidence and we will

14 have an opportunity to review the record

15 once, you know, when we review the

16 record in light of what you direct us

17 to, either in your closing statement, or

18 in the event you all have decided to

19 file briefs, then in briefs.

20 (EXHIBITS SO MARKED: AG Exhibits Numbered 1 & 2)

21 Q Well, I want to clear up a few points on this.

22 First, let's go to the Attorney General Exhibit 1.

23 And this was the $13.33 exhibit. I'm not aware

24 that there is any testimony in the record on how

1 the staff arrived at $13.50, so at this stage I'll
2 ask can either witness testify why the $13.50
3 amount was used?
4 MR. KIRTLEY:
5 If you will refer to not the Amended Staff Report,
6 the original Staff Report--no, I'm sorry, the
7 application. Excuse me, I need just a moment to
8 get everything together.
9 Q Okay.
10 MR. KIRTLEY:
11 Okay. I am looking at Attachment A of the
12 original sewer division application, it is about
13 four pages from the back.
14 Q Okay.
15 MR. KIRTLEY:
16 And I'm also looking at Appendix B of the Staff
17 Report.
18 Q Okay.
19 MR. KIRTLEY:
20 If you will refer to repairs and maintenance in
21 the adjustment column, entry C on the application,
22 and it is not lettered in the Staff Report, there
23 is a difference in those two numbers.
24 Q Okay.

1 MR. KIRTLEY:

2 That was an adjustment that was made, not by
3 myself, but it was an adjustment made to reduce
4 that down between--from information that was
5 gotten between the time of the application was
6 filed and the time that the Staff Report. Now, if
7 you use the numbers from the application, the
8 $13.50 calculates out right to the penny.
9 Inadvertently, that new number, when the Staff
10 Report went out that adjustment had not gotten
11 into the figure used to calculate the bill for the
12 sewer. I was aware of that situation when we came
13 down this morning and was prepared to bring that
14 up.

15 Q Okay.

16 MR. KIRTLEY:

17 $13.33 was--is what should be--is the staff's
18 recommended sewer rate.

19 Q Okay. So, that explains where the $13.50 is
20 from and it is--if I understand the testimony
21 correctly, the staff has accepted a revision
22 and to accurately reflect the revenues for
23 the Staff Report, the $13.33 amount per month
24 would be the amount for the sewer division?

1 MR. KIRTLEY:

2 That is correct.

3 Q And then for further clarification, it is

4 understood that the questions that have

5 previously been asked about Attorney General

6 Exhibit 2 have been hypothetical; is that

7 correct?

8 MR. KIRTLEY:

9 Purely hypothetical, that is correct.

10 Q Okay. And that is not--you have not been

11 requested to adopt that position; is that correct?

12 MR. KIRTLEY:

13 No, I have not.

14 MR. SPENARD:

15 Okay. And one moment please. At this

16 stage we have no further questions.

17 MR. CONRAD:

18 Yes.

19

20 CROSS EXAMINATION

21 BY MR. CONRAD:

22 Q I'd like to ask the witness what assurances do we

23 have that the ICH's records and expenses on the

24 application are, in fact, true? Did anyone audit?

1 MR. KIRTLEY:

2 I personally did not perform an audit of the

3 expense side, but I took a look at where the

4 billing records, that is the portion that I was

5 responsible for and, yes, I did take a look at

6 those. I don't know if audit is the correct word

7 but a review of the billing records for the test

8 period.

9 Q So, we really don't have any assurance that all of

10 these figures are right?

11 MR. KIRTLEY:

12 Well, you know, the billing records, as far as I'm

13 concerned, I'm comfortable with the numbers that I

14 have prepared, yes.

15 MR. CONRAD:

16 That's all.

17 HEARING OFFICER SHAPIRO:

18 Mr. Goff?

19

20 CROSS EXAMINATION

21 BY MR. GOFF:

22 Q Mr. Kirtley, did--is the usage revenue for the

23 country club swimming pool, pro shop included in

24 your proposed rates?

1 MR. KIRTLEY:

2 Yes, if I can refer to the Amended Staff Report,

3 there has been some concern regarding the

4 unmetered usage. And I just want to make clear

5 that under operating revenues under Section B,

6 amendments to staff recommendations, that the

7 increase in usage that was made in the amendments

8 was due to the usage for the clubhouse restaurant

9 and swimming facilities at Glennwood Hall.

10 MR. GOFF:

11 Nothing further.

12 HEARING OFFICER SHAPIRO:

13 Let me just ask you, where is that reflected in

14 Appendix A?

15 MR. KIRTLEY:

16 If you look at the operating revenues, the first

17 section up on the left hand side, the first number

18 at the top of Appendix A.

19 HEARING OFFICER SHAPIRO:

20 That's where you increased it from $25,398.76 to

21 $26,758.87?

