

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF FARMDALE DEVELOPMENT )  
CORPORATION FOR A CERTIFICATE OF )  
CONVENIENCE AND NECESSITY, AUTHORITY ) CASE NO. 2006-00209  
TO MAKE REPAIRS AND SURCHARGE FOR )  
SAME )

ORDER

Farmdale Development Corporation ("Farmdale") has applied for a Certificate of Public Convenience and Necessity to replace a remote lift station at its wastewater treatment facilities in Franklin County, Kentucky and for authority to assess a monthly surcharge of \$3.99 for a period of 3 years to finance the proposed replacement.

Having considered the application and being otherwise sufficiently advised, the Commission finds that:<sup>1</sup>

1. Farmdale, a corporation organized pursuant to KRS Chapter 271B,<sup>2</sup> owns and operates sewage collection and treatment facilities that serve approximately 240 customers in the Farmdale Subdivision of Franklin County, Kentucky.<sup>3</sup>

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<sup>1</sup> Farmdale tendered its application on May 22, 2006. Because the application did not comply with Administrative Regulation 807 KAR 5:001, the Executive Director rejected this filing. On June 14, 2006, after Farmdale cured the application's deficiencies, the Commission accepted the application for filing. The Attorney General ("AG") subsequently moved for and was granted intervention in this matter. On October 26, 2006, the Commission conducted an evidentiary hearing on Farmdale's application. Following the hearing, Farmdale and the AG submitted memoranda.

<sup>2</sup> See [http://apps.sos.ky.gov/business/obdb/\(r3jzh55o1gd4yrcixlxjqzn\)/showentity.aspx?id=0016847&ct=09&cs=99999](http://apps.sos.ky.gov/business/obdb/(r3jzh55o1gd4yrcixlxjqzn)/showentity.aspx?id=0016847&ct=09&cs=99999).

<sup>3</sup> Annual Report of Farmdale Development Corporation to the Public Service Commission for the Year Ending December 31, 2005 at 1 and 9.

2. Farmdale's wastewater collection and treatment facilities consist of a wastewater treatment plant with a capacity of 80,000 gallons per day, approximately 13,000 linear feet of terra cotta clay pipe, and a remote lift station.<sup>4</sup>

3. Farmdale's wastewater facilities were constructed in the 1960s.<sup>5</sup>

4. The remote lift station consists of a wide fiberglass basin that is 5-foot in diameter and 10-foot deep, two 5-horsepower 230 volt 3-phase grinder pumps, guide rail assemblies and a control panel.<sup>6</sup> It is an original part of the wastewater collection system.

5. Because of the elevation and ground terrain, wastewater from approximately 30 residential homes in the Farmdale Subdivision cannot flow by force of gravity to Farmdale's wastewater treatment plant. The remote lift station is required to pump the wastewater from these residences to the wastewater treatment plant.<sup>7</sup>

6. The normal service life for a remote lift station is approximately 25 years.<sup>8</sup>

7. The remote lift station is in poor condition. The guide rails that are attached to the guide rail assemblies are completely rusted. The fiberglass basin is cracked and chipped. The steel door that sits atop the lift station is rusted through. The station's two pumps have previously failed and, although they have been repaired and reinstalled into the lift stations, are no longer reliable.<sup>9</sup>

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<sup>4</sup> Id. at 11-12.

<sup>5</sup> Transcript at 23.

<sup>6</sup> Pre-filed Testimony of Lawrence Smithers at 4.

<sup>7</sup> Id.; Transcript at 24.

<sup>8</sup> Transcript at 62.

<sup>9</sup> Pre-filed Testimony of Lawrence Smithers at 2-3.

8. Due to its age and condition, the remote lift station cannot be repaired but requires replacement.

9. Farmdale estimates the cost of replacing the existing remote lift station as \$33,468.<sup>10</sup>

10. Farmdale proposes to finance the cost of replacing the existing remote lift station through the assessment of a monthly surcharge of \$3.99 for a period of 3 years.

11. Construction of the proposed project will not result in the wasteful duplication of existing facilities and is necessary to ensure adequate and continuous wastewater service to Farmdale customers presently served through the existing remote lift station.

12. The public convenience and necessity require the construction of the proposed project.

13. Any decision on the implementation of a surcharge to finance the proposed construction should be considered in Farmdale's pending rate proceeding.<sup>11</sup>

IT IS THEREFORE ORDERED that:

1. Farmdale is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction as set forth in its application.

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<sup>10</sup> Id. at 4-5. In deriving this estimate, Farmdale obtained estimates on the cost of the replacement remote lift station from 3 non-affiliated sources, but did not obtain any estimates from non-affiliated sources regarding the actual cost of installing the replacement station. While the Commission accepts the applicant's estimate in making our determination of the need for the proposed construction, we do not accept it for rate-making purposes. We place Farmdale on notice that in any rate-making proceeding it has the burden of demonstrating the reasonableness of the cost of such facilities and of the use of an affiliated entity to perform construction services.

<sup>11</sup> Case No. 2006-00028, Application of Farmdale Development Corporation For an Adjustment of Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities (filed Jan. 19, 2006).

2. Farmdale shall obtain approval from the Commission prior to performing any construction not requested in its application. Any deviation from any construction approved shall be undertaken only with the prior approval of the Commission.

3. Farmdale shall furnish documentation of the total costs of this project including the cost of construction and all other capitalized costs, including, but not limited to, engineering, legal, and administrative expenses, within 60 days of the date that construction is substantially completed. Construction costs shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

4. Farmdale shall file with the Commission a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with contract plans and specifications within 60 days of the substantial completion of the construction certificated here.

5. Farmdale's application for a surcharge shall be considered with the proposed rate adjustment set forth in Farmdale's application in Case No. 2006-00028.

Done at Frankfort, Kentucky, this 26th day of February, 2007.

By the Commission

ATTEST

Executive Director