

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

In the Matter of:

FEB 20 2007

AIRVIEW UTILITIES, LLC )  
AND MARTIN COGAN AND LARRY )  
SMITHER IN THEIR INDIVIDUAL )  
AND OFFICIAL CAPACITIES )  
ALLEGED FAILURE TO COMPLY WITH )  
THE COMMISSION'S ORDER )

PUBLIC SERVICE )  
COMMISSION )  
CASE NO. )  
2006-000558 )

RESPONSE TO PUBLIC SERVICE COMMISSION'S  
ORDER OF DECEMBER 22, 2006

Comes Airview Utilities, LLC, by counsel, and for its Response to the Public Service Commission's ("Commission") Order of December 22, 2006, and the Commission's Order of February 14, 2005, states as follows:

1. In June of 2004, the Commission approved an Application for Rate Adjustment submitted on or about December 15, 2003, by Airview Estates, Inc., with respect to the Airview Estates Wastewater Treatment Plant (WWTP) located in Elizabethtown, Kentucky. Fred Schlatter, the President of Airview Estates, Inc., signed the Application for Rate Adjustment. The Commission approved a request for surcharge included in the application in order to allow Airview Estates, Inc., to accumulate the needed funds to perform major repairs to the WWTP and the remote lift station. (See Case No. 2003-00494). The Commission further specified the improvements for which the surcharge proceeds could be used and the schedule on which the improvements should be made.

2. The Application for Rate Adjustment submitted by Airview Estates, Inc., included Exhibit C, rate and surcharge calculations (See Attachment 1). The equipment to be paid for with the surcharge included the following:

Remote lift station

Installed New Guide Rail Assembly, 24", 7.5 H.P. non-clog Submersible Sewage Pumps, and a Control Panel	\$ 22,552.00
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Sewage Treatment Plant

Two Blower Motor Assemblies & New Electrical Control Panel	\$ 11,893.00
13 1/4" Diffuser Drops with 3/8" Diffusers	\$ 4,145.00
Pump-Out & Dispose of Sludge in Lagoon	\$ 75,000.00

Gravity sewer mains

Video Inspection of Mains	<u>\$ 5,400.00</u>
Estimated Construction Cost	<u>\$118,990.00</u>

The cost of the items set forth in the surcharge were specifically based upon quotes submitted to Airview Estates, Inc. by Smither Consulting Company.

3. The Commission Staff's Report on the Application for Rate Adjustment submitted by Airview Estates, Inc, (Case No. 2003-00494) recommended approval of the surcharge requested by Airview Estates, Inc., based on quotes supplied by Smither Consulting Services. The Application for Adjustment of Rates, including a request for surcharge, submitted by Airview Estates, Inc., was approved.

4. The Commission's Order of July 24, 2004 in Case No. 2003-00494 specified the improvements for which the surcharge proceeds could be used and the schedule on which the improvements should be made. The October 2, 2003 quote provided by Smither Consulting Company to Fred Schlatter, the President of Airview Estates, Inc. set forth the cost of the items to be paid for by the surcharge. This quote was relied upon by Airview Estates, Inc., as well as the Commission in approving the amount of the surcharge.

5. On January 7, 2005, Airview Estates, Inc., and Elizabethtown Utilities, LLC (now Airview Utilities, LLC) filed their Joint Application for approval of the transfer of the Airview Estates WWTP to Elizabethtown Utilities, LLC. By its Order of April 28, 2005, in Case No.

2005-00022, the Commission approved the Application to transfer the Airview Estates WWTP. On September 15, 2005, Elizabethtown Utilities, LLC (now Airview Utilities, LLC) filed the Irrevocable Letter of Credit required by the Commission, as well as a copy of the Articles of Amendment filed with the Office of the Kentucky Secretary of State changing its name to Airview Utilities, LLC. On October 4, 2005, the closing was held whereby the Airview Estates WWTP was transferred by Airview Estates, Inc. to Airview Utilities, LLC.

6. Pursuant to the Commission's Order, the Remote Lift Station, Two Blower Motors and Control Panel, 13 1/4" Diffuser Drops with 3/8" Diffusers were to be repaired, and the lagoon pumped out and sludge disposed and the mains were to be inspected by video.

7. The replacement of the Remote Lift Station, which was the first approved item under the surcharge, was initiated on June 9, 2005. Airview Estates, Inc., placed an order with Camden Environmental Sales, Inc. on June 9, 2005 for the equipment necessary to replace the remote lift station, and a deposit of \$5,000 was paid at this time. The work on the remote lift station initiated by the June 9, 2005 Order was completed on January 5, 2006, at a total cost of \$24,199.16. (See Attachment 3).

