

September 30, 2010

Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, KY 40602

RECEIVED

OCT 04 2010

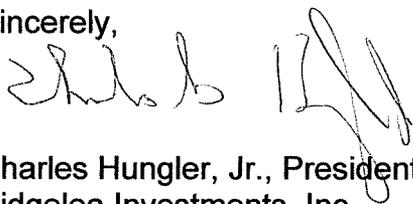
**PUBLIC SERVICE
COMMISSION**

Re: Ridgelea Investments, Inc. 2009-00500 Rate Case Filing

Dear Sirs:

Attached is Ridgelea's response to the Commission Staff's fourth information request dated September 17, 2010 in the above-mentioned case. If you have any questions, please contact me at (513) 851-8886 or (513) 284-6116.

Sincerely,



Charles Hungler, Jr., President
Ridgelea Investments, Inc.

Written Statement of Verification

The undersigned, Charles Hungler, Jr., being duly sworn, deposes and states he is the Owner of Ridgelea Investments, Inc., Applicant, in the above proceedings; that he has read the foregoing data request responses and has noted the contents thereof; that the same is true of his own knowledge, except as to matters which are there in stated on information or belief, and as to those matters, he believes same to be true.

Charles Hungler, Jr.
Charles Hungler, Jr., Owner

9-29-10
Date

Subscribed and sworn to before me by Charles Hungler, Jr., Owner of Ridgelea Investments, Inc. on this 9/29, 2010

My Commission Expires _____
GARY W. JORDAN
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES 02-28-11

Gary W. Jordan
Notary Public
In and for said County and State

Ridgelea CN 2009-00500 4th Data Request Responses

Question 1. Refer to Ridgelea's responses to the Commission's 7/14/2010 Order...Ridgelea is proposing to increase its fuel and power expense by \$111 to reflect the 6 percent increase in electricity rates Blue Grass Energy received on 4/1/2009. Calculate the impact the 4/1/2009 increase...will have on Ridgelea's fuel and power expense by applying the 4/1/2009 rates to the actual kwh that was used by Ridgelea in the test period. Provide copies of all workpapers, assumptions, and calculations used by Ridgelea in developing its response.

Answer: Ridgelea believes the \$113 adjustment proposed in the 7/14 response is a reasonable approximation of the known, measurable, and permanent electricity rate increase awarded by the PSC to Blue Grass Energy on April 1, 2009. Ridgelea's 7/14 response provided, as requested by the PSC Staff, 37 separate bills from Blue Grass Energy for service at the three Franklin County locations. These bills note that a rate schedule is available upon request; in other words, the specific rate charged to Ridgelea is not immediately apparent. Therefore, the above data request item requires Ridgelea to spend considerable time performing a complex calculation to justify an adjustment which equates to less than \$10 per month.

Ridgelea has previously stated that it is at the mercy of the Commission and its Staff to recognize the severity of its situation. The overriding issue in this case is that Ridgelea needs some type of rate increase or surcharge to generate the cash flow necessary to fund the costly mandates required by the Kentucky Division of Water.

Therefore, while Ridgelea believes the \$113 adjustment is fair, just and reasonable to reflect pro forma operations, we respectfully withdraw the adjustment if it distracts from the issues that are truly material and critical to our case, and we ask for the rate relief needed to satisfy the significant regulatory mandates of the DOW.

Witness: Charles Hungler, Jr.

Question 2. Refer to Ridgelea's responses to the Commission's 7/14/2010 Order... Ridgelea states that in 2009 it made cash payments totaling \$6,900 to three outside contractors for certified plant operations. According to Ridgelea, the cash payments were made to the certified operators after checks were written to its owner, Chuck Hungler. (a.) Provide a detailed explanation as to why Ridgelea agreed to the arrangement to make cash payments to its certified plant operators.

Answer: Quite simply, Ridgelea agreed to make cash payments to its certified plant operators because that is the arrangement the operators requested. When these cash payments were made in 2009, Ridgelea was unaware that they would become an issue in this rate case, and in fact did not begin rate case planning until late August of 2009. Ridgelea has been advised by its consultant in this case that invoices should be required to document and justify all expenses – especially those expenses (or payments) related to work done by Ridgelea's owner and by Perfect-A-Waste. Ridgelea has recently taken steps to implement this suggestion.

(b) Provide documentation to show that the \$6,900 in cash payments to Ridgelea's certified operators were actually paid and received by each operator.

Answer: Ridgelea's prior response indicated that \$6,900 was paid to three outside contractors during 2009. For Thacker Environmental, the attached tax form 1099 prepared by Ridgelea's CPA documents that \$2,400 was paid to this contractor. Form 1099s were not prepared for the other two contractors.

Greg Mayeux, who is the current plant operator, has signed the attached affidavit stating that he was paid \$2,000 in cash by Chuck Hungler in 2009 for providing plant operations. The third contractor used for Mulberry plant operations during 2009 did not depart Ridgelea on good terms, and is therefore unavailable to sign a similar affidavit relative to the \$2,500 in cash that he received during the middle of 2009 for plant operations.

Ridgelea understands the Staff's concern relative to these 2009 payments. However, Ridgelea believes the critical issue in this case is the determination of reasonable pro forma expenses, including a reasonable expense level for the certified plant operator. Ridgelea now has a contractual arrangement with Greg Mayeux to provide certified plant operations for \$600 per month, or \$7,200 per year, and this is the amount included in Ridgelea's amended revenue requirement for certified plant operations.

Witness: Charles Hungler, Jr.

VOID CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no. RIDGELEA INVESTMENT, INC. 2106 W. NORTH BEND ROAD CINCINNATI, OH 45224 513/851-8886		1 Rents \$	OMB No. 1545-0115 2009 Form 1099-MISC		Miscellaneous Income
		2 Royalties \$			
		3 Other income \$	4 Federal income tax withheld \$	Copy 1 For State Tax Department	
PAYER'S federal identification number XXXXXXXXXX	RECIPIENT'S identification number XXXXXXXXXX	5 Fishing boat proceeds \$	6 Medical and health care payments \$		
RECIPIENT'S name, address, and ZIP code THACKER ENVIRONMENTAL CONSULTANTS 588 COPPERFIELD DR. LAWRENCEBURG, KY 40342		7 Nonemployee compensation \$ 2400.00	8 Substitute payments in lieu of dividends or interest \$		
		9 Payer made direct sales of 5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds \$		
		11	12		
Account number (see instructions)		13 Excess golden parachute payments \$	14 Gross proceeds paid to an attorney \$		
15a Section 409A deferrals \$	15b Section 409A income \$	16 State tax withheld \$	17 State/Payer's state no. KY 065858	18 State income \$	

Form 1099-MISC

Department of the Treasury - Internal Revenue Service

VOID CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents \$	OMB No. 1545-0115 2009 Form 1099-MISC		Miscellaneous Income
		2 Royalties \$			
		3 Other income \$	4 Federal income tax withheld \$	Copy 1 For State Tax Department	
PAYER'S federal identification number	RECIPIENT'S identification number	5 Fishing boat proceeds \$	6 Medical and health care payments \$		
RECIPIENT'S name, address, and ZIP code		7 Nonemployee compensation \$	8 Substitute payments in lieu of dividends or interest \$		
		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds \$		
		11	12		
Account number (see instructions)		13 Excess golden parachute payments \$	14 Gross proceeds paid to an attorney \$		
15a Section 409A deferrals \$	15b Section 409A income \$	16 State tax withheld \$	17 State/Payer's state no.	18 State income \$	

Form 1099-MISC

Department of the Treasury - Internal Revenue Service

Written Statement of Verification

I, GREG MAYEUX, being the certified plant operator for the Mulberry sewage treatment plants owned by Ridgelea Investments Inc. for a portion of 2009, do hereby verify that Charles Hungler paid me cash in the amount of \$2,000.00 to compensate me for my performance as the plant operator during 2009.

Greg Mayeux
Name of Certified Operator

9-27-10
Date

Question 3. Refer to Ridgelea's responses...Ridgelea is proposing to remove the \$14,108 in legal fees from operating expenses and to amortize those fees over five years. (a) The Agreed Order states that "An Administrative Complaint filed by the Cabinet in this action enumerates numerous NOV's issued against the defendants and/or owners of waste water treatment plants operated by the defendants. Provide a list of the referenced NOV's. For each NOV, identify the waste water treatment plant where the NOV occurred, and the party responsible for the NOV.

Answer: Ridgelea has never maintained a comprehensive list of the "numerous NOV's" referred to in the Agreed Order, and concedes that the word "numerous" is a gross understatement. To the best of Mr. Hungler's recollection, there may have been as many as 90 NOV's related to the Inflow and Infiltration problems at the three Mulberry plants. **Some of these NOV's date back to only a few months after Ridgelea bought the plants in 2003, and clearly indicate that Ridgelea inherited - rather than caused - the I&I problems.** In fact, Mr. Hungler told a DOW inspector right before buying the plants that he would need time and money to fix the known and existing operational problems, and the inspector responded that DOW would work through these issues with him. That immediately proved not to be the case. Several actual NOV's are attached herein, and please note in particular the NOV dated 7/6/2007 indicating that NOV's were issued as early as April 2004.

Ridgelea concedes that the problems at the Mulberry plants are both real and significant, which is why Mr. Hungler visits the plants twice weekly to address operational issues. In addition, Ridgelea has spent a great deal of money at DOW's request, installing equipment such as flowmeters, post-aeration equipment, chlorination and dechlorination systems, etc., and these expenditures did not satisfy DOW. Ridgelea is using its best efforts to address these problems, but the only long-term solution is the availability of sufficient revenues to fix the physical problems Mr. Hungler inherited when he bought the Mulberry plants.

While conceding that the I&I problems are real and significant, Mr. Hungler believes many of the NOV's resulted from excessive enforcement by one particular inspector – since retired - within the DOW. In some cases, NOV's were issued by this inspector almost on a daily basis, giving Ridgelea inadequate time to address the operational issue. In addition, Mr. Hungler has generally enjoyed good relations with other inspectors and other branches of the Kentucky DOW – he maintains plants in Northern and Eastern Kentucky in addition to the Franklin County plants.

