

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

APR 16 2008

PUBLIC SERVICE  
COMMISSION

In the Matter of:

APPLICATION OF FARMDALE DEVELOPMENT )  
CORPORATION FOR AN ADJUSTMENT IN RATES )  
PURSUANT TO THE ALTERNATIVE RATE FILING )  
PROCEDURE FOR SMALL UTILITIES )

CASE NO. 2007-00436

**REQUEST OF FARMDALE DEVELOPMENT CORPORATION  
FOR FORMAL HEARING**

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Comes Farmdale Development Corporation ("Farmdale"), by counsel, and hereby requests that a formal hearing be held in the above styled action for rate adjustment. The issues to be addressed at the formal hearing including the following:

- 1) The Commission should grant a rate that provides for the effective and efficient operation of the Farmdale WWTP;
- 2) The rate set by the Commission should be based on the financial review of Farmdale's test period, which ended December 31, 2006, and not the speculation and guess work of Commission Staff;
- 3) Farmdale objects to the Commission Staff's Report concerning the owner/manager fee as set forth in its Written Comments to same filed February 21, 2008, which comments are hereby incorporated by reference. The Commission should grant an owner/management fee of \$9,600 based upon the fact that the owner/manager of a WWTP has more duties, responsibilities and liabilities than a water district commissioner. Additionally, a WWTP has only one owner/manager while water districts have multiple commissioners who are generally paid a total salary exceeding \$9,600 per year. Furthermore, the \$9,600 owner/manager

fee is justified in this case based upon Mr. Cogan's 30-plus years of experience owning and operating jurisdictional sewer utilities, his licensure as a professional engineer and his operation of a company that manufactured, repaired and sold WWTPs and their components:

4) Farmdale WWTP objects to Commission Staff's proposal to adjust sludge hauling expenses from \$5,450 to \$2,600, as set forth in its Written Comments to same filed February 21, 2008, which comments are hereby incorporated by reference. Farmdale is currently hauling sludge at the rate necessary to operate the Farmdale WWTP efficiently. The sludge hauling expense of \$5,450 is based upon Farmdale WWTP's experience in the test year of 2006. Furthermore, the sludge hauling expense incurred in 2007 was \$4,250.00, and at least two loads of sludge were removed and processed at no charge to Farmdale. (See Attachment A). Finally, if the sludge is not wasted and hauled when needed in order to maintain the efficient operation of the WWTP, the sludge will overflow into the tertiary lagoon, which will eventually fill up and require pumping and cleaning at a significantly higher cost to the rate payers.

5) Farmdale objects to Commission Staff's proposal to reduce the amount of fuel/power for pumping, as set forth in its Written Comments to same filed February 21, 2008, which comments are hereby incorporated by reference. Commission Staff has proposed an approximately 25% reduction from the actual fuel/power charge incurred in 2006 of \$19,150 to \$15,303. Staff's recommendation fails to consider that the operation of a WWTP is effected by variable conditions, including weather and the amount of flow and the power/fuel is needed in order to operate the blowers and aerators for the appropriate time periods. Furthermore, Bluegrass Energy has notified Farmdale WWTP that it intends to increase its energy costs by 9.01%. (See Attachment B).

6) Farmdale objects to Commission Staff's proposal to deduct the amount of

\$597.52 from the maintenance of treatment and disposal expense, as set forth in its Written Comments to same filed February 21, 2008, which comments are hereby incorporated by reference. Commission Staff erroneously deducted the \$597.52 cost to survey the sewer mains and manholes of the Farmdale WWTP, despite the provisions of 807 KAR 5:071, Section 7(4) requiring an inspection of the collecting sewers and manholes on an annual basis.