8. The second approved items in the surcharge are the Two Blower Motors and Control Panel. Again, Airview Estates, Inc., relied upon the quote provided by Smither Consulting Company in requesting the amount of \$11,893 to be included in the surcharge. An invoice was issued on June 28, 2005 by Camden Environmental Sales, Inc. to Airview Estates, Inc. Thereafter, work began on the installation of the two blower motors and control panel on June 17, 2005. The installation of the two blower motors and control panel was completed on September 22, 2005, at a total cost of \$12,298.97. (See Attachment 4).

9. The third approved items on the surcharge were the 13 1/4" Diffuser Drops with 3/8" Diffusers. Again, Airview Estates, Inc., relied upon the quote provided by Smither Consulting Company in requesting the amount of \$4,145. Thereafter, work began on the construction and installation of the 13 1/4" Diffusers Drops with 3/8" Diffusers on June 2, 2005. This work was completed on September 22, 2005, at a total cost of \$2,250.00. (See Attachment 5.) When the Diffuser Drops were being installed, the serviceman working on same discovered that the air header was falling apart and needed to be replaced. Therefore, on September 12, 2005, the installation of the new air header was completed at the cost of \$2,477.37. (See Attachment 6).

10. The fourth approved item in the surcharge was to pump out and dispose Lagoon Sludge. Again, Airview Estates, Inc., relied upon the quote provided by Smither Consulting Company in requesting the amount of \$75,000 to complete this job. Thereafter, work began on the job to pump out and dispose of the Lagoon Sludge on November 15, 2005, when Covered Bridge Utilities started clearing trees and brush around the lagoon in order to enable trucks to access the lagoon to begin pumping out the sludge. Covered Bridge Utilities was retained to begin this work. No further work has been conducted on the pumping and disposal of the lagoon sludge. (See Attachment 7).

11. As indicated in paragraph 5 above, Airview Utilities, LLC purchased the Airview Estates WWTP on October 4, 2005. Shortly thereafter, Airview Utilities, LLC discovered that the condition of the chlorinator building had deteriorated to the point that it would not provide the needed protection to the chlorinator during the upcoming winter season. The chlorinator building could not be repaired and the decision was made to demolish the old chlorinator building and construct a new chlorinator building at a cost of \$4,202.48. The work on the chlorinator building

began on October 3, 2005, and was completed on October 12, 2005. Due to the need to construct the new chlorinator building in an expeditious manner prior to winter weather, Covered Bridge Utilities was retained to demolish the old chlorinator building and construct the new chlorinator building at a cost of \$4,202.48. (See Attachment 8).

12. In early January 2006, the chlorinator failed and had to immediately be replaced, as the chlorinator must be operating to disinfect the discharge from the Airview Estates WWTP to comply with its KPDES permit. Therefore, a new chlorinator was installed on January 5, 2006, at a cost of \$1,303.15. (See Attachment 9).

13. Airview Utilities, LLC, did not obtain long term financing to fund the replacement of the chlorinator building and the chlorinator because in the experience of the members of Airview Utilities, LLC, independent financial institutions will not make loans to privately owned WWTP. Furthermore, there was insufficient time to attempt to obtain long term financing. This is particularly true where Airview Utilities, LLC, closed on the transfer of the ownership of the Airview Estates WWTP on October 4, 2005, and did not receive any cash reserve in the transfer. Indeed, only accounts payable were received. Airview Utilities, LLC was also working to determine the amount of monthly payments that it would receive from the customers of the WWTP, so it was unsure whether long term financing would be necessary. Finally, the cost of long term financing would have increased the cost of the necessary repairs to the rate payers. In order to address this situation and after discussions with Mark Frost of the Public Service Commission concerning repayment of the surcharge account or a request to extend the surcharge, on February 27, 2006, Airview Utilities, LLC filed its request with the Commission to extend the time of the surcharge and to include the cost of the replacement of the chlorinator building and chlorinator in the surcharge. (See Attachment 10).

14. The fifth approved item in the surcharge was the video inspection of the mains of the Airview Estates WWTP. Again, Airview Estates, LLC submitted the quotes provided by Smither Consulting Services in requesting the amount of \$5,400 to complete this job. This work has not yet been performed.