22 MR. KIRTLEY:

23 Yes, sir.

24

1 HEARING OFFICER SHAPIRO:

2 And how did you determine that--okay, let me--and

3 you say that decrease is attributable to the

4 unmetered use--

5 MR. KIRTLEY:

6 Yes.

7 HEARING OFFICER SHAPIRO:

8 --of those three facilities?

9 MR. KIRTLEY:

10 Yes.

11 HEARING OFFICER SHAPIRO:

12 How did you determine the amount that--of the

13 increase?

14 MR. KIRTLEY:

15 As it shows there that a different test period for

16 these usages was included in here to reflect that

17 usage. As has been indicated here, that that

18 water for those facilities was not being metered.

19 However, there were earlier billing records

20 available that indicated usages for that. And

21 that was a period from January--excuse me,

22 February of '96 through January of '97, and I went

23 back in our calculations in the billing analysis,

24 which is used to do the Cost-of-Service Study, and

1 added that usage in which increased revenues which
2 in turn reduced the rates, which is why the
3 Amended Staff Report was put out showing that
4 usage was included in our calculations and that it
5 had in turn reduced the recommended rates.
6 HEARING OFFICER SHAPIRO:
7 Well, what is--was that actual usage taken from
8 the time the facilities were metered?
9 MR. KIRTLEY:
10 I'm assuming so because I have meter readings. I
11 mean, I don't just have usages, I actually have a
12 meter reading that goes from month to month which
13 I have taken a--the difference between January to
14 February and calculated February's usage and gone
15 through and added that into my billing analysis.
16 HEARING OFFICER SHAPIRO:
17 Ms. Yunker?
18
19 CROSS EXAMINATION
20 BY MS. YUNKER:
21 Q This is a question that was referred to by Mr.
22 Lawless. But the inclusion then of virtual
23 revenues, if you will, for the period for that
24 unmetered water usage was so as to treat that non-

1 utility part of Glennwood Hall as would be treated
2 any other customer?
3 MR. KIRTLEY:
4 That is true.
5 Q So, this puts--this would put them on the same
6 basis and the proposed rates it is proposed that
7 they be on the same basis as any other customer;
8 is that correct?
9 MR. KIRTLEY:
10 That is correct.
11 Q With respect to the testimony, Ms. Lee, that
12 you went through, much of it hypothetical,
13 about the Cost-of-Service Study on the water
14 division. As I understood it, the general
15 effect of the what ifs, what ifs, what ifs,
16 that the Attorney General's representative
17 took you through, would have been to for--for
18 a same revenue requirement, or equivalent
19 revenue requirement, would decrease the
20 minimum bill and increase the beyond minimum
21 usage charges; is that correct?
22 MS. LEE:
23 That's correct. It would also increase the--it
24 would decrease the minimum but not as much as you

1 might think, because there is 2,000 gallons
2 included in the minimum. And, so, anything that
3 reduces the customer charge would reduce the
4 customer charge portion of the minimum but you
5 still have to pay for the 2,000 gallons that is
6 included.
7 Q So, depending on the particular usage profile
8 of a resident, there might be no change,
9 there might be an increase, there might be a
10 decrease to their monthly bills; is that
11 correct?
12 MS. LEE:
13 That's correct. Someone that used--this is
14 hypothetical because I haven't run the numbers but
15 someone that used four or five thousand gallons
16 might very likely see a slight increase by
17 reducing the customer charge or the minimum.
18 Q Okay. Keeping in mind now customer A and
19 customer B, each uses--I don't know what a
20 normal figure is, but we will just say 2,000
21 gallons for every day that they are living
22 there, but one--but customer resident B is
23 only a weekend resident, this is a weekend
24 house for them, so they are there maybe three

1 or four weekends of the month. Would there--
2 a reduction of the minimum bill relative to
3 those higher usage charges, would it help
4 that weekend resident more? Would they get a
5 benefit from that shift relative to the day
6 in, day out resident using 2,000 gallons a
7 day that they are there?
8 MS. LEE:
9 For a month, 2000 a month?
10 Q Yes, no, 2,000 actually a day, I realize that is
11 high, but--I'll call it a 1,000 gallons a day.
12 MS. LEE:
13 Certainly people that didn't use any water, or
14 used just the minimum, would receive a slight
15 decrease. And those customers that used a great
16 deal of water would receive an increase.
17 Q So, the--what you are being taken through, at
18 least as far as changing the percentages as
19 between customer demand and commodity, what that
20 does is lead to how the revenues are collected
21 from what part of the billing structure rather
22 than changing the revenue requirement; is that
23 correct?
24

1 MS. LEE:

2 That's correct.

3 MR. SPENARD:

4 I do have a few questions just to clarify.

5

6 REDIRECT EXAMINATION

7 BY MR. SPENARD:

8 Q Ms. Lee, when we discussed the, for instance,

9 depreciation expense, we were keeping the--we were

10 simply discussing an allocation, we were keeping

11 the revenue required and the revenue to be

12 collected through rates the same. We were simply

13 talking about allocation in that case. And then

14 in another instance we were talking about what

15 would happen if there was an adjustment made to

16 reduce the amount of revenues to be collected; is

17 that correct?