7) Farmdale objects to Commission Staff's proposal to reduce the agency collection fee, as set forth in its Written Comments to same filed February 21, 2008, which comments are hereby incorporated by reference. Farmdale currently uses the billing and collection services provided by the Farmdale Water District, which charges a flat fee of 15% of the gross amount collected. The Farmdale Water District experiences an extremely high collection rate because it includes the sewer charge on its water bill and if a customer fails to pay the bill in full, the water district can cut off the delinquent customer's water service. Since the Farmdale Water District provides water service to Farmdale WWTP's customers, it is also able to keep track of any changes in customers. The amount charged by the Farmdale Water District for its billing and collection services is actually less than the amount that would be charged by other billing and collection services, once collection fees for delinquent accounts are included. Additionally, the Commission has previously approved Farmdale's rate, which include the billing and collection fee charged by Farmdale Water District. Farmdale has also requested other local utilities such as the Electric and Water Plant Board of the City of Frankfort and Bluegrass Energy to provide billing and collection services, but to date these entities have either not responded or declined to do so. (See Attachment C). Finally, if the Commission is dissatisfied with the fee charged by the Farmdale Water District, it should use its regulatory powers to require the Farmdale Water District to reduce same.

8) Farmdale objects to the Commission Staff's Recommendation to remove interest expense of \$2,313 incurred by Farmdale on a one year renewable loan from National City Bank, as set forth in its Written Comments to same filed February 21, 2008, which comments are hereby incorporated by reference. Farmdale was required to obtain the subject loan in order to pay legal bills, accounting fees, the cost of extraordinary repairs to its remote lift station and other bills that were due. All of the expenses were legitimate expenses. Furthermore, Farmdale sought an increase in rates in a timely manner.

9) Farmdale objects to the Recommendation of Commission Staff to depreciate the \$1,635.29 cost of the "motor, materials, labor and mileage; worked on blower at #1 plant" over a period of 7 years, as set forth in its Written Comments to same filed February 21, 2008, which comments are hereby incorporated by reference. This amount should be depreciated over a period of 5 years since it included a substantial amount of labor charges.

10) Farmdale objects to Commission Staff's proposal to reduce grass cutting expenses in Maintenance of Other.

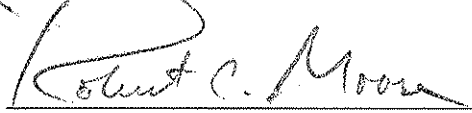
11) Farmdale further objects to Commission Staff's recommendation of a rate of \$30.86 per customer instead of the \$42.75 rate proposed by Farmdale.

Accordingly, Farmdale requests the Public Service Commission to schedule a formal hearing in the above styled proceeding on one of the following dates:

April 25, 28, 29 and 30 or May 19, 20, 21, 22, 23, 27, 28, 29 or 30, 2008.

Farmdale is also generally available from the June 1 through 25, 2008.

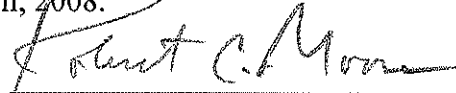
Respectfully submitted,



Robert C. Moore  
HAZELRIGG & COX, LLP  
415 West Main Street, 1<sup>st</sup> Floor  
P. O. Box 676  
Frankfort, Kentucky 40602-0676  
(502) 227-2271

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing has been served upon Stephanie Stumbo, Executive Director, Public Service Commission, 211 Sower Blvd., P.O. Box 615, Frankfort, Kentucky 40602, David Edward Spenard, Assistant Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204, Kenny and Marilyn Glass, 223, Briarwood Drive, Frankfort, Kentucky 40602, and Tiffany Bowman, Public Service Commission, 211 Sower Blvd., P.O. Box 615, Frankfort, Kentucky 40602 by placing same in the U.S. Mail, postage pre-paid, this the 16<sup>th</sup> day of April, 2008.