15. Immediately subsequent to the financing of the construction project for the chlorinator building and the chlorinator with surcharge collection proceedings, Larry Smither with Airview Utilities, LLC, contacted Mark Frost with the Commission requesting guidance in addressing the situation. Mr. Frost and Mr. Smither discussed the repayment of the surcharge account or a request to extend the surcharge. Accordingly, on February 27, 2006, a letter was forwarded to the Public Service Commission by Larry Smither requesting the extension of the surcharge to cover the cost of constructing the chlorinator building and the replacement of the chlorinator. (See Attachment 10). Mr. Frost gave no assurances that the Commission would approve the extension of the charge. Additionally, Brian Rice with the Public Service Commission recently inspected the Airview Estates WWTP and took photographs documenting the construction of the chlorinator building and the chlorinator in confirming that these improvements to the WWTP had been made.

16. Airview Utilities, LLC has satisfied the requirements of paragraph 1 of Appendix A to the Order of the Kentucky Public Service Commission in Case No. 2005-00022, dated April 28, 2005 "Surcharge Order" by placing the surcharge collections in a separate interest bearing account and the monthly transfer to the surcharge account includes all of the surcharge receipts. Additionally, the requirements of paragraph 2 of the Surcharge Order have been met as the monthly surcharge collections are deposited into the separate interest-bearing account and are not comingled with other revenue.

17. Paragraph 3 of the Surcharge Order has been satisfied as quarterly activity reports have been filed with the Commission within 15 days of the close of the reporting quarter setting forth the monthly surcharge billings and collections, the monthly surcharge bank statement, a detailed listing of the payments made from the surcharge account and copies of the invoices supporting the payments made from the surcharge account.

18. Airview Utilities, LLC has satisfied the requirements of paragraph 8 of the Surcharge Order as no entities or persons affiliated with Elizabethtown Utilities were used to perform surcharge construction projects initiated after Airview Utilities, LLC (formerly Elizabethtown Utilities), obtained ownership of the Airview Estates WWTP. Only construction projects that had been initiated at the request of Airview Estates, Inc. were performed and completed by entities or persons that were affiliated with Elizabethtown Utilities.

19. Airview Utilities, LLC satisfied the requirements of paragraph 9 of the Surcharge Order in that the construction schedule set forth in the Commission's Order of June 14, 2003 in Case No. 2003-00494 has been complied with or the construction has been completed pursuant to the subsequent direction by the Commission.

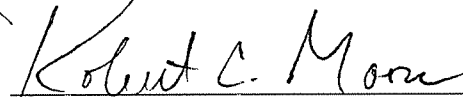
20. The cost to demolish the old chlorinator building and construct the new chlorinator building in the amount of \$4,202.48 and the cost of the installation of the new chlorinator in the amount of \$1,303.15 was initially paid out of the surcharge account. However, Airview Utilities, LLC is in the process of repaying the appropriate amounts into the surcharge account.

21. Airview Utilities has not used surcharge funds for any purpose not authorized in the Surcharge Order, with the exception of the cost to construct the chlorinator and chlorinator building. Mr. Smither with Airview Utilities, LLC specifically discussed this issue with Mr. Frost of the Commission, and pursuant to these discussions, requested permission from the Commission

to expend surcharge funds for this purpose. Now that the Commission has denied this request, Airview Utilities, LLC is taking steps to reimburse the surcharge account for the cost of the construction of the chlorinator and chlorinator building. Accordingly, Airview Utilities, LLC has not acted in bad faith or attempted to mislead the Commission in any way.

22. Based on the information set forth above, no sanctions should be imposed upon Airview Utilities, LLC or Mr. Smither or Mr. Cogan. Furthermore, the work performed pursuant to the Surcharge Order was initiated while the WWTP was owned by Airview Estates, Inc. and before the Airview Estates WWTP was transferred to Airview Utilities, LLC.

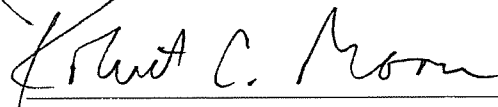
Respectfully submitted,



Robert C. Moore  
Hazelrigg & Cox, LLP  
415 West Main Street, 1<sup>st</sup> Floor  
P.O. Box 676  
Frankfort, Kentucky 40602-0676

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served by first class mail, postage prepaid, on Hon. David Edward Spenard, Assistant Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Ky., 40601-8204 on this the 20<sup>th</sup> day of February, 2007.