18 MS. LEE:

19 For the operating ratio?

20 Q Yes, ma'am.

21 MS. LEE:

22 Yes.

23 MR. SPENARD:

24 That's all I have.

RECROSS EXAMINATION

BY MR. CONRAD:

Q I'm concerned about the usage of water for the pro shop commodes and the drinking fountains throughout the golf course. Were all of these taken into consideration when they were talking about what they used and what we used as residents, the washing of golf carts and the general manager's home? These are things that were used and we wonder if they were considered?

MR. KIRTLEY:

The meter readings that I had, and there could be some minor usage out there that I have not accounted for, but the major usage is of the pool and the restaurant are nearly--well, I've got--I added in the pool, it is 558,980 gallons. That is a very significant amount for the pool. And the restaurant was also, you know, the 276,000 gallons. Those are fairly significant adjustments that I had, was able to come up with using a prior time frame meter readings for those times. I did not have meter readings for water that might be used to wash a golf cart, no, sir, I would not have--I would not have that. But that would be

1 minor in comparison to the larger facilities.

2 MS. LEE:

3 We did also have usage for the pro shop.

4 MR. KIRTLEY:

5 Yes.

6 MS. LEE:

7 That is included in our record.

8 Q But it included these commodes and everything else

9 like that?

10 MS. LEE:

11 It was in the pro shop, yes, sir.

12 Q But nothing on the golf course?

13 MS. LEE:

14 It is my understanding that on the golf course the

15 water is untreated. Water used on the golf

16 course--

17 Q The drinking water?

18 MS. LEE:

19 Oh, well, not the drinking water. It should--the

20 drinking water for the golf course should be in

21 there because it should go through one of the

22 meters, either at the club or the pro shop.

23 Q They don't have meters.

24

1 MS. LEE:

2 Well, they read the meters last year and we used

3 the usage for last year so it would have been in

4 there.

5 Q They had meters last year?

6 MS. LEE:

7 '96.

8 Q That's the first I've ever heard of that.

9 MR. KIRTLEY:

10 I've got meter readings starting--a beginning

11 meter reading in January of '96. Now, those meter

12 readings do not continue into '97.

13 Q Really, everything that concerned with the

14 pro shop, the golf course drinking water and

15 the restaurant and the swimming pool are all

16 estimates? Because there are no accurate

17 ways of measuring?

18 MR. KIRTLEY:

19 I took it that these were not estimates. I have--

20 Q That's what I was afraid of.

21 MR. KIRTLEY:

22 Like I said, I looked at meter readings.

23 Q Now, I've got one more question. Is the two-man

24 maintenance crews salary paid for by the residents

1 maintenance figures?

2 MR. KIRTLEY:

3 Sir, that is an expense I would not be able to

4 testify as far as an answer to that question.

5 MR. CONRAD:

6 That's all.

7 MR. GOFF:

8 No questions.

9 HEARING OFFICER SHAPIRO:

10 Thank you. Let's take about ten minutes.

11 MR. SPENARD:

12 For convenience, we have no further questions of

13 those and no more witnesses to call.

14 (OFF THE RECORD)

15 HEARING OFFICER SHAPIRO:

16 Back on the record. Mr. Conrad, would you like to

17 give some--do you have any witnesses that you

18 would like to call?

19 MR. CONRAD:

20 Just a moment.

21 HEARING OFFICER SHAPIRO:

22 Mr. Conrad, let me ask you, do you have any

23 witnesses that you wish to call at this time?

24

1 MR. CONRAD:

2 Negative.

3 HEARING OFFICER SHAPIRO:

4 Okay. Do you wish to make a statement at this

5 time under oath?

6 MR. CONRAD:

7 Well--

8 HEARING OFFICER SHAPIRO:

9 Just tell me yes or no.

10 MR. CONRAD:

11 Yes.

12 HEARING OFFICER SHAPIRO:

13 Okay. Why don't you come around here to the

14 witness stand. You can take your papers with you

15 if you think you will need them.

16 (WITNESS DULY SWORN)

17

18 The witness, WILLIAM F. CONRAD, having first been

19 duly sworn, testified as follows:

20 DIRECT TESTIMONY

21 OF MR. CONRAD:

22 HEARING OFFICER SHAPIRO:

23 Let me start you off now. Would you

24 give us your full name please?

1 A William F. Conrad.

2 HEARING OFFICER SHAPIRO:

3 And you are the same William F. Conrad

4 who identified yourself as an intervenor

5 earlier in this action; is that correct?

6 A Yes.

7 HEARING OFFICER SHAPIRO:

8 And you have intervened in opposition to

9 the application?

10 A Yes.

11 HEARING OFFICER SHAPIRO:

12 Would you like to tell the Commission at

13 this time why you oppose the rates that

14 have been proposed by the applicant?