Robert C. Moore

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**AFFIDAVIT OF LAWRENCE W. SMITHER**

\*\*\*\*\*

Comes the affiant, Lawrence W. Smither, and after being sworn, states as follows:

- 1) That my name is Lawrence W. Smither and my business address at Smither Consulting Company is P. O. Box 1077, 3906 North Camden Lane, Crestwood, Kentucky 40014.
- 2) That in addition to being the owner of Smither Consulting Company, I am also an employee and owner of Covered Bridge Utilities, Inc., which has operated the Farmdale WWTP for Farmdale Development Corporation since approximately May 2005. Since May of 2005, I have been listed by the Kentucky Division of Water as the operator of record of the Farmdale WWTP. Additionally, Covered Bridge Utilities, Inc. has performed repair work at the Farmdale WWTP.
- 3) During August and September of 2007, I was frequently on site at the Farmdale WWTP in order to assist and/or oversee the work performed by Martin's Sanitation in pumping and cleaning the lagoon at the Farmdale WWTP site.
- 4) In pumping and cleaning the lagoon, Martin's Sanitation had to dispose of liquids from the lagoon. The liquids generated in this process were treated by the Farmdale WWTP, after testing to insure that the Farmdale WWTP was not adversely effected.

**ATTACHMENT**     A

5) In return for processing the liquid generated during the pumping and cleaning of the lagoon, Martin's Sanitation processed at least two (2) loads of sludge that had built up at the Farmdale WWTP for no charge. If the loads of sludge had not been processed by Martin's Sanitation at no charge, Farmdale WWTP would have been required to pay for same.

Further the affiant sayeth naught.

\_\_\_\_\_  
LAWRENCE W. SMITHER

STATE OF KENTUCKY    )  
                                  )SS.  
COUNTY OF FRANKLIN    )

SUBSCRIBED AND SWORN TO before me by Lawrence W. Smither, on this the \_\_\_\_\_  
day of \_\_\_\_\_, 2008.

My commission expires: \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

*Rec'd 4/15/08*



# Blue Grass Energy

A Touchstone Energy Cooperative

P.O. Box 990 • 1201 Lexington Road • Nicholasville, Kentucky 40340-0990  
Phone: (859) 885-4191 • Fax: (859) 885-2854 • www.bgenergy.com

April 11, 2008

FARMDALE SEWAGE PLANT  
1706 BARDSTOWN RD  
LOUISVILLE KY 402051212

Dear Customer:

Blue Grass Energy filed an application on April 11, 2008 with the Kentucky Public Service Commission for a rate adjustment.

Blue Grass Energy's request is for an average increase of 9.01%. This increase will vary between different classes of customers and is based on cost of service to various rates. If the PSC approves our request, we expect the increase to become effective on bills rendered in September or October, 2008.

As we strive to provide your electric service at the lowest possible cost, we have delayed this increase as long as possible. In order to continue to provide quality service, we must increase revenue as we continue to contain costs.

Please do not hesitate to call Blue Grass Energy at (859) 885-4191 if you have any questions.

Respectfully,

Harold Cornett  
Manager, Key Accounts

**ATTACHMENT**     B



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**HAZELRIGG & COX, LLP**

ATTORNEYS AT LAW

415 WEST MAIN STREET

P.O. Box 676

FRANKFORT, KENTUCKY 40602-0676

DYKE L. HAZELRIGG (1881-1970)

LOUIS COX (1907-1971)

FAX: (502) 875-7158

TELEPHONE: (502) 227-2271

WILLIAM P. CURLIN, JR.  
DANDRIDGE F. WALTON  
JOHN B. BAUGHMAN  
ROBERT C. MOORE  
CLAYTON B. PATRICK  
SQUIRE N. WILLIAMS III  
J. SCOTT MELLO  
SARAH K. MELLO

April 3, 2008

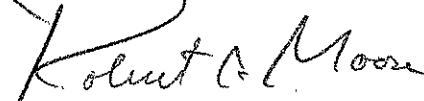
Paula Rearden  
Frankfort Electric and Water Plant Board  
P. O. Box 308  
Frankfort, Kentucky 40602

Re: Billing and Collection Services for the Farmdale Development Corporation

Dear Paula:

Pursuant to our telephone conversation on Monday, March 31, 2008, it is my understanding that the Electric Water Plant Board of the City of Frankfort does not perform billing services for any third parties with the exception of the City of Frankfort's Sewer Department. Additionally, the Plant Board does not wish to perform billing services for the Farmdale Development Corporation. Thank you for discussing this matter with me and please contact me if my understanding is incorrect.