Robert C. Moore



# **Attachment #1**

EXHIBIT C  
RATE AND SURCHARGE CALCULATIONS

Revenue Requirement Determination

Pro Forma Operating Expenses	\$	55,872
Divided by: Operating Ratio		88%
 Subtotal	 \$	 63,491
Less: Pro Forma Operating Expenses		55,872
Net Operating Income After Income Taxes	\$	7,619
Multiplied by: Gross-up Factor		1.2254902
Net Operating Income Before Income Taxes	\$	9,337
Add: Pro Forma Operating Expenses		55,872
Revenue Requirement from Rates	\$	<u>65,209</u>

Increase in Operating Revenue from Rates

Revenue Requirement from Rates	\$	65,209
Less: Normalized Operating Revenue from Rates		54,912
Requested Increase	\$	<u>10,297</u>

Determination of Requested Monthly Rate

Revenue Requirement from Rates	\$	65,209
Divided by: 12-Months		12
Monthly Revenue Requirement	\$	5,434.08
Divided by: End-of-Period Customer Level		191
Monthly Rate per Customer	\$	<u>28.45</u>

Description	Estimated Cost
<u>Remote Lift Station</u>	
Install New Guide Rail Assemblies, 2 4", 7.5 H.P. non-clog Submersible Sewage Pumps, and a Control Panel	\$ 22,552
<u>Sewage Treatment Plant</u>	
2 Blower Motor Assemblies & New Electrical, Control Panel	11,893
13 1 1/4" Diffuser Drops with 3/8" Diffusers	4,145
Pump-out & Dispose of Sludge in Lagoon	75,000
<u>Gravity Sewer Mains</u>	
Video Inspection of Mains	5,400
Estimated Construction Cost	<u>\$ 118,990</u>

Construction Surcharge Calculation

	2-Year	3-Year	4-Year	5-Year
Estimated Construction Cost	\$ 118,990	\$ 118,990	\$ 118,990	\$ 118,990
Divided by: No. of Months	24	36	48	60
Monthly Surcharge Collections	\$ 4,957.92	\$ 3,305.28	\$ 2,478.96	\$ 1,983.17
Divided by: No. of Ratepayers	191	191	191	191
Monthly Surcharge	\$ 25.96	\$ 17.31	\$ 12.98	\$ 10.38

# **Attachment #2**

Revised Quotation

**Smither Consulting Company**  
**P.O. Box 1077**  
**Crestwood, Kentucky 40014**  
**(502)241-7353 Fax (502)241-6916**

October 2, 2003

Mr. Fred Schlatter  
10411 Forest Garden Lane  
Louisville, Kentucky 40223

Re: Airview Estates Sewer Utility

Dear Mr. Schlatter:

As you requested, the following is a break down of the repairs and or replacements that need to be made in the referenced sewer system -- including the treatment plant, the remote lift station and the gravity sewer mains. With this list is the current cost for each item.

It is as follows:

Sewage Treatment Plant

- 1) Two (2) new blower motor assemblies are needed, along with a new electrical control panel. Your price - - \$11,893.00 installed

There is currently only one blower motor assembly in the plant and this blower sounds very rough. It probably will not last much longer. The control panel is also in very bad condition and is not worth repairing.

- 2) Need to fabricate and install thirteen (13) new diffuser drops using 1 1/4" black steel pipe and fittings, complete with new 3/8" diffusers.

Your price - - \$4,145.00 installed

- 3) The tertiary lagoon at the treatment plant is full of sludge and needs to be pumped out, cleaned and the majority of the sludge removed and properly disposed of.

Your price - - \$75,000.00

Note: This price is based on an estimate of the quantity of sludge in the lagoon during an inspection in December 2002.

(2)

**Remote Lift Station**

- 1) Remove the existing dry well sewage pumps, the control panel and all the existing unnecessary piping. Install two (2) new Hydromatic 4" - 7.5 H.P. non-clog dry pit submersible sewage pumps and a new electrical control panel on a concrete pad at ground level next to the lift station.

Note: These dry pit submersibles are designed to operate in a dry well but in the event the station should flood for some reason, they are submersibles, so the water will not damage the pumps.

Your price - - \$22,552.00 installed

**Gravity Sewer Mains**

- 1) The gravity sewer mains in the Airview subdivision we know are in need of extensive repairs. Just where and what the full extent of the problems are we do not know. It is my recommendation that we have a complete sewer video inspection made to locate all problems and identify what the problems are.

Your price - - \$5,400.00

(This price is just for the video work and the report. Does not include any repairs)

If you have any questions and need additional information please let me know.