15 A Well, yes. Number one, I figure that this

16 increase of 300 or better percent is

17 outrageous and it is unwarranted because the

18 figures that they are presenting to us are

19 erroneous in many respect because they are

20 not based on actual usage of water. And the

21 use--the cost--there is a great deal of cost

22 shifting, I believe, of labor, particularly,

23 that is they hire men to go down and take

24 care of the water plant for an hour or

1 something, and then the rest of the day is
2 used for whatever they want to do around the
3 park. And that is one reason why I think
4 that it is unjustified. The sewer rates, I
5 have never seen any great deal of maintenance
6 used on the sewers since I've been there
7 until recently. They did have a truck backed
8 up there to empty some of them and there was
9 probably a small minimum amount of fix-up
10 after the flood and damage and things of that
11 nature. But nothing to correspond to
12 increasing our sewer rates from $4.00 to $12
13 or $13. We have got a wonderful bunch of
14 people down there and I think it is a shame
15 to throw this at them because they have
16 hardly any defenses to refute all these
17 figures. We know they are wrong, but we
18 don't have any facts other than what I have
19 stated. I guess that's it. I'm open to
20 questions.
21 HEARING OFFICER SHAPIRO:
22 Let me go this way, Mr. Spenard?
23 MR. SPENARD:
24 No questions.

1 HEARING OFFICER SHAPIRO:

2 Ms. Yunker.

3 MS. YUNKER:

4 No questions.

5 HEARING OFFICER SHAPIRO:

6 Mr. Goff?

7 MR. GOFF:

8 No questions.

9 HEARING OFFICER SHAPIRO:

10 Thank you Mr. Conrad. Does that conclude the

11 case, then, for the intervenors?

12 MR. SPENARD:

13 Yes, it does.

14 HEARING OFFICER SHAPIRO:

15 Do you have anything further?

16 MS. YUNKER:

17 No, sir.

18 HEARING OFFICER SHAPIRO:

19 Do you wish to make closing statements? We will

20 start with Mr. Spenard.

21 MR. SPENARD:

22 As indicated earlier at the beginning of this

23 hearing this is an application for emergency rate

24 relief. The Attorney General has noted, at least

1 for the sewer division operations, a revision to
2 the recommended tariff. It is the Attorney
3 General's position that the net operating income
4 for the sewer division and the net operating
5 income for the water division should be reduced by
6 approximately one half and that should be the
7 opportunity to earn. In this instance, there are
8 circumstances that warrant deviation from a
9 straight application of the .88 operating ratio
10 percentage the Commission has used. Some of those
11 include the fact that the evidence in this case
12 suggests that the management of this utility did
13 not perform maintenance work and that the test
14 year maintenance fees are higher, or test year
15 maintenance expenses are higher than what
16 otherwise would be incurred by a prudent utility.
17 So, on a going forward basis the--an adjustment
18 should be made. Also, I would note that there was
19 testimony by the applicant that there was at least
20 some amount of question as to the actual revenues
21 being generated by the use of the--of the
22 applicant's use of water. A deviation from the
23 .88 operating ratio would allow this utility an
24 opportunity to earn and it would also balance the

1 interest of the consumers by giving them incentive
2 to properly manage the utility--efficiently manage
3 the utility that--or request any rate, emergency
4 rate, relief granted would reflect our position
5 that it should be granted with a lower net
6 operating income amount.
7 HEARING OFFICER SHAPIRO:
8 Mr. Conrad?
9 MR. CONRAD:
10 I've said about what I wanted to say.
11 HEARING OFFICER SHAPIRO:
12 Okay. Ms. Yunker?
13 MS. YUNKER:
14 The application and the evidence show that these
15 are utilities which are not recovering with their
16 current rates their current operating expenses.
17 Even without taking into account the point that
18 any utility should be permitted to--an opportunity
19 to earn, in effect, a net operating income. That
20 has been--that is the point, that operating
21 expenses are not being covered is undisputed on
22 the evidence of this hearing. Furthermore, there
23 is no evidence that the test year costs are above
24 those of a reasonable or prudently operated

1 utility. There is also the only evidence of
2 record is that the usage by the non-utility
3 affiliates of the utility has been appropriately
4 accounted for in the Amended Staff Report. So, on
5 neither of these bases--well, first it would not
6 be appropriate to change the operating ratio
7 because the expenses weren't right or the
8 estimated revenues were not correct. The
9 appropriate response to that, if it were shown,
10 would be to correct the expenses or to correct the
11 revenues, the estimated revenues coming in. Any
12 other fiddling with the operating ratio comes
13 dangerously close to what the Public Service
14 Commission is not permitted to do, which is that
15 it is not permitted to use the rates or the
16 calculation of rates in some ways to punish the
17 applicant, even if punishment were merited here.
18 The evidence shows that the existing management is
19 attempting to run this--these utilities on an
20 efficient and reasonable basis and that in order
21 to do so they must recover at least their
22 operating expenses. The evidence in this record
23 is that there is a need for rates to go into
24 effect on an interim basis. Obviously, the