(b) Explain in detail why the legal fees incurred to defend the actions of Mr. Hungler and Perfect-A-Waste should be borne by Ridgelea's ratepayers.

Answer: The legal fees in question relate to Mr. Hungler's operation of the Franklin County plants – not the Grantland plant and certainly not any of Mr. Hungler's sewer work for non-regulated entities. If Mr. Hungler had not purchased the Mulberry plants, he would not have been exposed to the above-mentioned NOV's and the associated legal fees. The Commission approved Ridgelea's purchase of these plants in 2003 for what Mr. Hungler considered to be a fair price, and prior to owning them for an extended period, Mr. Hungler was unaware of the extent of the poor construction and inadequate preventive maintenance which had occurred. Since sewer lines are buried, Mr. Hungler could not have reasonably foreseen the inflow and infiltration problems absent a detailed and costly study.

Ridgelea has undertaken – and continues to undertake – its best efforts to address the problems and issues cited by the NOV. However, the only viable solution for these problems is to spend money to fix them, and a rate increase is needed to generate the money required. Whether or not the Commission allows 100% - or less - of the legal fees to be recovered from Ridgelea's ratepayers, the final increase awarded must be sufficient to generate the money required to fix the problems cited by the DOW.

(c) Explain in detail why the legal fees incurred in connection with Mr. Hungler's operator certification were recorded as an operating expense of Ridgelea.

Answer: See Ridgelea's answer to 10(b).

Witness: Charles Hungler, Jr.

**Natural Resources and Environmental Protection Cabinet
Kentucky Department for Environmental Protection
Division of Water**

Activity: CIN20050003 Inspection

Lead Investigator: Risk, Barbara

Agency Interest/Permit ID: 1386

Agency Interest Name: Farmgate Subd

Agency Interest Address: Michael Blvd
Frankfort, KY 40601

Program: Wastewater

County: Franklin

Type of Agency Interest: RESIDENCE- Subdivision (nec)

Agency Interest Contact: Title: Phone:

Purpose: Inspection

Inspection Type: WW CSI - Minor Non-Muni

Inspection Date: 09/08/2005 **Start Time:** 06:30 AM **End Time:** 05:00 PM

Latitude: 38.12805600 **Longitude:** -84.92722200

Coordinate Collection Method: Decimal Degrees

Incident ID(s):

General Comments:

CPDES PERMIT NO. KY0074969

GPS LOCATION: N38° 7.0' 47.8" W84° 52.0' 39.0"

THE FACILITY APPEARED TO BE OPERATIONAL AT TIME OF THE INSPECTION. THE MLSS IN THE AERATION BASIN WAS A GOOD COLOR, NO ODOR WAS NOTED. THE CLARIFIER WAS COVERED WITH A BLANKET OF FLOATING SOLIDS. THE SCUM RETURN WAS NOT OPERATIONAL. THE CONTACT BASIN WAS REASONABLY CLEAR, DISINFECTANT WAS BEING APPLIED AND THE EFFLUENT WAS CLEAR. RECEIVING STREAM WAS REASONABLY CLEAN.

REVIEW OF THE FACILITY DMRS FROM MAY 2005 - JULY 2005 REVEALED THE PLANT IN CHRONIC NONCOMPLIANCE FOR DEFICIENT DISSOLVED OXYGEN IN THIS PERIOD.

THIS A COMPLIANCE SAMPLING INSPECTION. EQUAL VOLUME SAMPLES (1 LITRE) WERE COLLECTED EVERY TWO HOURS FOR AN 8 HOUR PERIOD. THE SAMPLES WERE KEPT AT 4°C AND COMPOSITED, PRESERVED AND SURRENDERED TO THE CENTRAL LAB FOR ANALYSES. COMPOSITE SAMPLES WERE COLLECTED AND ANALYZED FOR CBOD5, NH3 AND TOTAL SUSPENDED SOLIDS. A GRAB SAMPLE WAS COLLECTED FOR FECAL COLIFORM, KEPT AT 4°C AND SURRENDERED TO FOUSSER ENVIRONMENTAL FOR ANALYSES. THE FECAL COLIFORM SAMPLE FAILED WITH 7980 CFU/100ML NH3 (AMMONIA) 0.678MG/L; TSS: 2.5 MG/L; CBOD: ND.

Person(s) Interviewed:

Name	Organization
------	--------------

Natural Resources and Environmental Protection Cabinet
Kentucky Department for Environmental Protection
Division of Water

Activity: CIN20050002 Inspection

Lead Investigator: Risk, Barbara

Agency Interest/Permit ID: 1411

Agency Interest Name: Meadowbrook Subd

Agency Interest Address: Meadowbrook Dr
Frankfort, KY 40601

Program: Wastewater

County: Franklin

Type of Agency Interest: RESIDENCE- Subdivision (nec)

Agency Interest Contact:

Title:

Phone:

Purpose: Inspection

Inspection Type: WW CEI - Minor Non-Muni

Inspection Date: 09/09/2005

Start Time: 09:15 AM

End Time: 10:00 AM

Latitude: 38.13027800

Longitude: -84.91444400

Coordinate Collection Method:Decimal Degrees

Incident ID(s):

General Comments:

KPDES PERMIT NO. KY0074951

GPS LOCATION: N38° 7' 49.0" W84° 55' 0.4"

INSPECTION OF THE FACILITY REVEALED GOOD ROLL AND SATISFACTORY COLOR IN THE AERATION BASIN; HOWEVER, ODOR WAS NOTED AND THE SLUDGE RETURN WAS INOPERABLE. SOME FLOATING SLUDGE/SOLIDS ON THE CLARIFIER. THE CONTACT BASIN WAS DARK, TURBID AND FLOATING SOLIDS WERE NOTED. THE OUTFALL WAS INSPECTED AND THE PIPE HAD BEEN REPAIRED.

INSPECTION OF THE RECEIVING STREAM WAS UNSATISFACTORY. THE STREAM WAS DARK, TURBID AND ODOROUS. EFFLUENT WAS THE SAME. DOW BELIEVES THAT THE OPERATOR OR HIS AGENT WAS AT THE PLANT ON 08 SEPTEMBER 2005 TO PERFORM MAINTENANCE. IF THE OPERATOR OR AGENT WAS AT THE PLANT, THE OUTFALL WAS NOT INSPECTED AT THE TIME AND THE UPSET/DEGRADATION WAS NOT REPORTED TO THE DIVISION.

REVIEW OF THE FACILITY DMR FROM THE 2ND QUARTER 2005 REVEALED THE PLANT IN COMPLIANCE FOR THE REPORTING PERIOD. DMRS ARRIVED ON TIME.

REVIEW OF THE REPORTED FLOW DATA FROM THE 1ST QUARTER 2004 THROUGH THE 2ND QUARTER 2005 REVEALED APPARENT I & I PROBLEMS AT THE PLANT. THIS PLANT IS DESIGNED TO EFFECTIVELY TREAT 0.006 MGD. AVERAGE AND MAX FLOW FOR THE 1ST QUARTER 2004: 0.05/0.072 MGD; 2ND QUARTER 2004: 0.013/0.058 MGD; 3RD QUARTER 2004: 0.002/0.004 MGD (IN COMPLIANCE); 4TH QUARTER 2004: 0.014/0.025 MGD; 1ST QUARTER 2005: 0.004/0.017 MGD; 2ND QUARTER 2005:0.004/0.01MGD. FLOW WAS 12 TIMES THE FLOW DESIGN OF THE PLANT IN THE 1ST QUARTER OF 2004.

DOW IS NOT PRESENT WHEN SAMPLES ARE COLLECTED AT THE FACILITY. DOW ASSUMES THAT THE OPERATOR IS DILIGENTLY COLLECTING THE SAMPLES AT THE APPROPRIATE LOCATION, THAT THEY ARE REPRESENTATIVE SAMPLES AND COLLECTED AND ANALYZED USING APPROVED METHODS.

Person(s) Interviewed:

Name

Organization

**Environmental and Public Protection Cabinet
Kentucky Department for Environmental Protection
Division of Water**

Activity: CIN20070001 Inspection

Lead Investigator: Risk, Barbara

Agency Interest/Permit ID: 1386

Agency Interest Name: Farmgate Subd

Agency Interest Address: Michael Blvd
Frankfort, KY 40601

Program: Wastewater

County: Franklin

Type of Agency Interest: RESIDENCE- Subdivision (nec)

Agency Interest Contact:

Title:

Phone:

Purpose: Inspection

Inspection Type: WW CSI-Minor Non-Mun

Inspection Date: 04/10/2007

Start Time: 08:30 AM

End Time: 09:00 AM

Latitude: 38.12805600

Longitude: -84.92722200

Coordinate Collection Method:Decimal Degrees

Incident ID(s):

General Comments:

KPDES PERMIT NO. KY0074969

GPS LOCATION: N38° 7.0' 47.8" W84° 52.0' 39.0"

THE FACILITY WAS OPERABLE AT THE TIME OF THE INSPECTION. BAR SCREEN WAS REASONABLY CLEAN. MLSS WAS A BIT HEAVY, BUT HAD A GOOD COLOR, ALL DIFFUSERS WERE ON LINE, THE CLARIFIER WAS CLEAN, MINIMAL FLOC WAS PASSING OVER THE WEIR. THE CONTACT BASIN WAS CLEAN AND THE FINAL EFFLUENT WAS CLEAR. SLUDGE DEPOSITS WERE FOUND IN THE RECEIVING STREAM AT THE OUTFALL AND BELOW TO THE BRIDGE. SLUDGE WORMS WERE NOTED IN THE RECEIVING STREAM.