Sincerely,

Lawrence W. Smither

# **Attachment #3**



Invoice  
#1213-01

**Camden Environmental Sales, Inc.**  
**P.O. Box 137**  
**Crestwood, Kentucky 40014**

December 13, 2005

Airview Utilities LLC  
1706 Bardstown Road  
Louisville, KY 40205

- 1) Two (2) Hydromatic Model S4P750M3-4 Dri-Pit submersible pumps
- 2) Two (2) cooling fins (One set each pump)
- 3) Two (2) 4" x 4" Base Elbows (Dri-Pit application)
- 4) One (1) Duplex Hydromatic 7.5 H.P. electrical pump control panel

Price	\$14,662.00
Tax	879.72
Freight	274.21
<b>Sub-Total</b>	<b>\$15,815.93</b>
Deposit Paid	
6/10/05	5,000.00
<b>Amount Due</b>	<b>\$10,815.93</b>



**Covered Bridge Utilities**  
1706 Bardstown Road  
Louisville, Kentucky 40205  
502-238-3301

Airview Estates  
10411 Forest Garden Lane  
Louisville, KY 40223

November 04, 2005

Invoice: #1104-01

**Airview Estates System Repairs**  
**PSC Case 2003-00494**  
**Job #1**

Started removing some of the old equipment from the remote lift station and making preparations for the new dry pit submersible pumps.

Labor & Mileage  
(16 hours @ 80.00/hr 2 men)  
(Laborers 8 hours @ 20.00/hr)  
(320 miles @ .38)

**Total** **\$ 1,561.60**

**Covered Bridge Utilities**  
1706 Bardstown Road  
Louisville, Kentucky 40205  
502-238-3301

Airview Utilities LLC  
1706 Bardstown Road  
Louisville, KY 40205

December 17, 2005

Invoice: #1217-01

**Airview Estates System Repairs**  
**PSC Case 2003-00494**  
**Remote Lift Station Job #1**

12/16/05 Servicemen picked up the needed materials and constructed a service rack to install the new pump control panel on.

They dug the holes for the service rack posts, installed, poured concrete in the holes and backfilled.

Materials	68.60
Sales tax	4.12
Labor & Mileage	620.80
(16 hours @ 80.00/hr 2 men)	
(80 miles @ .38)	

<b>Total</b>	<b><u>\$ 693.52</u></b>
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**Covered Bridge Utilities**  
1706 Bardstown Road  
Louisville, Kentucky 40205  
502-238-3301

Airview Utilities LLC  
1706 Bardstown Road  
Louisville, KY 40205

December 22, 2005

Invoice: #1222-01

**Airview Estates System Repairs**  
**PSC Case 2003-00494**  
**Remote Lift Station Job #1**

12/19/05 thru 12/21/05

Picked up the new Hydromatic pumps and control panel and delivered them to the remote lift station.

Removed the old #1 pump, cut out the floor flange and some of the old piping that couldn't be reused. Installed one new pump in the station. Had to have special spacers made up so the inlet and discharge piping could be completed.

The #1 pump is in service.

Parts	786.17
Sales tax	47.17
Equipment rental (welder, cut off saw, etc.)	97.30
Crane	180.00
Labor & Mileage (32½ hours @ 80.00/hr) (628 miles @ .38)	2,838.64

**Total** **\$ 3,949.28**

**Covered Bridge Utilities**  
1706 Bardstown Road  
Louisville, Kentucky 40205  
502-238-3301

Airview Utilities LLC  
1706 Bardstown Road  
Louisville, KY 40205

December 29, 2005

Invoice: #1229-02

**Airview Estates System Repairs**  
**PSC Case 2003-00494**  
**Remote Lift Station Job #1**

12/22/05 – 12/28/05

Pulled the old #2 pump out of the lift station; set in place the new Hydromatic dri-pit submersible. Installed the inlet pipe to the new pump and took measurements for the parts to be fabricated for the discharge pipe.

Picked up the fabricated parts on the 28<sup>th</sup> and installed them. There is still some fitting to be completed.

Parts	273.42
Sales tax	16.41
Labor & Mileage	1,028.20
(11 hours @ 80.00/hr)	
(390 miles @ .38)	

**Total** **\$ 1,318.03**

**Covered Bridge Utilities**  
1706 Bardstown Road  
Louisville, Kentucky 40205  
502-238-3301

Airview Utilities LLC  
1706 Bardstown Road  
Louisville, KY 40205

January 5, 2006

Invoice: #105-02

**Airview Estates System Repairs**  
**PSC Case 2003-00494**  
**Remote Lift Station Job #1**

12/29/05 & 12/30/05

Servicemen completed the installation of the new Hydromatic Dri Pit submersible pumps. Stopped the few leaks in a couple of connections. Placed the pumps in service.

On the 30<sup>th</sup> they dug a ditch from the electrical service pole to the control panel. This is for the new conduit and wire to be installed.

Labor & Mileage  
(10 hours @ 80.00/hr)  
(160 miles @ .38)

**Total**

**\$ 860.80**

# **Attachment #4**

Invoice

628-01

**Camden Environmental Sales, Inc.**

**P.O. Box 137**

**Crestwood, Kentucky 40014**

**(502)241-4809 Fax (502)241-7943**

June 28, 2005

Airview Estates Inc.  
1706 Bardstown Road  
Louisville, KY 40205

Re: Airview Estates WWTP

Two (2) Sutorbilt Model 3L blowers complete with 5 H.P. 230 volt 3 phase motors, adjustable motor bases, fiberglass base with hood, inlet filter/silencers, check valves, vibration mounts, pressure relief valves and flexible hose connectors.