1 request for interim rates is so that a rate
2 increase could go into effect perhaps sooner than
3 could be managed with a full rate case and a final
4 order behind it. I would suggest, however, that
5 the--that there is sufficient evidence of record
6 for the PSC to proceed to a final order at this
7 point and that if it can do so within the next
8 month that there is little reason of taking the
9 intermediate step of permitting interim rates.
10 However, if, and I understand that the
11 Commission's own schedule, as well as their review
12 of the record, may indicate that further
13 consideration or further time is needed. The
14 applicant, again, respectfully requests that it be
15 permitted to put into effect the proposed rates as
16 amended by the revisions to the Staff Report, both
17 proposed by the Staff today and with the Attorney
18 General's correction be put into effect in the
19 interim awaiting that final order.
20 HEARING OFFICER SHAPIRO:
21 Does that conclude the statements?
22 MS. YUNKER:
23 Yes.
24

1 HEARING OFFICER SHAPIRO:

2 Mr. Spenard, did I understand you earlier to say
3 that it is also your feeling that this--the rates
4 that are--permanent rates that are established
5 be--or that this hearing serve as a vehicle for
6 establishing permanent rates if the Commission
7 felt it was sufficient? Or do you desire that
8 this be limited? I'm not trying to put you on the
9 spot, I thought you might have said that as well.

10 MR. SPENARD:

11 Well, upon reflection and to clarify the point
12 the--there is an application for an emergency rate
13 relief and if the Commission deems it appropriate,
14 grant it. At that stage the utility is going to
15 earn based upon whatever rates are granted. So,
16 in a sense, they are protected or they are allowed
17 to go ahead and start recovering that cost. And
18 at this stage it would not be our desire to go
19 ahead and two for one, so to speak, on the interim
20 and final order. Just have the interim rate
21 relief considered separately from the final order,
22 and if it is appropriate to merge the interim into
23 the final order that may well be appropriate. But
24 at this stage if it had been prior, then I would
not want to take that position. The position

1 would be just to keep each aspect separate.
2 HEARING OFFICER SHAPIRO:
3 Okay. I take it that neither one of the parties
4 has asked for the opportunity--none of the parties
5 have asked for an opportunity to brief; is that
6 correct?
7 MR. YUNKER:
8 That is correct.
9 MR. SPENARD:
10 That's correct, on the issue of the emergency rate
11 relief, yes, sir.
12 HEARING OFFICER SHAPIRO:
13 So, then, that will conclude the hearing. The
14 reporter will prepare a transcript of the
15 proceedings here today, when that transcript has
16 been filed with the Commission the matter will be
17 then submitted to the full Commission for its
18 consideration and they will issue an order which
19 they deem is appropriate based on the evidence.
20 If anybody wants a copy of the transcript you can
21 get one by making arrangements with the court
22 reporter. The court reporter can tell you what
23 you need to do if you do want one. So, with that,
24 this hearing is adjourned.

(OFF THE RECORD)

1 CERTIFICATE

2

3 STATE OF KENTUCKY)

4 COUNTY OF FRANKLIN)

5

6 I, VIVIAN A. LEWIS, a Notary Public in and

7 for the state and county aforesaid, do hereby certify

8 that the foregoing testimony was taken by me at the

9 time and place and for the purpose previously stated in

10 the caption; that the witnesses were duly sworn before

11 giving testimony; that said testimony was first taken

12 down in shorthand by me and later transcribed, under my

13 direction, and that the foregoing is, to the best of my

14 ability, a true, correct and complete record of all

15 testimony in the above styled cause of action.

16 WITNESS my hand and seal of office at

17 Frankfort, Kentucky, on this the 6th day of April,

18 1998.

19

20

21 VIVIAN A. LEWIS
Notary Public

22 Kentucky State-at-Large

23

24 My commission expires: 7-23-01

-$-

$1,300 [2] 17:17,18
$1,300.00 [1] 16:18
$1,775.08 [2] 79:10 81:22
$1,778 [4] 49:23 50:1 67:4 68:21
$1,800 [1] 32:5
$1,900 [1] 32:5
$100 [2] 51:23 52:2
$11,000 [1] 48:17
$11,656 [3] 48:24 51:13 69:23
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I hereby certify that a copy of the advertisement for

Glenwood Hall Golf & Country Club regarding Notice-Appendix to order of Ky. Public Service Commission in Case No 97-516 appeared in the

March 11, 1998, issues of The News-Herald.

Elaine Schwartz

Associate Editor
(Title)

Subscribed and sworn to before me this 13th day of March.

Stephanie Elliott
(Notary Public)

My commission expires 4-18-01.