THE PLANT CONTINUES TO DEGRADE STRUCTURALLY. AS WAS NOTED IN PREVIOUS INSPECTIONS, THERE IS A HOLE IN THE PLANT ABOVE THE BAR SCREEN THAT ALLOWS GROUND AND STORMWATER TO ENTER THE AERATION BASIN. AT THE TIME OF THE INSPECTION, THERE HAD BEEN NO RAIN FOR SEVERAL DAYS; HOWEVER, THE PLANT WAS RECEIVING A SIGNIFICANT FLOW OF CLEAR WATER INTO THE AERATION BASIN FROM THE INFLOW PIPE. NO FOAM WAS NOTED AND IT DID NOT APPEAR TO BE WASTE WATER. THE FLOW APPEARED TO BE GROUNDWATER AS A RESULT OF THE PLANT'S I&I PROBLEMS WHICH HAVE NOT BEEN CORRECTED OR INITIATED. THE PLANT CONTINUES TO EXCEED THE FLOW DESIGN DURING RAIN EVENTS AND THE OPERATOR/AGENT OF THE OPERATOR HAVE TO TURN OFF THE PLANT TO ALLOW THE SOLIDS TO SETTLE AND NOT WASHOUT. FACILITY NEEDS TO CONDUCT AND I&I STUDY AND GENERATE A PLAN OF ACTION AND SCHEDULE OF IMPLEMENTATION TO ABATE/ELIMINATE INFLOW/INFILTRATION TO THE PLANT.

REVIEW OF THE FACILITY DMRS FROM THE 1ST QUARTER 2006 TO THE 4TH QUARTER 2006 REVEALED THE PLANT IN COMPLIANCE FOR THE REVIEW PERIOD.

THE FACILITY IS UNDER AGREED ORDER NO. 04017 DATED 26 APRIL 2004 AND SIGNED BY THE OWNER/OPERATOR IN MAY 2004. THE FACILITY IS CURRENTLY IN VIOLATION OF THE ORDER'S REMEDIAL MEASURES ITEM NOS. 9 (DEGRADATION), 14 (O&M) AND 16 (COMPLETE COMPLIANCE BY 1 APRIL 2004).

Person(s) Interviewed:

Name

Organization

**Environmental and Public Protection Cabinet
Kentucky Department for Environmental Protection
Division of Water**

Activity: CIN20070001 Inspection

Lead Investigator: Risk, Barbara

Agency Interest/Permit ID: 1411

Agency Interest Name: Meadowbrook Subd

Agency Interest Address: Meadowbrook Dr
Frankfort, KY 40601

Program: Wastewater

County: Franklin

Type of Agency Interest: RESIDENCE- Subdivision (nec)

Agency Interest Contact:

Title:

Phone:

Purpose: Inspection

Inspection Type: WW CEI-Minor Non-Mun

Inspection Date: 04/10/2007

Start Time: 09:00 AM

End Time: 09:30 AM

Latitude: 38.13027800

Longitude: -84.91444400

Coordinate Collection Method:Decimal Degrees

Incident ID(s):

General Comments:

KPDES PERMIT NO. KY0074951

GPS LOCATION: N38° 7' 49.0" W84° 55' 0.4"

INSPECTION OF THE FACILITY REVEALED A CLEAN BAR SCREEN, GOOD ROLL AND SATISFACTORY COLOR IN THE AERATION BASIN, CLEAR CLARIFIER AND CONTACT BASIN. THE FINAL EFFLUENT WAS CLEAR AND THE RECEIVING STREAM WAS REMARKABLY CLEAN. NO ODORS WERE NOTED.

REVIEW OF THE FACILITY DMR FROM THE 3RD QUARTER 2005 THROUGH THE 4TH QUARTER 2006 REVEALED THE PLANT IN NONCOMPLIANCE FOR EXCEEDING TWO CBOD, ONE FECAL AND ONE TOTAL SUSPENDED SOLIDS PARAMETERS IN THE 4TH QUARTER 2005. THE DIVISION OF ENFORCEMENT ISSUED A NOTICE OF VIOLATION 05 SEPTEMBER 2005 CITING VIOLATIONS FOR EXCEEDING TSS, AMMONIA, DISSOLVED OXYGEN AND BOD PARAMETERS IN 2004.

REVIEW OF THE REPORTED FLOW DATA FROM THE 3RD QUARTER 2005 THROUGH THE 4TH QUARTER 2006, REVEALED APPARENT I&I PROBLEMS AT THE PLANT IN 2005 WHEN FLOWS WERE EXCEEDED IN THE 3RD & 4TH QUARTER OF 2005. THE FLOW DESIGN WAS NOT EXCEEDED IN 2006. THIS PLANT IS DESIGNED TO EFFECTIVELY TREAT 0.006 MGD. THIS FACILITY HAS BEEN REFERRED TO ENFORCEMENT.

DOW IS NOT PRESENT WHEN SAMPLES ARE COLLECTED AT THE FACILITY. DOW ASSUMES THAT THE OPERATOR IS DILIGENTLY COLLECTING THE SAMPLES AT THE APPROPRIATE LOCATION, HOLDING TIMES ARE BEING OBSERVED AND THAT THEY ARE REPRESENTATIVE SAMPLES, COLLECTED AND ANALYZED USING APPROVED METHODS.

Person(s) Interviewed:

Name

Organization

**Environmental and Public Protection Cabinet
Kentucky Department for Environmental Protection
Division of Water**

Activity: CIN20070001 Inspection

Lead Investigator: Risk, Barbara

Agency Interest/Permit ID: 1381

Agency Interest Name: Edgewood Subd

Agency Interest Address: Edgewood Dr
Frankfort, KY 40601

Program: Wastewater

County: Franklin

Type of Agency Interest: RESIDENCE- Subdivision (nec)

Agency Interest Contact:

Title:

Phone:

Purpose: Inspection

Inspection Type: WW Routine-Min Nmun

Inspection Date: 04/10/2007

Start Time: 08:00 AM

End Time: 08:45 AM

Latitude: 38.13638900

Longitude: -84.92500000

Coordinate Collection Method:Decimal Degrees

Incident ID(s):

General Comments:

KPDES PERMIT NO. KY0074977

GPS LOCATION: N38° 8' 10.1" W84° 55' 21.4"

THE FACILITY WAS OPERATIONAL AT TIME OF THE INSPECTION. THE BAR SCREEN WAS CLEAN, MLSS WAS HEAVY, NO ODOR WAS NOTED, CLARIFIER WAS CLEAR, SOME FLOATING SOLIDS, RETURNS WERE OPERATIONAL, SOME FLOC PASSING OVER THE WEIR TO THE POLISHING LAGOON. CONTACT BASIN WAS REASONABLY CLEAN. FINAL EFFLUENT WAS A BIT TURBID, BUT THAT APPEARED TO BE ALGAL. THE LAGOON IS FILLING WITH SOLIDS AGAIN. VISUALLY, NEARLY HALF OF THE LAGOON HAS NOTICEABLE SOLIDS AT THE SURFACE OR JUST BELOW. THIS IS AN INDICATION THAT THE PLANT CONTINUES TO BULK ESPECIALLY DURING RAIN EVENTS AND THE RESULTING I&I PROBLEMS. DOW FRO HAD REQUESTED IN AN NOV ISSUED 26 MARCH 2006, AN I&I STUDY TO BE COMPLETED AND SUBMITTED TO THE DOW FRO WITH A PLAN OF ACTION AND SCHEDULE OF IMPLEMENTATION DUE 01 MAY 2006. THE I&I PROBLEM NEEDS TO BE ADDRESSED AND CORRECTED. INSPECTION OF THE RECEIVING STREAM REVEALED WHAT APPEARED TO BE OLD BLACK SLUDGE BELOW THE OUTFALL. NO SLUDGE WORMS WERE NOTED IN THE RECEIVING STREAM. SIGNIFICANT COLONIES WERE FOUND IN THE LAGOON. THIS NEEDS TO BE CLEANED OUT. THE FACILITY IS UNDER AGREED ORDER NO. 04059 THAT BECAME EFFECTIVE 24 FEBRUARY 2004. THE FACILITY IS IN VIOLATION OF THE AGREED ORDER; SPECIFICALLY REMEDIAL MEASURES ITEMS 9, 14, 17, 18, 19, 20.

REVIEW OF THE FACILITY DISCHARGE MONITORING REPORTS FROM THE 1ST QUARTER 2006 THROUGH THE 4TH QUARTER 2006 REVEALED THE FACILITY IN NONCOMPLIANCE FOR EXCEEDING THREE DISSOLVED OXYGEN PARAMETERS AND ONE CBOD PARAMETER IN THE 2ND QUARTER 2006. THE DIVISION OF ENFORCEMENT ISSUED A NOTICE OF VIOLATION CITING THESE VIOLATIONS 30 MARCH 2007. THE FACILITY WAS IN COMPLIANCE FOR THE REST OF THE REPORTING PERIOD.

Person(s) Interviewed:

Name

Organization

**Environmental and Public Protection Cabinet
Kentucky Department for Environmental Protection
Division of Water**

Activity: CIN20070002 Inspection

Lead Investigator: Risk, Barbara

Agency Interest/Permit ID: 1386

Agency Interest Name: Farmgate Subd

Agency Interest Address: Michael Blvd
Frankfort, KY 40601

Program: Wastewater

County: Franklin

Type of Agency Interest: RESIDENCE- Subdivision (nec)

Agency Interest Contact: Title: Phone:

Purpose: Inspection

Inspection Type: WW Routine-Min Nmun

Inspection Date: 07/06/2007 **Start Time:** 07:00 AM **End Time:** 07:45 AM

Latitude: 38.12805600 **Longitude:** -84.92722200

Coordinate Collection Method: Decimal Degrees

Incident ID(s):

General Comments:

KPDES PERMIT NO. KY0074969

GPS LOCATION: N38° 7.0' 47.8" W84° 52.0' 39.0"

THE FACILITY WAS OPERABLE AT THE TIME OF THE INSPECTION. BAR SCREEN WAS REASONABLY CLEAN. MLSS WAS A BIT HEAVY, BUT HAD A GOOD COLOR, ALL DIFFUSERS WERE ON LINE, THE CLARIFIER WAS CLEAN, MINIMAL FLOC WAS PASSING OVER THE WEIR. THE CONTACT BASIN WAS CLEAN AND THE FINAL EFFLUENT WAS CLEAR. SIGNIFICANT SLUDGE DEPOSITS WERE FOUND IN THE RECEIVING STREAM AT THE OUTFALL AND BELOW TO THE BRIDGE. LESSER AMOUNTS WERE FOUND FROM THE FOOT BRIDGE TO THE STREET AND BEYOND. SLUDGE WORMS WERE NOTED IN THE RECEIVING STREAM.