One (1) duplex 5 H.P. 230 volt 3 phase blower control panel in a Nema 3R painted steel enclosure.

Total Due - - \$7962.90

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**Covered Bridge Utilities**  
1706 Bardstown Road  
Louisville, Kentucky 40205  
502-238-3301

Airview Estates  
10411 Forest Garden Lane  
Louisville, KY 40223

June 17, 2005

Invoice: #617-03

**Airview Estates System Repairs**

**PSC Case 2003-00494**

**Item #2**

6/13/05 & 6/16/05

Picked up the needed materials for forming; went to the plant site and staked off the area for the new concrete pad that the new blowers will sit on. Dug to level the area and installed the forms.

Returned on the 16<sup>th</sup> and poured the concrete.

Concrete	352.00
Materials	253.50
Sales tax	36.33

Labor & Mileage	832.90
(13 ½ hours @ 60.00/hr)	
(160 miles @ .38)	

<b>Total invoice</b>	<b><u>\$ 1,474.73</u></b>
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**Covered Bridge Utilities**  
1706 Bardstown Road  
Louisville, Kentucky 40205  
502-238-3301

Airview Estates  
10411 Forest Garden Lane  
Louisville, KY 40223

September 22, 2005

Invoice: #922-01

**Airview Estates System Repairs**

**PSC Case 2003-00494**

**Item #2**

9/20/05      Serviceman picked up the materials needed, conduit, wire, etc. to complete the electrical installation of the new blowers and control panel.

Returned to the job site and installed same.

Note: This job is complete.

Materials	265.21
Sales tax	15.91
Labor & Mileage	<u>1,020.80</u>
(12 hours @ 80.00/hr 2 men)	
(160 miles @ .38)	

**Total Item #2                      \$ 1,301.92**

**Covered Bridge Utilities**  
1706 Bardstown Road  
Louisville, Kentucky 40205  
502-238-3301

Airview Estates  
10411 Forest Garden Lane  
Louisville, KY 40223

September 19, 2005

Invoice: #916-01

**Airview Estates System Repairs**

**PSC Case 2003-00494**

**Item #2**

9/12/05 Completed the mechanical installation of the new blower / motor assemblies and the electrical control panel. Ran a temporary electric service to the panel so the blowers could be placed in service.

Materials	206.25
Sales tax	12.37
Labor & Mileage	<u>1,340.80</u>
(16 hours @ 80.00/hr)	
(160 miles @ .38)	
Total Item #2	1,559.42

**Airview Estates System Repairs**

**PSC Case 2003-00494**

**Item #3**

9/12/05 Completed the installation of the new main air header and the new diffuser drops. Note: The air header was not in the original quote several years ago, but it was discovered when the serviceman tried to work with it to put in the new diffuser drops that it also was now falling apart.

Materials	649.88
Sales tax	38.81
Labor & Mileage	<u>1,788.68</u>
(21 hours @ 80.00/hr)	
(286 miles @ .38)	
Total Item #3	2,477.37
Total invoice	<u>\$ 4,036.79</u>

# **Attachment #5**

**Covered Bridge Utilities**  
1706 Bardstown Road  
Louisville, Kentucky 40205  
502-238-3301

Airview Estates  
10411 Forest Garden Lane  
Louisville, KY 40223

June 2, 2005

Invoice: #602-01

**Airview Estates System Repairs**  
**PSC Case 2003-00494**

5/31/05

Rental of a pipe cutter, threading machine, oiler and welder used in the fabrication of the new diffuser drops.

**Total invoice**

**\$ 275.00**

**Covered Bridge Utilities**  
1706 Bardstown Road  
Louisville, Kentucky 40205  
502-238-3301

Airview Estates  
10411 Forest Garden Lane  
Louisville, KY 40223

June 2, 2005

Invoice: #602-02

**Airview Estates System Repairs**  
**PSC Case 2003-00494**

6/01/05

Fabricated thirteen (13) new diffuser drops using 1¼" black steel pipe and fittings.

Labor & Mileage  
(15 ½ hours @ 80.00/hr 2 men)  
(170 miles @ .38)

**Total invoice**                      **\$ 1,304.60**

**Covered Bridge Utilities**  
1706 Bardstown Road  
Louisville, Kentucky 40205  
502-238-3301

Airview Estates  
10411 Forest Garden Lane  
Louisville, KY 40223

September 22, 2005

Invoice: #922-02

**Airview Estates System Repairs**  
**PSC Case 2003-00494**  
**Item #3**

Removed the old air header from the aeration tank. Cut up same, as well as the old diffuser drops, hauled all of the old piping and equipment away.