App
EXHIBIT NO. 1
97-516
V. LEWIS 3-23-98

Appendix
An appendix to an order of the Kentucky Public Service Commission in Case No. 97-516 Dated Feb. 27, 198
Notice:
Glenwood Hall Golf and Country Club, Water & Sewer Divisions (Glenwood Hall), has petitioned the Public Service Commission for interim rate relief to increase its rates for water and sewer service on an interim basis. The interim rate request will be considered by the Public Service Commission at a hearing to be held March 23, 1998 at 9:00 a.m., Eastern Standard Time, in Hearing Room 1 of the Commission's Offices at 730 Schenkel Lane, Frankfort, KY.
The rates below are the rates proposed by Glenwood Hall. However, the Public Service Commission may order rates to be charges that differ from these proposed rates. Such action may result in rates in this notice. Any customer or other interested person may appear at the public hearing and provide comments regarding Glenwood Hall's request.
Water Proposed Rates:
First 2000 gal.–$21.05 Min. Bill
Next 8000 gal.–$13.06/1000 gal.
Over 10,000 gal.–$11.04/1000 gal
Sewer Proposed Rate
Monthly Rate–$13.50

App
EXHIBIT NO. 2
97-516
V. LEWIS 3-23-98

CONTROL TECHNOLOGIES, INC.
ROUTE 5 BOX 483A CYNTHIANA, KY 41031 TEL: (606) 234 - 8095 FAX: (606) 234 - 6966

February 19, 1998

Curt Moberg, V.P.
Glenwood Hall G. & C.C. (Golf & Country Club)
Box 147
Perry Park, KY 40363

RE: Water Plant Operations

Dear Curt,

Our staff has reviewed your plant operations, set up of the plant, conditions of equipment, and state reports filed with Division of Water in Frankfort, Kentucky.

That being said, we feel we can be of assistance to your facility. The following is a brief list of items that will require immediate attention:

1. All chemical feed pumps restored to proper working order. If not, we can provide two loaners for temporary use.

2. All chemical tanks must be cleaned.

3. The chlorine feed system is in desperate need of repair to continue "safe" operations. This item presents an immediate danger to staff and residents.

4. A lab inventory must be taken and the proper testing supplies ordered ordered. These supplies are required for daily lab work.

5. Several safety hazards need to be addressed. The plant in general is very dirty. A good scrub and washdown is needed.

The completion of the above items will help to insure safe, compliant operation of the water treatment plant. Item #3 listed above must be completed before Control Technologies staff assumes operations of the plant. We would estimate cost of repairs for this item to be less than $1,500.00.

During my visit to your facility we discussed several options regarding plant operations and utilization of your personnel. I've given this a great deal of consideration and would propose the following:

1. Control Technologies will operate the plant 20 day/month, beginning March 2, 1998. Schedule of operation to be determined.

2. Control Technologies will assume responsibility for preparation of monthly operating reports and will submit all required documentation to the Division of Water.

3. Control Technologies will furnish Glenwood Hall with monthly reports of operations.

The fees for services are as follows:

1. Engineering for start-up inspection, safety review, etc. (2 days @ 16 hrs./$65.00/hr.	$1,040.00
2. Initial set-up, installation of feed pumps, etc. (1 day service fee, no charge for use of equipment)	$ 650.00
3. Chlorination system repairs (estimated)	$ 375.00
4. Plant operations:	
A) 20 days/month/$200.00/day (Schedule to be arranged)	$4,000.00/month
B) Division of Water M.O.R. & D.M.R. reports (This is expected for 2 months, then Glenwood's staff may elect to prepare.)	$250.00/month
C. Operator training (Proper training of Glenwood's staff operator.)	No Fee

The above fees are payable as follows:
- Item's 1, 2, & 3 are payable at time the agreement is accepted.
- Item #4 is payable on a monthly basis in advance.
(First month due by February 27, 1998.)

We look forward to working with you on this project. Should you have any further questions, give me a call.

Sincerely,

CONTROL TECHNOLOGIES, INC.

Michael E. Turner/ama

Michael E. Turner
President

MET/jf

Agreement is accepted by [signature]
name & title

Date: 2-23-98

MET #2 WP0A108

AG Exh. 2

APPENDIX F
STAFF REPORT CASE 97-516
RECOMMENDED RATES
SEWER DIVISION
(Revised)

RECOMMENDED RATE

Monthly Bill	$13.33

A.G.
EXHIBIT NO. 1
97-516
V. LEWIS 3-23-98

AG Exh. 2

APPENDIX F
STAFF REPORT CASE 97-516
RECOMMENDED RATES
SEWER DIVISION
(Attorney General's Position)

RECOMMENDED RATE

Monthly Bill	$12.53

A.G.
EXHIBIT NO. 2
97-516
V. LEWIS 3-23-98

PSC
EXHIBIT NO. 1
97-516
V. LEWIS 3-23-98

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GLENWOOD HALL GOLF & COUNTRY CLUB, WATER & SEWER DIVISIONS FOR A RATE ADJUSTMENT PURSUANT TO 807 KAR 5:076 FOR SMALL UTILITIES	)	CASE NO. 97-516