THE PLANT CONTINUES TO DEGRADE STRUCTURALLY. AS WAS NOTED IN PREVIOUS INSPECTIONS, THERE IS A HOLE IN THE PLANT ABOVE THE BAR SCREEN THAT ALLOWS GROUND AND STORMWATER TO ENTER THE AERATION BASIN. AT THE TIME OF THE INSPECTION, THERE HAD BEEN RAIN FOR THE NIGHT OF 04 JULY 2007. THE PLANT LOGBOOK RECORDED THE PLANT BEING TURNED OFF 04 JULY 2007 @ 19:00 THRU 09:00 05 JULY 2007 TO PRESERVE SOLIDS. THE PLANT CONTINUES TO EXCEED THE FLOW DESIGN DURING RAIN EVENTS AND THE OPERATOR/AGENT OF THE OPERATOR HAVE TO TURN OFF THE PLANT TO ALLOW THE SOLIDS TO SETTLE AND NOT WASHOUT. FACILITY HAS BEEN REQUESTED REPEATEDLY TO CONDUCT AND I&I STUDY AND GENERATE A PLAN OF ACTION AND SCHEDULE OF IMPLEMENTATION TO ABATE/ELIMINATE INFLOW/INFILTRATION TO THE PLANT. THE OPERATOR WAS CONTACTED BY DOW FRO IMMEDIATELY TO PUMP THE SOLIDS OUT OF THE RECEIVING STREAM. DOW RETURNED IN THE EVENING. THE STREAM HAD BEEN PUMPED OUT, BUT THE STREAM WAS STILL BLACK. MR. HUNGLER STATED THAT WHEN THEY PUMP THE SLUDGE OUT, BLACK MATERIAL CONTINUES TO OOZE FROM THE BED OF THE STREAM.

THE FACILITY IS UNDER AGREED ORDER NO. 04017 DATED 26 APRIL 2004 AND SIGNED BY THE OWNER/OPERATOR IN MAY 2004. THE FACILITY IS CURRENTLY IN VIOLATION OF THE ORDER'S REMEDIAL MEASURES ITEM NOS. 9 (DEGRADATION), 14 (O&M) AND 16 (COMPLETE COMPLIANCE BY 1 APRIL 2004).

Person(s) Interviewed:

Name	Organization
MR. MAY	ADJACENT HOME OWNER

**Environmental and Public Protection Cabinet
Kentucky Department for Environmental Protection
Division of Water**

Activity: CIN20070002 Inspection

Lead Investigator: Risk, Barbara

Agency Interest/Permit ID: 1411

Agency Interest Name: Meadowbrook Subd

Agency Interest Address: Meadowbrook Dr
Frankfort, KY 40601

Program: Wastewater

County: Franklin

Type of Agency Interest: RESIDENCE- Subdivision (nec)

Agency Interest Contact: Title: Phone:

Purpose: Inspection

Inspection Type: WW Routine-Min Nmun

Inspection Date: 07/06/2007 **Start Time:** 03:45 PM **End Time:** 04:30 PM

Latitude: 38.13027800 **Longitude:** -84.91444400

Coordinate Collection Method:Decimal Degrees

Incident ID(s): 2261495

General Comments:

PDES PERMIT NO. KY0074951

IPS LOCATION: N38° 7' 49.0" W84° 55' 0.4"

INSPECTION OF THE FACILITY REVEALED A REASONABLY CLEAN BAR SCREEN, GOOD ROLL AND SATISFACTORY COLOR IN THE AERATION BASIN, MLSS WAS A BIT HEAVY, THE CLARIFIER WAS COVERED WITH SCUM AND ACCORDING TO THE OWNER/OPERATOR, THE SCUM RETURN HAD BEEN SHUT OFF BECAUSE IT WAS NOT ALLOWING THE SLUDGE TO SETTLE IF LEFT RUNNING. THIS MAY BE DUE TO AN AIR LEAK IN THE CLARIFIER/BLOWER LINES AND NEEDS REPAIR. THE CONTACT BASIN HAD SOME FLOATING SOLIDS. EFFLUENT APPEARED TO BE SLIGHTLY TURBID. INSPECTION OF THE RECEIVING STREAM REVEALED MINIMAL DEPOSITS OF SLUDGE AT THE OUTFALL AND A LIGHT DUSTING DOWNSTREAM. THE PLANT WAS NOT DISCHARGING AT THE TIME OF THE INSPECTION.

THE INSPECTION IS THE RESULT OF A COMPLAINT RECEIVED FROM A RESIDENT STATING THAT THERE WAS A BROKEN SEWER LINE THAT WAS DISCHARGING INTO THE "CREEK" (SEE INV20070001 FOR INVESTIGATION REPORT). THE COMPLAINANT STATED THAT SHE HAD SPOKEN WITH THE OWNER/OPERATOR ON 03 JULY AND AGAIN ON 05 JULY REGARDING THE BYPASS. DOW VISITED THE SITE 06 JULY 2007 AND INSPECTED THE PLANT AND RECEIVING FOR THE BYPASS. THE BYPASS WAS ACTUALLY IN THE DRAINWAY TO THE RECEIVING STREAM ON THE NORTH SIDE OF 93 MEADOWBROOK DRIVE RESIDENCE PROPERTY. A PHYSICAL LEAK COULD NOT BE VISUALLY DETECTED; HOWEVER, A POOL OF WHAT APPEARED TO BE BLACK SEPTIC EFFLUENT WAS FOUND IN THE DRAINWAY. ODOR WAS NOTED. DOW AGAIN VISITED THE SITE 09 JULY 2007 @ 7:00. THE POOL HAD NOT BEEN CLEANED UP. NO EVIDENCE OF EXCAVATION TO REPAIR THE BYPASS WAS FOUND. CHARLES HUNGLER REPORTED THE BYPASS TO THE DOW EARLY THE MORNING OF 09 JULY 2007 AND STATED THAT HE HAD JUST FOUND OUT ABOUT IT. WHEN ASKED WHY HE DID NOT REPORT THE BYPASS, MR. HUNGLER STATED THAT HE DID NOT SPEAK WITH THE COMPLAINANT; THAT SHE SPOKE WITH BRIAN CHENAULT, THE PLANT'S MAINTENANCE PERSONNEL. NOV TO BE ISSUED FOR STREAM DEGRADATION AND FAILURE TO REPORT A BYPASS.

Person(s) Interviewed:

Name	Organization
INDA HAMILTON	COMPLAINANT

**Environmental and Public Protection Cabinet
Kentucky Department for Environmental Protection
Division of Water**

Activity: CIN20070003 Inspection

Lead Investigator: Risk, Barbara

Agency Interest/Permit ID: 1411

Agency Interest Name: Meadowbrook Subd

Agency Interest Address: Meadowbrook Dr
Frankfort, KY 40601

Program: Wastewater

County: Franklin

Type of Agency Interest: RESIDENCE- Subdivision (nec)

Agency Interest Contact: Title: Phone:

Purpose: Inspection

Inspection Type: WW CEI-Minor Non-Mun

Inspection Date: 10/17/2007 Start Time: 08:00 AM End Time: 08:30 AM

Latitude: 38.13027800 Longitude: -84.91722200

Coordinate Collection Method: Decimal Degrees

Incident ID(s):

General Comments:

PDES PERMIT NO. KY0074951

PS LOCATION: N38° 7' 49.0" W84° 55' 0.4"

INSPECTION OF THE FACILITY REVEALED A CLEAN BAR SCREEN, GOOD ROLL AND SATISFACTORY COLOR IN THE AERATION BASIN, CLEAR CLARIFIER WITH SOME FLOATING SOLIDS AND CLEAN CONTACT BASIN. THE FINAL EFFLUENT WAS CLEAR AND THE RECEIVING STREAM WAS REMARKABLY CLEAN. NO ODORS WERE NOTED.

REVIEW OF THE FACILITY DMRS FROM THE 1ST QUARTER 2007 THROUGH THE 3RD QUARTER 2007 REVEALED THE PLANT IN COMPLIANCE WITH PERMIT PARAMETERS FOR THE REVIEW PERIOD.

REVIEW OF THE REPORTED FLOW DATA FROM THE 1ST QUARTER 2007 THROUGH THE 3RD QUARTER 2007, REVEALED ACCEPTABLE FLOW. THE FLOW DESIGN WAS NOT EXCEEDED IN THE REVIEW PERIOD. THIS PLANT IS DESIGNED TO EFFECTIVELY TREAT 0.006 MGD. DOW IS NOT PRESENT WHEN SAMPLES ARE COLLECTED AT THE FACILITY. DOW ASSUMES THAT THE OPERATOR IS DILIGENTLY COLLECTING THE SAMPLES AT THE APPROPRIATE LOCATION, HOLDING TIMES ARE BEING OBSERVED AND THAT THEY ARE REPRESENTATIVE SAMPLES, COLLECTED AND ANALYZED USING APPROVED METHODS.