Yours truly



Robert C. Moore

RCM/neb

cc: Carroll Cogan  
Warner Caines

**ATTACHMENT C**

**HAZELRIGG & COX, LLP**

ATTORNEYS AT LAW

415 WEST MAIN STREET

P.O. Box 676

FRANKFORT, KENTUCKY 40602-0676

DYKE L. HAZELRIGG (1881-1970)

LOUIS COX (1907-1971)

WILLIAM P. CURLIN, JR.

DANDRIDGE F. WALTON

JOHN B. BAUGHMAN

ROBERT C. MOORE

CLAYTON B. PATRICK

SQUIRE N. WILLIAMS III

J. SCOTT MELLO

SARAH K. MELLO

FAX: (502) 875-7158

TELEPHONE: (502) 227-2271

April 1, 2008

**Via Facsimile - 859-885-2854**

Donald Smothers

Bluegrass Energy

P.O. Box 990

Nicholasville, Kentucky 40340-0990

Re: Farmdale Development Corporation ("Farmdale")

Dear Mr. Smothers:

As we discussed during our telephone conversation on April 1, 2008, I represent Farmdale, which owns and operates a wastewater treatment plant in Franklin County, Kentucky. The streets served by the Farmdale WWTP are Cherry Lane, Strawberry Lane, Stable Lane, Furrow Lane, Apple Lane, Briarwood Hill, Farmers Lane and Plumb Street. Farmdale is interested in determining whether Bluegrass Energy can provide billing and collection services to the Farmdale WWTP customers, since Farmdale's customers may also be customers of Bluegrass Energy. Therefore, the amounts due Farmdale could be included on the bills Bluegrass Energy mails to its customers.

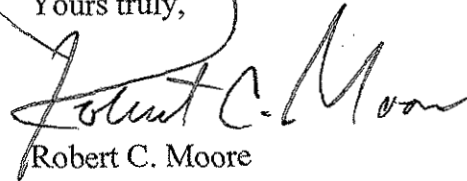
Farmdale has approximately 246 customers that are billed on a monthly basis. The base sewer rate is \$28 per month and there will be an additional surcharge of \$9.92 per month, for a total monthly bill of \$37.92 per month. If Bluegrass Energy is able to perform the billing and collection services, the bills would be issued on a monthly basis, with payment to be made to your company, and the amounts remitted to Farmdale at the end of each month, along with an accounting. Of course, the sewer charge could be included on Bluegrass Energy's bill. Please advise me as to whether Bluegrass Energy can provide the requested billing and collection services and the cost to perform same. I would also like to know if Bluegrass Energy would require that the entire bill be paid, instead of allowing a customer to indicate whether any payment should be first credited to the amount owed for electricity. In our experience, requiring a customer to pay the entire bill results in fewer delinquencies for the sewer services.

As we also discussed, the representatives of the Public Service Commission ("Commission") have indicated that rendering such billing and collection services would be an ancillary activity of Bluegrass Energy and would not be subject to regulation by the Commission. I advised Ms. Tiffany Bowman (502-564-3940), counsel for the Commission, that you may be calling her to discuss this issue, and she will either address this issue with you or direct you to the person that can address this issue.

Donald Smothers  
April 1, 2008  
Page Two

Thank you for your attention to this matter, and I look forward to receiving a response to this request.

Yours truly,

A handwritten signature in cursive script that reads "Robert C. Moore". The signature is written in black ink and is positioned below the typed name. The word "Robert" is written in a large, flowing script, followed by "C." and "Moore" in a similar style.

Robert C. Moore

RCM/neb  
cc: Carroll Cogan