AMENDED

STAFF REPORT

Prepared by: Jack Scott Lawless, CPA
Auditor, Financial Audit Branch
Division of Financial Analysis

Prepared by: Brent Kirtley
Public Utility Rate Analyst
Communication, Water and Sewer
Rate Design Branch
Division of Financial Analysis

AMENDED STAFF REPORT

ON

GLENWOOD HALL RESORT & COUNTRY CLUB

CASE NO. 97-516

A. Preface

On December 22, 1997, ICH Corp. dba Glenwood Hall Golf & Country Club ("Glenwood") filed its application seeking to increase its water and sewer rates pursuant to 807 KAR 5:076, the Alternative Rate Adjustment Procedure for Small Utilities. Glenwood's proposed rates would produce an increase in normalized operating water and sewer revenues of $71,736.54 and $21,080.97, respectively. The Commission Staff ("Staff") issued a report on February 3, 1998, which recommended that Glenwood's requested rates be approved. Subsequent to the issuance of Staff's report, it came to Staff's attention that water usage had been understated, which resulted in $1,360.11 being inadvertently omitted from normalized operating revenues. Therefore, Staff is amending its original report.

B. Amendments to Staff's Recommendations

Operating Revenues

Staff conducted a billing analysis using Glenwood's billing records for the twelve month period ending October 31, 1997. Through this analysis Staff determined that normalized metered water sales should be reported at $25,398.76. However, it came to Staff's attention that water usage for certain club facilities such as the pool and clubhouse had been understated. Staff utilized meter readings from the twelve months ended January 31, 1997, for those select facilities to better reflect normalized water

usage. The additional water usage increased normalized metered water sales by $1,360.11 to $26,758.87. This amendment is included in the revised pro forma operating statement for the water division which is attached hereto as Appendix A. Staff has also amended and attached hereto Appendix D which shows Staff's cost of service study for the water division and Appendix E which includes Staff's recommended rates for water service.

C. Signatures

Prepared By: Jack Scott Lawless, CPA
Auditor, Financial Audits Branch
Division of Financial Analysis

Prepared By: Brent Kirtley
Public Utility Rate Analyst
Communications, Water and Sewer
Rate Design Branch
Division of Financial Analysis

APPENDIX A
AMENDED STAFF REPORT CASE NO. 97-516
PRO FORMA OPERATING STATEMENT (WATER DIVISION)

	Test Year 12 months Ended 10/31/97	Adjustments	Pro forma Operations	Adjustments	Pro forma Operations Proposed Rates
Operating Revenues					
Metered Water Sales	26,758.87		26,758.87	70,376.43	97,135.30
Operating Expenses					
Gasoline	1,147.03	(1,147.03)	0.00		0.00
Licenses and Fees	110.00		110.00		110.00
FICA Expense Employer	1,001.46	(1,001.46)	0.00		0.00
FUI Expense Employer	61.40	(61.40)	0.00		0.00
SUI Expense Employer	324.75	(324.75)	0.00		0.00
Workers Compensation	859.86	(859.86)	0.00		0.00
Professional Fees	18,391.83	(6,138.51)			
		(10,391.40)			
		(1,312.01)	549.91		549.91
Postage	33.23		33.23		33.23
Recruiting Expense	88.96		88.96		88.96
Repairs and Maintenance	50,146.96	(1,411.96)			
		(10,728.46)			
		(10,499.03)	27,507.50		27,507.50
Salaries and Wages (Benefits)	15,325.00	(15,325.00)			
		31,348.66	31,348.66		31,348.66
Contract Labor	627.00	(627.00)	0.00		0.00
Supplies	6,260.42	(925.76)	5,334.66		5,334.66
Telephone	249.00		249.00		249.00
Auto and Travel	176.31		176.31		176.31
Miscellaneous and General	507.19		507.19		507.19
Utilities - Electric	8,265.72	9,342.24	17,607.96		17,607.96
Utilities - Gas	187.68		187.68		187.68
Depreciation	123.48	1,654.52	1,778.00		1,778.00
Total Operating Expenses	103,887.28	(18,408.21)	85,479.07	0.00	85,479.07
Net Operating Income	(77,128.41)	18,408.21	(58,720.20)	70,376.43	11,656.24