Person(s) Interviewed:

Name	Organization
------	--------------

**Environmental and Public Protection Cabinet
Kentucky Department for Environmental Protection
Division of Water**

Activity: CIN20070003 Inspection

Lead Investigator: Risk, Barbara

Agency Interest/Permit ID: 1381

Agency Interest Name: Edgewood Subd

Agency Interest Address: Edgewood Dr
Frankfort, KY 40601

Program: Wastewater

County: Franklin

Type of Agency Interest: RESIDENCE- Subdivision (nec)

Agency Interest Contact: Title: Phone:

Purpose: Inspection

Inspection Type: WW CEI-Minor Non-Mun

Inspection Date: 10/17/2007 **Start Time:** 08:45 AM **End Time:** 09:15 AM

Latitude: 38.13583300 **Longitude:** -84.92222200

Coordinate Collection Method:Decimal Degrees

Incident ID(s):

General Comments:

IPDES PERMIT NO. KY0074977

IPS LOCATION: N38° 8' 10.1" W84° 55' 21.4"

THE FACILITY WAS OPERATIONAL AT TIME OF THE INSPECTION. THE BAR SCREEN NEEDED CLEANING. IT APPEARED THAT SOMEONE HAD FLUSHED A NUMBER OF PAPER TOWELS INTO THE SYSTEM VERY RECENTLY. MLSS WAS A BIT HEAVY, NO ODOR WAS NOTED, CLARIFIER WAS CLEAR WITH SOME FLOATING SOLIDS, THE WEIRS WERE CLEAN, RETURNS WERE OPERATIONAL, POLISHING LAGOON WAS BEING AERATED AND COULD NOT BE FULLY INSPECTED DUE TO DUCKWEED; HOWEVER, NO SOLIDS WERE NOTED. CONTACT BASIN WAS REMARKABLY CLEAN WITH THE EXCEPTION OF SOME DUCKWEED IN THE MIDDLE CHAMBER. THE FINAL EFFLUENT WAS VERY CLEAR LEAVING THE BASIN. INSPECTION OF THE RECEIVING STREAM REVEALED AN EXCEPTIONAL IMPROVEMENT OVER PAST INSPECTIONS. EFFLUENT WAS VERY CLEAR, THE RECEIVING STREAM WAS CLEAN. NO TRACES OF SLUDGE OR BLACK MATERIAL WERE NOTED. THE REGION HAS BEEN IN SEVERE DROUGHT FOR MOST OF THE SUMMER OF 2007. THE PLANT TREATMENT AND EXCEPTIONAL FINAL EFFLUENT AT THE TIME OF THE INSPECTION REFLECT THE NEGATIVE IMPACT I&I HAS IN THIS PLANT. IF THE I&I COULD BE CORRECTED, THE PLANT COULD CONTINUE TO PRODUCE GOOD EFFLUENT. THE FACILITY REMAINS UNDER AGREED ORDER NO. 04059.

REVIEW OF THE FACILITY DISCHARGE MONITORING REPORTS FROM THE 1ST QUARTER 2007 THROUGH THE 4TH QUARTER 2007 REVEALED THE FACILITY IN NONCOMPLIANCE FOR EXCEEDING ONE DISSOLVED OXYGEN PARAMETER IN MAY 2007. THE FACILITY WAS IN COMPLIANCE FOR THE REST OF THE REPORTING PERIOD.

Person(s) Interviewed:

Name	Organization
-------------	---------------------

**Environmental and Public Protection Cabinet
Kentucky Department for Environmental Protection
Division of Water**

Activity: CIN20070003 Inspection

Lead Investigator: Risk, Barbara

Agency Interest/Permit ID: 1386

Agency Interest Name: Farmgate Subd

Agency Interest Address: Michael Blvd
Frankfort, KY 40601

Program: Wastewater

County: Franklin

Type of Agency Interest: RESIDENCE- Subdivision (nec)

Agency Interest Contact: Title: Phone:

Purpose: Inspection

Inspection Type: WW CEI-Minor Non-Mun

Inspection Date: 10/17/2007

Start Time: 09:30 AM

End Time: 10:00 AM

Latitude: 38.13000000

Longitude: -84.93250000

Coordinate Collection Method: Decimal Degrees

Incident ID(s):

General Comments:

PDES PERMIT NO. KY0074969

PS LOCATION: N38° 7.0' 47.8" W84° 52.0' 39.0"

THE FACILITY WAS OPERABLE AT THE TIME OF THE INSPECTION. BAR SCREEN WAS CLEAN. MLSS WAS A BIT HEAVY, BUT HAD A GOOD COLOR, ALL DIFFUSERS WERE ON LINE, THE CLARIFIER WAS CLEAN, MINIMAL FLOC WAS PASSING OVER THE WEIR. THE CONTACT BASIN WAS CLEAN AND THE FINAL EFFLUENT WAS CLEAR. NO SLUDGE DEPOSITS WERE FOUND IN THE RECEIVING STREAM AT THE OUTFALL; NEGLIGIBLE DEPOSITS WERE FOUND AT THE FOOT BRIDGE. NO SLUDGE WORMS WERE NOTED IN THE RECEIVING STREAM.

THE PLANT CONTINUES TO DEGRADE STRUCTURALLY. AS WAS NOTED IN PREVIOUS INSPECTIONS, THERE IS A HOLE IN THE PLANT ABOVE THE BAR SCREEN THAT ALLOWS GROUND AND STORMWATER TO ENTER THE AERATION BASIN. THE PLANT WAS RUNNING VERY WELL AND PUTTING OUT VERY CLEAR EFFLUENT. THIS AREA HAS BEEN IN SEVERE DROUGHT FOR MOST OF THE SUMMER OF 2007. THE SATISFACTORY CONDITION OF THE TREATMENT PROCESS AT THE TIME OF THE INSPECTION IS INDICATIVE OF THE NEGATIVE IMPACT THE I&I HAS ON THIS PLANT. IF THE I&I PROBLEMS COULD BE FIXED, IT WOULD ELIMINATE A LOT OF COMPLIANCE ISSUES.

REVIEW OF THE FACILITY DMRS FROM JANUARY 2007 TO THROUGH AUGUST 2007 REVEALED THE PLANT IN COMPLIANCE FOR THE REVIEW PERIOD.

THE FACILITY REMAINS UNDER AGREED ORDER NO. 04017.

Person(s) Interviewed:

Name

Organization

Question 4 – Refer to Ridgelea’s Response...Ridgelea states that it “retained the consultant who prepared this rate case at a fee of \$250 per month to improve its documentation for regulatory purposes, as well as to provide bookkeeping and financial services on an ongoing basis.” (a) Identify the consultant that is referenced by Ridgelea, state the date the consultant was hired to perform the bookkeeping and financial services, and provide a detailed list of the services that the consultant is currently providing to Ridgelea.

Answer: Ridgelea retained Kentucky Small Utility Consulting, LLC on May 6, 2010 to help improve all aspects of its documentation, bookkeeping, financial reporting, and any other duties necessary to improve Ridgelea’s finances. An adequate revenue award is critical in this current rate case for Ridgelea to avoid the following:

- Continued sanctions by the DOW
- Fines, penalties, and perhaps worse.
- High legal bills at the level experienced in recent years by Ridgelea.
- Continued environmental problems at its Franklin County plants.
- Negative cash flow that impedes Ridgelea’s ability to fund any needed repairs.

After experiencing difficulties in responding to the 1st data request issued in this case, and after an April Informal Conference indicated that another data request would be forthcoming, it became clear that Ridgelea needed to immediately take steps to improve its past documentation deficiencies. Mr. Hungler is heavily involved in the management and operations of these troubled plants, and does not have the time nor the background experience to institute and maintain the bookkeeping and documentation system required to respond to the Kentucky PSC, particularly in the crisis environment that Ridgelea currently faces. In addition, Ridgelea has no other employees to perform this function. The retention of this consultant starting in May has been instrumental in responding to the 48 separate data request items already issued in this case, many of which involve the creation of new documents on a computer rather than the mere copying of already-existing documents.

Moreover, the original rate case application included a surcharge request in an attempt to simplify the issues in this case. The Commission’s Order and 3rd data request issued in July 2010 implied that the surcharge request was unlikely to be approved, requiring the wholesale amendment of this case at considerable time, effort, and coordination. Ridgelea and its consultant recognized in early May that this surcharge request was not going particularly well from Ridgelea’s standpoint, and needed to be prepared for the adverse outcome which ultimately resulted.

The attached contract and the consultant’s monthly bills list the services provided.

(b) Provide a signed copy of the contract between Ridgelea and the referenced consultant.

Answer: Ridgelea has been operating on a verbal agreement with Kentucky Small Utility Consulting, so no contract has existed. However, Ridgelea in response to the above question has signed the attached contract with the consultant.

(c) Provide documentation to show that the \$250 per month bookkeeping and financial services fee is reasonable.

Answer: Attached are the bills from Kentucky Small Utility Consulting showing the duties performed and time spent. This case has already resulted in the need to respond to four data requests by PSC Staff, and much of this work has involved the creation of original documents rather than an exercise in copying already-available information. Examination of the time spent in July and August on Ridgelea-related matters suggests that the \$250 per month fee, on a per-hour basis, is entirely reasonable.

Witness: Charles Hungler, Jr.

Consulting Contract

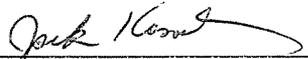
This agreement is made this 30th day of September, 2010, by and between Kentucky Small Utility Consulting, LLC, 8105 Parkshire Court, Louisville, KY 40220 (hereinafter referred to as the "Contractor"), and Ridgelea Investments, Inc., whose address is 2106 W. North Bend Road, Cincinnati, Ohio 45224 (hereinafter referred to as "Utility") for consulting services.

- (1) Contractor shall render the services, for the compensation set forth in Attachment "A" (hereinafter referred to as the "Services). The Services may be changed only by the prior written agreement of the Contractor and the Utility and if changed the time of performance shall be adjusted accordingly. Invoices shall be paid by Utility without setoff or deduction, upon receipt. Contractor has the option of suspending or terminating its performance for non-payment.
- (2) The party with complete authority to act under this contract for Contractor is Jack Kaninberg. The party with complete authority to act under this contract for Utility is Charles Hungler, Jr.
- (3) The Utility shall provide Contractor to full and adequate access to all the information needed by Contractor to fulfil the services set out in Attachment A. Utility shall give prompt attention to all documentation and requests for information and action by Contractor, so as to not delay Contractor's work. When applicable, Contractor shall have access to Utility's private property to complete its work.
- (4) The Contractor shall furnish the necessary qualified personnel to complete the Services and Contractor represent that is has access to the experience and capability necessary to and agrees to perform the Services with reasonable skill and diligence. This undertaking does not imply and guarantee a perfect project and in the event of failure, Contractor will only be liable to its failure to exercise diligence, reasonable care and professional skill. Contractor's fee under this agreement shall be the only measure of damages. There are no other representations or warranties expressed or implied and Utility agrees to hold Contractor harmless and indemnify from any claims not related to liability from the negligence or willful misconduct of Contractor.
- (5) All documents (hard copy or electronic) prepared by Contractor in connection with this project are the sole property of Contractor and payment to Contractor under Attachment A shall be a condition precedent to use of any documentation of Contractor. Contractor cannot guarantee or be liable for the integrity of any electronic information.
- (6) Any default in performance caused by a natural catastrophe or civil unrest (force majeure) shall not constitute a default of the Contract.