Note: This job is complete.

Labor & Mileage            670.40  
(8 hours @ 80.00/hr 2 men)  
(80 miles @ .38)

**Total Item #3            \$ 670.40**

**Attachment #6**

**Covered Bridge Utilities**  
1706 Bardstown Road  
Louisville, Kentucky 40205  
502-238-3301

Airview Estates  
10411 Forest Garden Lane  
Louisville, KY 40223

September 19, 2005

Invoice: #916-01

**Airview Estates System Repairs**

**PSC Case 2003-00494**

**Item #2**

9/12/05 Completed the mechanical installation of the new blower / motor assemblies and the electrical control panel. Ran a temporary electric service to the panel so the blowers could be placed in service.

Materials	206.25
Sales tax	12.37
Labor & Mileage	<u>1,340.80</u>
(16 hours @ 80.00/hr)	
(160 miles @ .38)	
Total Item #2	1,559.42

**Airview Estates System Repairs**

**PSC Case 2003-00494**

**Item #3**

9/12/05 Completed the installation of the new main air header and the new diffuser drops. Note: The air header was not in the original quote several years ago, but it was discovered when the serviceman tried to work with it to put in the new diffuser drops that it also was now falling apart.

Materials	649.88
Sales tax	38.81
Labor & Mileage	<u>1,788.68</u>
(21 hours @ 80.00/hr)	
(286 miles @ .38)	
Total Item #3	2,477.37
Total invoice	<u>\$ 4,036.79</u>



**Attachment #7**

**Covered Bridge Utilities**  
1706 Bardstown Road  
Louisville, Kentucky 40205  
502-238-3301

Airview Estates  
10411 Forest Garden Lane  
Louisville, KY 40223

November 15, 2005

Invoice: #1115-01

**Airview Estates System Repairs**  
**PSC Case 2003-00494**  
**Lagoon Job #4**

11/14/05 Started clearing trees and brush around the lagoon. This is necessary because it is so grown up around the lagoon the trucks couldn't get to it.

Labor & Mileage  
(8 hours @ 80.00/hr 2 men)  
(80 miles @ .38)

**Total Item #4                    \$ 670.40**

**Attachment #8**

**Covered Bridge Utilities**  
1706 Bardstown Road  
Louisville, Kentucky 40205  
502-238-3301

Airview Estates  
10411 Forest Garden Lane  
Louisville, KY 40223

October 7, 2005

Invoice: #1007-01

**Airview Estates System Repairs**

**PSC Case 2003-00494**

**Chlorine Building**

10/03/05      Servicemen picked up the needed materials for the new control and chlorine building.

Removed the electric service from the old building. Also removed the chlorination unit and tanks from the building. Then tore down the old building and hauled it away.

Started the construction of the new building. At the time of this invoice the building was about 95% complete. They were able to put the chlorinator and tanks back in the new building and installed a new exhaust fan.

The electric has not been done yet.

Materials	844.73
Sales tax	50.68

Labor & Mileage	1,304.12
(15 hours @ 80.00/hr 2 men)	
(274 miles @ .38)	

<b>Total</b>	<b><u>\$ 2,199.53</u></b>
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**Covered Bridge Utilities**  
1706 Bardstown Road  
Louisville, Kentucky 40205  
502-238-3301

Airview Estates  
10411 Forest Garden Lane  
Louisville, KY 40223

October 13, 2005

Invoice: #1013-01

**Airview Estates System Repairs**  
**PSC Case 2003-00494**  
**Chlorine Building**

10/06/05 – 10/12/05

Completed the construction of the new control / chlorine building.

Installed the new conduit wire, outlets, switches and exhaust fan inside the building.

Reinstalled the electric service on the outside of the building. Also had to run new conduit and electric wire to the flow meter at the chlorine contact tank.

Job is completed.

Parts	329.07
Sales tax	19.74

Labor & Mileage	1,654.14
(1 <sup>st</sup> man 21 hours @ 40.00)	
(Laborers 17 hours @ 40.00/hr)	
(353 miles @ .38)	

<b>Total</b>	<b><u>\$ 2,002.95</u></b>
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# **Attachment #9**

Invoice

**Camden Environmental Sales Inc.  
P.O. Box 137  
Crestwood, Kentucky 40014**

January 5, 2006

Airview Utilities LLC  
1706 Bardstown Road  
Louisville, KY 40205

One (1) Hydro Instruments Series 500 tank mount chlorinators. Complete with injector, tubing and connectors.