APPENDIX D
AMENDED STAFF REPORT CASE 97-516
COST OF SERVICE STUDY
WATER DIVISION

	TOTAL	COMMODITY	DEMAND	CUSTOMER
Salaries and Wages	31,349		22,432	8,917
Postage	33			33
Recruiting expense	89			89
Repairs and Maintenance	27,508		27,508	
Electric	17,608	17,608		
Operating Ratio	11,656		5,828	5,828
Sub-Total	88,243	17,608	55,768	14,867
Allocation Percentage	100.00%		78.95%	21.05%
License & Fees	110		87	23
Professional Fees	550		434	116
Supplies	5,335		4,212	1,123
Telephone	249		197	52
Travel	176		139	37
Gas	188		148	40
Miscellaneous	507		400	107
Sub-Total	7,115		5,617	1,498
Total Operation and Maintenance	95,358	17,608	61,385	16,365
Allocation Percentage	100.00%		95.00%	5.00%
Depreciation Expense	1,778		1,689	89
REVENUE REQUIRED FROM RATES	97,136	17,608	63,075	16,453

	total gallons	first 2,000	next 8,000	over 10,000
Actual Usage	6,642,030	2,707,515	2,528,586	1,405,929
	100.00%	40.76%	38.07%	21.17%
Weighted Usage	8,627,934	4,061,273	3,160,733	1,405,929
	100.00%	47.07%	36.63%	16.30%
COMMODITY	17,608	7,178	6,703	3,727
DEMAND	63,075	29,690	23,107	10,278
		36,868	29,810	14,005
CUSTOMER		16,453		
Customer Allocation		53,321		
Number of Bills		2,726		

	first 2,000	next 8,000	over 10,000	
PROPOSED RATE SCHEDULE	**19.56**	**11.79**	**9.96**	
	minimum bill	per 1000 gallons	per 1000 gallons	
	53,321.01	29,809.83	14,005.17	$97,136.00

APPENDIX E
AMENDED STAFF REPORT CASE 97-516
RECOMMENDED RATES
WATER DIVISION

RECOMMENDED RATES

First	2,000 Gallons	$19.56	Minimum Bill
Next	8,000 Gallons	11.79	Per 1,000 Gallons
Over	10,000 Gallons	9.96	Per 1,000 Gallons

from the Judge/Executive's Office during regular working hours. The fiscal court has the right to reject or accept any and all bids. For more information call the County Judge/Executive's Office at (502)484-3405
Tom Olds,
County Judge/Executive

The Owen County Fiscal Court is accepting bids for replacing the courthouse windows. Bids will be received until April 3, 12:30 p.m. at which time the bids will be opened by the fiscal court, at the courthouse. Specifications may be obtained from the County Judge/Executive's Office during regular working hours. The fiscal court has the right to reject ot accept any and all bids. For more information call the County Judge/Executive's Office at (502)484-3405
Tom Olds,
County Judge/Executive

Appendix
An appendix to an order of the Kentucky Public Service Commission in Case No. 97-516
Dated Feb. 27, 198
Notice:
Glenwood Hall Golf and Country Club, Water & Sewer Divisions (Glenwood Hall), has petitioned the Public Service Commission for interim rate relief to increase its rates for water and sewer service on an interim basis. The interim rate request will be considered by the Public Service Commission at a hearing to be held March 23, 1998 at 9:00 a.m., Eastern Standard Time, in Hearing Room 1 of the Commission's Offices at 730 Schenkel Lane, Frankfort, KY.
The rates below are the rates proposed by Glenwood Hall. However, the Public Service Commission may order rates to be charges that differ from these proposed rates. Such action may result in rates in this notice. Any customer or other interested person may appear at the public hearing and provide comments regarding Glenwood Hall's request.
Water Proposed Rates:
First 2000 gal.–$21.05 Min. Bill
Next 8000 gal.–$13.06/1000 gal.
Over 10,000 gal.–$11.04/1000 gal
Sewer Proposed Rate
Monthly Rate–$13.50

New '97 Crown Victoria V8, auto, loaded Retail $25,780 Red Tag Price $19,985 Stock #A6

New '97 Taurus GL, V6, auto, loaded Retail $21,970 Red Tag Price $16,985 Stock #R03

New '97 Taurus GL, V6, auto. loaded, power roof Retail $21,725 Red Tag Price $17,485 Stock #R015

New '97 Thunderbird V8, auto, loaded Retail $22,970 Red Tag Price $17,985 Stock #T01

New '97 Thunderbird V6, auto, loaded Retail $19,365 Red Tag Price $15,985 Stock #T011

New '97 Explorer 4 dr, 4x4, V6, auto Retail $28,840 Red Tag Price $24,785 Stock #X17

New '97 Ranger 4.0 V6, 5 sp., XLT Retail $17,485 Red Tag Price $13,285 Stock #F0244

New '97 F150 V6, 5 sp., XLT Retail $20,752 Red Tag Price $15,985 Stock #F0100

New '98 F250 demo, supercab, 4x4, V8, 5 sp., air, Retail $31,076 Red Tag Price $25,985 Stock #F35

New '97 F150 4x4, V6, 5 sp., XLT, off road Retail $26,095 Red Tag Price $20,985 Stock #F0304

New '97 F250 4x4, V8, auto, XLT Retail $28,095 Red Tag Price $22,985 Stock #F0285/F0325

New '97 F250 supercab, 4x4, V8, auto, Lariat Retail $32,875 Red Tag Price $25,985 Stock #F0370

All Prices After Rebate

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