- (7) This contract shall be interpreted under the laws of the Commonwealth of Kentucky and choice of venue shall be Jefferson County. If there is a dispute, good faith mediation is required as a condition precedent of either party filing any complaint in any court.
- (8) Neither Contractor or Utility may assign any part of this contract without written authority of the other party.
- (9) Contractor agrees to keep all of Utility's information confidential and at all times allow the Utility access and information to make sure its information is being protected.
- (10) This Contract and Attachment A, is the entire agreement between the parties and it supercedes any and all other oral or prior agreement between them. The Contract may be amended only by a written amendment, signed by both parties.
- (11) If any portion of this Contract is deemed unenforceable, it shall not affect the remaining portions. The consideration for this Contract is the mutual agreement contained herein, which each party by its signature agree is sufficient.

THE PARTIES EXPRESSLY ACKNOWLEDGE THAT THIS AGREEMENT CONTAINS LIMITATION OF LIABILITY PROVISIONS RESTRICTING RIGHT FOR RECOVERY OF DAMAGES.

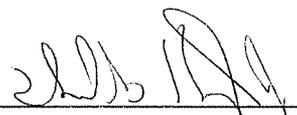
CONTRACTOR:



Jack Kaninberg

UTILITY:

Ridgelea Investments, Inc.

BY: 

TITLE: President

CONSULTING CONTRACT

ATTACHMENT "A"

This Attachment details the Services, contract time, price, forming part of the Contract:

(1) Services:

Contractor shall perform the following services;

TASK A -- SCOPE OF SERVICES

- Bookkeeping in accordance with the regulatory requirements of the Ky. PSC.
- Computerized preparation of a general ledger based upon Ridgelea's checkbook.
- Maintaining an organized file of all invoices paid by Ridgelea.
- Suggesting improvements to successfully document all Ridgelea costs.
- Development of a system to track all costs at each of the four Ridgelea plants.
- Preparation of the PSC Annual Reports.
- Coordinating responses to data requests and Staff Reports in PSC Case 2009-00500.
- Attending PSC Conferences and Hearings, and providing testimony if needed.
- Other duties as mutually agreed to in writing between the Utility and the Contractor.

(2) Contract time

(a) Commencement date: May 2010, and continuing each month thereafter until the Utility or Contractor determines that the pricing, time, or scope of services should be revised.

(3) Contract Payment

TASK A -- \$250 per month.

HAVE SEEN AND AGREED:

CONTRACTOR:

Jack Kaninberg
Jack Kaninberg

UTILITY:

Ridgelea Investment

BY: [Signature]

TITLE: President

KENTUCKY SMALL UTILITY CONSULTING, LLC

Jack Kaninberg, Owner
8105 Parkshire Court
Louisville, KY 40220
(502) 742-9325

May 29, 2010

INVOICE FOR CONSULTING SERVICES – MONTHLY RETAINER

Charles G. Hungler, President
Ridgelea Investments, Inc.
2106 W. North Bend Road
Cincinnati, Ohio 45224

Description of Monthly Service for May 2010	Amount
<p><u>Meetings in Louisville:</u> -5/6 (.5 hrs.) to discuss monthly bookkeeping services and rate case issues. -5/20 (2.0 hrs.) to discuss responses to 2nd PSC data request issued May 12. -5/27 (2.0 hrs.) to discuss responses and documentation issues.</p> <p><u>Bookkeeping:</u> -Entered all 2009 and 2010 checkbook info onto computer. -Prepared preliminary 2009 and YTD 2010 general ledger. -Reviewed all available invoices for prior years. -Organized all available 2008-09 invoices given to me. -Organized all Perfectawaste accounts payable invoices for all prior years. -Made initial recommendations to improve recordkeeping and documentation.</p> <p><u>Other:</u> -Continued work on responses to 2nd data request; spent several hours on A/P. -Reviewed Grantland past-due collections report. -Researched other tariffs for provisions Ridgelea should consider to address Grantland past-due accounts.</p>	<p>\$250.00</p>

Please make all checks payable to Jack Kaninberg
Thank You For Your Business!

KENTUCKY SMALL UTILITY CONSULTING, LLC

Jack Kaninberg, Owner
8105 Parkshire Court
Louisville, KY 40220
(502) 742-9325

June 29, 2010

INVOICE FOR CONSULTING SERVICES – MONTHLY RETAINER

Charles G. Hungler, President
Ridgelea Investments, Inc.
2106 W. North Bend Road
Cincinnati, Ohio 45224

Description of Monthly Service for June 2010	Amount
-See Attached Detail of Monthly Service	\$250.00
<u>Other:</u>	
<u>Breakdown of Copying and Mailing Charges for PSC 2nd Data Request:</u>	
\$ 65.35 - (Sat. June 12) - Copy invoices and Response at Kinkos	<u>\$120.12</u>
\$ 20.51 – (Mon. June 14) – Make copy for AG; make copies of scanned e-mail.	
\$ 29.26 – (Mon. June 14) – Fedex overnight Response to PSC	\$370.12
<u>\$ 5.00 – (Mon. June 14) – Mail AG's copy at USPS</u>	
\$ 120.12	

Please make all checks payable to Jack Kaninberg
Thank You For Your Business!

Ridgelea Time Spent June 2010

Date	Hours	Explanation
6/3	4.3	(7:15 am to 11:30 am) – Organized invoices - which available vs. unavailable, which Grantland vs. Mulberry, which paid vs. unpaid, which relate to other years, etc. Sort in order to copy for 2 nd PSC data request. Discussed with Chuck later in the day.
6/4	1.0	Organized entire Ridgelea file (all years) and tossed duplicate papers.
6/7	1.0	Computer grouped invoices by those available vs. those unavailable, and by Perfectawaste vs. outside vendors.
6/8	1.0	Summarized status of 2 nd PSC data request responses in preparation for planned meeting today with Chuck. Chuck later called and said we would meet on Friday instead. We discussed ongoing problems with item 1 (2008 invoices) and item 4 (Dow letter regarding approved bidders and any bids in addition to Hall contracting for I&I study.)
6/11	5.0	<p>–3 hour meeting with Chuck to try to finish response to 2nd data request. Developed response to item 4, but invoices still unavailable to fully respond to item 1. Given the situation, worked with Chuck to draft a 2-page letter regarding documentation issues and possible amended filing if surcharge not approved.</p> <p>-2 hours (2:30-4:30 pm) revising response to Item 1 and assembling invoices.</p>
6/12	1.0	(Saturday) – Spent 1 hour at Kinkos copying the response to the 2 nd PSC data request (7 copies), including 3 copies of all 2008 invoices.
6/14	3.0	(10:30 am – 1:30 pm) - Received Melisha Hungler e-mail with 8 scanned pages – 6 work tickets, letter from Hall, and signed Mayeux contract. Needed to work with PDF format to get appropriate-sized copies, and invoices were not dark enough to be legible. Called Chuck to get his OK to copy this and overnight it to PSC. He OK'ed overnighting it and I copied and FED EX'ed PSC copy at Kinkos. Came back to office to assemble and mail AG copy.
	16.3	Total Hours for June 2010

KENTUCKY SMALL UTILITY CONSULTING, LLC

Jack Kaninberg, Owner
8105 Parkshire Court
Louisville, KY 40220
(502) 742-9325

July 30, 2010

INVOICE FOR CONSULTING SERVICES – MONTHLY RETAINER

Charles G. Hungler, President
Ridgelea Investments, Inc.
2106 W. North Bend Road
Cincinnati, Ohio 45224

Description of Monthly Service for July 2010	Amount
-See Attached Detail of Monthly Service	\$250.00
<u>Other – Copying & Mailing Charges Billed In June (unpaid):</u>	
<u>Breakdown of Copying and Mailing Charges for PSC 2nd Data Request:</u>	
\$ 65.35 - (Sat. June 12) - Copy invoices and Response at Kinkos	<u>\$120.12</u>
\$ 20.51 – (Mon. June 14) – Make copy for AG; make copies of scanned e-mail.	
\$ 29.26 – (Mon. June 14) – Fedex overnight Response to PSC	\$370.12
\$ 5.00 – (Mon. June 14) – Mail AG's copy at USPS	
\$ 120.12 - (Note - receipts attached with June billing)	

Please make all checks payable to Jack Kaninberg
Thank You For Your Business!

Ridgelea Time Spent July 2010

Date	Hours	Explanation
7/1	1.50	(10:25 am to 11:55 am) – Met Chuck at my office re Grantland billing and collection issue. He decided to talk with their attorney Tom Nienaber about changes to the proposed contract allowing Bullock Pen WD to shut off water for nonpayment of sewer bills. I discussed having him bid on other clients' sewer projects and he expressed interest. I recommended - and drafted - a letter for Chuck's signature to Shafiq Amawi asking for written clarification regarding Hall Environmental as an approved DOW contractor for the I&I study. After Chuck left, I spent some time trying to locate an address for Mr. Amawi (not Anawi as previously believed), and finally decided upon sending to 14 Reilly Road. Mailed to Amawi and PSC at 11:50 am.
7/1	0.50	(2 pm-2:30 pm) – Input June checkbook info to computer Cks. #2255-2278
7/15	0.25	(8:15 am – 8:30 am) – Printed off PSC Order requiring new rate case with yet another data request. Tried to call Chuck to discuss.
	4.00	(9:30 am – 1:30 pm) - Began working on responses to data request. After repeated and unsuccessful attempts to reach Chuck, called the office and spoke to Terry Hungler. He said Chuck is on vacation and won't be back till August 2. Therefore, I proposed to draft a letter for Terry's initials requesting an extension of time till August 27.
		(3pm – 4pm) – Continued work on data request responses.
7/16	2.00	(7:20 am – 9:20 am) – Continued work on data request. Organized all files to omit 2008 info and focus on 2009 and beyond. Compared 2009 PSC Annual Report to workpapers to understand and explain differences.
	3.25	(9:45 am – 1 pm) - Worked on a potential pro forma revenue increase request for Franklin County operations. Spoke to Mark Frost about the probable need for an extension beyond 8/6 given Chuck's 2-week trip to South Carolina.
	0.50	(2:30 pm – 3 pm) – Worked on data request responses.
7/19	0.50	-Discussed current situation with Terry Hungler in Chuck's absence. Said he would have Chuck call me. At 9:40 am, Chuck called me and I explained the current situation. He'll be back to work 8/4, and wants to put all this on hold till then. After discussing with Chuck, worked on draft letter to PSC to include with Amended ARF.
7/23	1.75	(8:00 am – 9:45 am) – Worked on Response #1 to 3 rd data request.
	0.75	(10:30 am – 11:15 am) – Continued work on responses.
	2.50	(12:15 – 2:45 pm) – Worked on Response #2 to 3 rd data request.
	17.50	Total Hours for July 2010