\$1,087.50

Tax 65.25

\$1,152.75

**Covered Bridge Utilities**  
1706 Bardstown Road  
Louisville, Kentucky 40205  
502-238-3301

Airview Utilities LLC  
10411 Forest Garden Lane  
Louisville, KY 40223

January 12, 2006

Invoice: #112-02

**Airview Estates**

1/10/06

Serviceman installed the new owner supplied Hydro Instruments Series 500 tank mount chlorinator and injector.

Labor & Mileage  
(3 hours @ 40.00)  
(80 miles @ .38)

**Total invoice**            **\$ 150.40**

Net 10 days



# **Attachment #10**

Pls file in  
Cogan / Airview

**Airview Utilities LLC  
1706 Bardstown Road  
Louisville, Kentucky 40205  
502-238-3301 FAX 502-238-3329**

February 27, 2006

Beth O'Donnell, Ex. Director  
Ky. Public Service Commission  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, KY 40601

Re: Airview Subdivision WWTP  
Case No. 2003-00494

Dear Ms O'Donnell:

Enclosed you will find a copy of the PSC staff report dated June 14, 2004 in which the PSC awarded Airview Estates, which was owned at that time by Fred Schlatter, a rate increase as well as a surcharge to make capital improvements at the Airview wastewater treatment plant and the remote lift station. These improvements are listed in attachment B of the staff report.

The subject of this letter is the surcharge and our request to extend the length of time (36 months) awarded for the collection of the surcharge to cover cost overruns and the replacement of items that have failed and needed immediate replacement.

In attachment B the itemized cost for the repair items was taken from a quote that Mr. Schlatter received dated October 2, 2003. (Copy attached) From the date of the quote to the time the repairs could actually be implemented the cost of equipment, materials, as well as labor had all gone up. This has made the completion of each item listed more expensive than originally proposed.

In addition, when item #3 was under way, the servicemen were installing the diffuser drops and found that the air header, that the diffuser drops attach to, was rusted out to reuse, so a new air header had to be fabricated and installed.

(2)

Also, in October of 2005 the control/chlorine building was found to be in very bad condition. It could not be kept dry inside nor warm and with winter approaching we felt that we needed to get the old building down and a new one constructed as soon as possible. So in just a few weeks we had a new insulated building constructed and in use.

In January of 2006 the plant chlorinator, which I assume was original equipment, failed and a new chlorinator was purchased and installed. It was necessary to take care of this item immediately so that we didn't run the risk of being in non-compliance with our KPDES permit.

We found it necessary to take care of these cost overruns as well as the additional items I have listed with the accumulated money from the surcharge because there just wasn't enough money left at the end of each month from the collection of the normal sewer fees to pay for these items.

Airview Utilities LLC closed on the transfer of ownership of this sewer utility on October 4, 2005 and did not receive in the transfer any cash reserve, only payables. We have been working on the payables and taking care of on going monthly operating expenses with the revenue from the sewer fees. Never is there any money left at the end of the pay period.

The overruns on the first three jobs is \$5,708.89 and the total for the chlorinator and the building is \$5,505.63. So the combined total is \$11,214.52. We are collecting \$3,306.21 per month for the surcharge, which means we would only have to extend the length of time to collect the surcharge by 4 months.

It would be greatly appreciated if the PSC would allow us an extension of time for the collection of the surcharge to cover these additional costs. I hope that you will agree that we are trying to take positive steps in upgrading this sewer system that had deteriorated over the years and was in very bad condition.

You will find attached, copies of all invoices paid and a surcharge report furnished by our bookkeeper, which shows the totals, by job, for all monies spent.

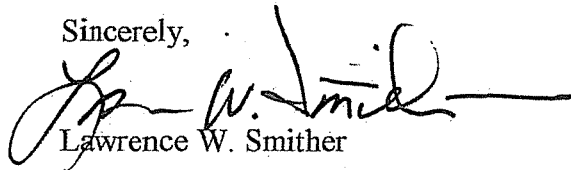
On Thursday, March 2, 2006, I am to meet Brian Rice from the Water and Sewer Branch of the Public Service Commission, at the plant, so that he can conduct a periodic compliance inspection. At this time I will point out to him all of the work that has been completed, so that he can make note and forward this information to your office. We

(3)

would also welcome anyone else from the PSC to visit the facility at any time and view the improvements that have been made.

If you have questions or need additional information please let me know. We would also welcome the opportunity to meet with you and any of the staff members to discuss this request.

Sincerely,

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

Lawrence W. Smither