KENTUCKY SMALL UTILITY CONSULTING, LLC

Jack Kaninberg, Owner
8105 Parkshire Court
Louisville, KY 40220
(502) 742-9325

August 31, 2010

INVOICE FOR CONSULTING SERVICES – MONTHLY RETAINER

Charles G. Hungler, President
Ridgelea Investments, Inc.
2106 W. North Bend Road
Cincinnati, Ohio 45224

Description of Monthly Service for August 2010	Amount
-See Attached Detail of Monthly Service	\$250.00
<u>Other – Copying & Mailing Charges For 3rd PSC Data Request:</u>	
\$ 116.96 - (8/19/10) - Copy Invoices and Responses at Louisville Kinkos	
\$ 6.17 – (8/19/10) – Binder clips and copy of map (2 Kinkos receipts)	
\$ 8.01 – (8/19/10) – Copy signed pages and DOW letters for data request (2 receipts)	
\$ 5.70 – (8/20/10) – Mail AG's copy at USPS	
\$ 136.84 - (Receipts attached)	<u>\$136.84</u>
	\$386.84

Please make all checks payable to Jack Kaninberg
Thank You For Your Business!

Ridgelea Time Spent August 2010

Date	Hours	Explanation
8/2	2.00	(11:00 am to 1:00 pm) – Resume work on data request response – Legal fees, taxes, CPA invoices and payments.
	1.50	(2 pm – 3:30 pm) – Continued work on DR, 2009 Repairs and maintenance checks written vs. Chuck’s workpaper listing)
8/3	1.75	(12:15 – 2:00 pm) – Continued work on data request, matching 2009 repairs and maintenance checks written against available invoices.
8/5	0.25	(2:30 – 2:45 pm approx.) – Discussed 2009 checks with Chuck.
8/6	1.50	(9 am – 10:30 am) – Worked on lab testing and routine maintenance invoices (or lack thereof) and adjustments.
	1.00	(11 am – 12 noon) – Worked on routine maintenance and CPA documentation. Spoke to Melisha Hungler, e-mailed her, and spoke to Chuck. Revised revenue requirement based on numbers currently available, not counting any adjustment to routine maintenance fee.
8/13	1.50	(11:15 am – 12:45 noon) Prep for meeting with Chuck; copy check register and revise certain responses.
	1.75	(1:30 pm – 3:15 pm) – Met with Chuck Hungler to discuss case and DR responses.
8/16	2.25	(9:45 am – 12:30 pm) – Continue working on responses to data request based on Friday 8/13 meeting. Take off ½ hour for 3 phone calls related to another client.
	1.50	(1 pm – 2:30 pm) – Continue working on responses to data request, concentrating on repairs and maintenance expenses lacking invoices including routine maintenance fees.
	0.50	(3 pm – 3:30 pm) – Drafted cover letter and verification page, did e-mail to Chuck.
8/18	0.50	(12:30 pm – 1 pm) – Organize all invoices, separate and collate to ready for copying. Plan meeting agenda to try to wrap up data request response tomorrow.
8/19	1.00	(5:45 am – 6:45 am) – Make all copies of data request (except signature pages and DOW correspondence) at Fedex/Kinkos.
	0.25	(8:15 – 8:30 am) – Prepare for mailing AG’s copy of response.
	4.50	(11:45 am – 4:15 pm) – Trip to Frankfort to get Chuck’s signatures and DOW correspondence. Copy those items at Office Depot and deliver to PSC.
8/20	0.50	(9:05 am – 9:35 am) – Go to USPS and mail AG’s copy of response
	22.25	Total Hours for August 2010

KENTUCKY SMALL UTILITY CONSULTING, LLC

Jack Kaninberg, Owner
8105 Parkshire Court
Louisville, KY 40220
(502) 742-9325

September 29, 2010

INVOICE FOR CONSULTING SERVICES – MONTHLY RETAINER

Charles G. Hungler, President
Ridgelea Investments, Inc.
2106 W. North Bend Road
Cincinnati, Ohio 45224

Description of Monthly Service for September 2010	Amount
-See Attached Detail of Monthly Service (not counting 9/30 lunch meeting).	\$250.00

Please make all checks payable to Jack Kaninberg
Thank You For Your Business!

Ridgelea Time Spent September 2010

Date	Hours	Explanation
9/10	0.50	<p>(10:45 am – 10:50 am) Called Dry Ridge to discuss Grantland status, left message -Called Chuck to discuss rate case defense; he'll call back.</p> <p>(12:12 – 12:27 pm) – Ken Little called back to discuss Grantland situation. He said they are building a new STP expected to be completed in July 2011; that Dry Ridge doesn't currently serve anyone outside the city limits; and that annexation of that area could be an issue because the residents would have to "come on board." There is some development north of that area that is within the city limits, and (I believe he said) that they have an easement to join that property. Apparently they are not interested in operating a noncontiguous package treatment plant. However, he did say that the State had called him to inquire about the Grantland plant, so perhaps encouragement from the State might help the situation.</p> <p>(12:40 pm – 12:50 pm) – Discussed the above with Chuck when he called back, and set up a meeting date of 1 pm at the Shelbyville Cracker Barrel to plan for next steps in rate case.</p>
9/16	2.00 2.50 0.50	<p>(10:30 am – 12:30pm) – Prepare for Shelbyville meeting with Chuck to discuss rate case status and better documenting of expenses.</p> <p>(12:40 pm – 3:10 pm) – Drive to Shelbyville for meeting with Chuck. Met to discuss rate case status, expense documentation, and to get signature for PSC letter. Returned to Louisville and mailed letter.</p> <p>(3:10 pm – 3:40 pm) – Reviewed files for any unpaid invoices needed by Chuck. Located several, copied and mailed.</p>
9/20	3.00 1.50	<p>(8:30 am – 11:30 am) – Found 4th Data Request on the PSC website, rewrote it to my computer, and began responses.</p> <p>(1:45 pm – 3:15 pm) – Continue drafting responses to PSC's 4th data request. Called Robert Faesy CPA to discuss getting copies of CPA bills for 2009 work paid in 2010, and then sent him an e-mail for his reply.</p>
9/21	3.00 0.25	<p>(8:15 am - 11:15 am) – Continued to work on responses to 4th data request.</p> <p>(12:45 pm – 1 pm) – Continued work on Ridgelea data request.</p>
9/22	1.50 0.50 1.00	<p>(7 am – 8:30 am) – Continued work on responses to PSC data request.</p> <p>(10:15 am – 10:45 am) – Developed retainer contract in response to PSC data request item. Called Chuck to discuss responses; he needs to call back after lunch.</p> <p>(2 pm – 3 pm) – Chuck called to discuss data request responses, including his office situation, documentation for certified plant operators in 2009, and the NOV's from the DOW. After the call, I e-mailed Bob Faesy about 1099s for the certified operators, and revised the responses to include the new info from Chuck. Also, e-mailed a draft to Chuck for his review.</p>
9/28	1.00	<p>(10:15 am – 11:15 am) – Called Chuck to schedule Thursday lunch meeting in Frankfort to try to wrap up 4th data request response. Revised responses in accordance with our conversation.</p>
	17.25	Total Hours for September 2010 (not counting 9/30 travel and lunch meeting)

Question 5 – Refer to Ridgelea’s response to the Commission’s 7/14/2010 Order...Ridgelea is proposing to include office rent of \$100 per month to recover the cost of: the use of an office, a phone, a cell phone, standard office equipment, and office utilities. (a) Provide a schedule listing by month the following costs incurred by Mr. Hungler in calendar years 2008 and 2009: (1) Office rent (2) Telephone (3) Cellular Telephone (4) Utilities (5) Equipment; and (6) Furnishings.

Answer: In lieu of providing the detailed information requested above, Ridgelea provides the following explanation. The building which houses both Ridgelea and Perfect-A-Waste – and only them - is owned by Perfecto Properties, and Perfecto Properties charges Perfect-A-Waste \$700 per month in rent expense. Ridgelea’s owner/manager has an office in this building which is approximately 15 feet by 20 feet, or 300 square feet, and Ridgelea’s records are housed in this office.

Ridgelea has never been billed by Perfect-A-Waste or Perfecto Properties for any office-related costs, including secretarial service, copying, a fax machine, a computer, telephones, utilities, or office furniture. In addition, Ridgelea has never been billed by either entity for vehicle usage, tools and equipment. In other words, Ridgelea’s office, vehicle and equipment costs have been 100% subsidized in the past.

(b) identify all affiliated and/or nonaffiliated companies that share the office with Ridgelea.

Answer: Only Perfect-A-Waste shares the office with Ridgelea.

(c) Provide the rent/office overheads paid by each affiliated or nonaffiliated tenant during the calendar years 2008 and 2009.

Answer: See above.

(d) Provide a list of the tenants that share the office with Ridgelea. For each tenant listed, identify if the tenant is affiliated with Ridgelea or Mr. Hungler.

Answer: Only Perfect-A-Waste shares the office with Ridgelea.

(e) Identify the total square footage of the office and the amount that is occupied by each tenant listed in the response to 5(d).

Answer: Mr. Hungler’s office is around 300 square feet.

Witness: Charles Hungler, Jr.

Question 6. – The office rent paid to Mr. Hungler is considered a less-than-arms length transaction; provide documentation to show that the pro forma office rent of \$1,200 is reasonable.

Answer: It is standard business practice to have an office, and a regulated sewer utility needs an office to house records and to provide telephone answering services for calls from customers, vendors, and regulators. In addition, a regulated business ideally should have office services including Internet service, copying and fax machines to effectively function in the 21st century. Ridgelea traditionally has not been recording or recovering any of these types of office-related costs, and it is fair, just and reasonable for the Commission to allow some office-related expense in this case. The only issue should be whether the proposed cost is reasonable.

The \$100 per month proposed by Ridgelea is both reasonable and minimal compared to the amounts awarded other sewer utilities in prior cases. A sampling of prior Commission Staff Reports shows the following:

Sewer Utility & Case No.	Annual Rent Allowed
River Bluffs (CN 2007-00433)	\$6,000 per year
Mallard Point (CN 2005-00235)	\$6,600 rent per year plus \$1,320 office utilities expense.
Longview Land (CN2009-00075)	\$2,400 per year
Hillridge Facilities (CN 2001-062)	\$3,575 per year

Fairness dictates that, if other sewer utilities such as River Bluffs and Mallard Point can be allowed to recover annual office rents of \$6,000 or more, Ridgelea should be allowed to recover the nominal amount of \$1,200. Fairness also dictates that less-than-arms length judgment calls made by this Commission should protect the ratepayer – but should not penalize the utility – if the pro forma expense requested by the utility is substantially lower than the market price. Ridgelea’s proposed office expense of \$1,200 is much lower than the market price paid by the above-mentioned sewers, and it would therefore be punitive to disallow this expense for Ridgelea while allowing it at a much higher level for other sewers.

Witness: Charles Hungler, Jr.

Question 7. Refer to Ridgelea's response to...According to the depreciation schedule, the Sewer Plant Equipment was installed at the Mulberry treatment plant on 6/11/2003 and the depreciation life is 7 years. Given that the sewer equipment plant should be fully depreciated in 2010, explain why depreciation expense for this capital item should be included in Ridgelea's pro forma operating expenses.

Answer: Ridgelea accepts the Commission Staff's premise that this expense item amounting to \$446 should be fully depreciated in 2010, and should not be included in pro forma operations. However, it should be emphasized that the resulting depreciation expense would then be zero, and Ridgelea's Mulberry plants need to produce a substantial positive cash flow in order to fund the I&I study mandated by the Division of Water. The Mulberry plants currently produce negative cash flow on a consistent basis due to their ages and conditions, and the resulting high maintenance and repair bills.

Witness: Charles Hungler, Jr.

Question 8. Refer to Ridgelea's Response to the Commission's 7/14/2010 Order, item 8. (a) In its response, Ridgelea states that the plant acquisition adjustment of \$7,279 is being amortized over the remaining life of the assets purchased. By dividing the \$815 amortization expense by the \$7,279 plant acquisition adjustment, the amortization period would be 8.9 years. State the correct amortization period that is being used by Ridgelea and explain how that period was developed.

Answer: As previously explained in the above-mentioned response, Ridgelea lacks an understanding of how the \$815 acquisition adjustment was calculated because the CPA firm employed by Ridgelea in the 2003-04 timeframe is no longer in business. However, the \$815 acquisition adjustment was included in the revenue requirement that was determined to be reasonable in Ridgelea's last rate case (CN 2008-00364) in late 2008.

(b) In case No. 9059, the Commission determined that, "The burden of proof is upon the utility to justify its investment at the price in excess of the net original cost based on economic and quality of service criteria...Provide evidence to show that Ridgelea has met the following criteria..."

Answer: The amount at issue is \$815. This amount was included in the revenue requirement that was determined by the Commission Staff to be reasonable in Ridgelea's last rate case (CN 2008-00364) in late 2008; no party objected to this amount; and the Commission approved the revenue requirement which included that amount in its Final Order. While the amount is minor, Ridgelea does not believe it should be required to repeatedly defend the inclusion of this same amount in subsequent rate cases.

As previously explained in the above-mentioned 7/14 response, the Mulberry plants had historically been poorly constructed and maintained before they were acquired by Ridgelea in 2003. Past PSC Inspection Reports may confirm this understanding. The previous owner needed to divest himself of the ownership and operation of the Mulberry plants, and Ridgelea has provided continuity of ownership and management since 2003. The plants benefit from the owner's management and expertise, and the owner has in fact subsidized these plants for most or all of the period since 2003. The owner has made diligent efforts since late 2006 to attempt to secure the revenue increases needed to pay the large costs associated with environmental and other regulatory requirements. Many, if not most, of Ridgelea's problems would be solved with sufficient cash flow to address DOW's concerns.

The reason for this rate case is that Ridgelea is under mandates from the Kentucky Division of Water to perform an I&I study estimated to cost \$26,000 and to use external vendors at a higher cost to do lab testing. In order to meet these mandates, Ridgelea needs rates sufficient to produce substantial cash flow. Paradoxically, every expense disallowance recommended by the Commission Staff – if ultimately adopted by the Commission in its Final Order – lessens Ridgelea's cash flow and thus hinders its ability to comply with the DOW mandates. If this case produces inadequate rates, the result is that Ridgelea is caught in a vicious regulatory cycle between the PSC and DOW which could lead to still more DOW fines and mandates, and more legal exposure and legal expenses – much of which would be disallowed by the PSC in Ridgelea's future rates. **It is therefore critical that the Commission establishes sufficient rates in this case to meet DOW mandates.**

Witness: Charles Hungler, Jr.

Question 9. Refer to Ridgelea's Response to the Commission's 7/14/2010 Order, item 11. On 8/25/2010, The Bullock Pen Water District ("Bullock Pen") submitted its application for Commission approval of the Water Shut off Agreement that was entered into on 7/22/2010 with Ridgelea. (a) Affirm if the billing and collection fee being charged by Bullock Pen to Ridgelea remains \$2.00 per bill.

Response: The Bullock Pen fee remains \$2.00 at this point, although there is no guarantee that the fee will remain \$2.00, especially if the Agreement is approved. In addition, there is no guarantee that the fee will remain at \$2.00 if Bullock Pen's collection costs increase as a result of the Agreement's implementation.

(b) If the response to item 9a is no, provide the current billing and collection fee that is being charged by Bullock Pen.

Response: Not applicable.

(c) Given the 7/22/2010 Agreement with Bullock Pen, are the customer billing and collection services being provided by Bullock Pen and the Farmdale Water District identical? Identify any differences between the services that will be provided by the two vendors.

Response: Ridgelea does not believe a written contract exists with Farmdale Water District for billing and collection services. Furthermore, Ridgelea objects to the implication of this question, which suggests that the Commission Staff may impute the \$2.00 fee charged by Bullock Pen to the customers in Franklin County. Ridgelea has asked Bullock Pen if it would consider providing billing and collection services in Franklin County, and it is unwilling to do so. Ridgelea has no reasonably competitive alternatives to the 15% billing and collection fee charged by the Farmdale Water District.

Ridgelea is in a somewhat unique position compared to other PSC-regulated sewer utilities in that it serves customers in four locations in two noncontiguous counties. In Franklin County, Ridgelea contracts with the Farmdale Water District – as do the other sewer utilities in Farmdale Water's service area – because it is the only reasonably available provider of billing and collection services. Lacking competitive alternatives, Ridgelea cannot pay Farmdale Water whatever it wants to for this service. A parallel situation exists with electricity expense, because Ridgelea pays electricity bills to both Duke Energy in Grant County and Blue Grass Energy in Franklin County. Regardless of the price difference between the two electricity providers, Ridgelea is in essence a captive customer in both instances, and cannot pay the lower of the two prices to both providers. The same is true in the case of billing and collection services.

Ridgelea has repeatedly stated in this case that it understands the Commission's concerns with the 15% billing and collection fee, and once again reiterates our prior request that the Commission Staff convene an Informal Conference and forge a settlement agreement on this issue to the benefit of all parties.

Witness: Charles Hungler, Jr.

Question 10. In its response to the Commission's July 14, 2010 Order, item 2, Ridgelea states that the \$1,275 in property taxes paid to Franklin County was for the 2008 calendar year. Provide the invoice for the 2009 property taxes from Franklin County.

Response: Attached is the Franklin County property tax bill for 2009 in the amount of \$782.55, which was paid on 2/11/2010. Also attached is the 2009 bill for permit fees from the Franklin County Health Department in the amount of \$450.00.

Witness: Charles Hungler, Jr.

Question 11. In its Response to the Commission's 7/14/2010 Order, item 3, Ridgelea provided the invoice from Robert Faesy, Jr., CPA, for the preparation of the calendar year 2008 financial statements. Provide the accountant's invoice for the calendar year 2009 financial statements.

Answer: Attached.



Franklin County Health Department

Public Health
Prevent. Promote. Protect.

ENVIRONMENTAL SERVICES

To:
Chuck Hungler
Perfect-A-Waste
11264 Sebring Drive
Cincinnati, OH 45240

INVOICE FOR SEWAGE TREATMENT PLANTS

Invoice Date
November 16, 2009

Payment Due By
January 1, 2010

Treatment Plant	Permit #	Amount Due
Edgewood Subdivision	26319	\$250.00
Farmgate Subdivision	26328	\$100.00
Meadowbrook Subdivision	26348	\$100.00

Remit to: Franklin County Health Department
Public Health Center
851 East West Connector
Frankfort, KY 40601

Pa *CR# 2184*

1-11-10

ROBERT E. FAESY, JR., CPA
1100 US HIGHWAY 127 SOUTH, B-1
FRANKFORT, KY 40601
502/607-0303 (C) 502/330-2139 –

INVOICE

Payment terms: Due upon receipt
Late Charges: 1% per month on
unpaid balances after 30 days

March 30, 2010

Ridgelea Investments, Inc.
2106 W. North Bend Rd.
Cincinnati, OH 45224

For Professional Services from January 2010 to March 30, 2010

A. Corporate Income Taxes	
1. For summarizing 2009 accounting data into a tax income statement and balance sheet; including updating depreciation schedules	\$ 330.00
2. For preparation of 2009 Federal and Kentucky Corporation income tax returns	300.00
B. Public Service Commission	
1. For revising accounting data to accrual basis of accounting, and per PSC requirements	220.00
2. For preparation of 2009 public Service Commission Report	350.00
C. For preparation of Income Statement for each sewer plant facility	130.00
D. For preparation of PSC property tax returns	170.00
E. For assistance in January with re-instating Corporation with the Kentucky Secretary of State Office.	180.00
F. For preparation of Federal Tax forms 1099 and other general consult.	<u>100.00</u>
GRAND TOTAL	<u><u>\$1,780.00</u></u>