

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUL 21 2011

In the Matter of:

PUBLIC SERVICE
COMMISSION

THE APPLICATION OF FARMDALE DEVELOPMENT)
CORPORATION FOR AN ADJUSTMENT OF RATES) CASE NO. 2011-00048
PURSUANT TO THE ALTERNATIVE RATE FILING)
PROCEDURE FOR SMALL UTILITIES)

**COMMENTS OF FARMDALE DEVELOPMENT CORPORATION
TO COMMISSION STAFF REPORT**

Comes Farmdale Development Corporation ("Farmdale"), by counsel, and for its

Comments to the Commissions Staff's Report ("Report") states as follows:

1. **Owner Manager Fee:** Commission Staff recommend in their report that the Owner Manager Fee for Farmdale should be reduced from \$6,000 to \$3,600. Staff makes this claim despite the fact that in a prior rate case involving this very same utility and the same Owner Manager, the Commission determined that the Owner Manager Fee should be \$6,000. In Case No. 2007-00436, the Commission carefully analyzed Farmdale's Owner Manager Fee and determined that it should be \$6,000. The Commission, in its Order of July 30, 2008, stated:

Commission Staff testified that the owner-manager fee should be limited to \$6,000 annually. It bases its recommendation on previous Commission findings that the duties of a sewer treatment facility owner are comparable to those of a water district commissioner and that the maximum salary for a water district commissioner is \$6,000.

Concurring with the Commission Staff's position, the AG argued that Farmdale had failed to demonstrate the reasonableness of the current owner-manager fee of \$9,600. He asserted that "Farmdale is run through the use of outside services" and that the persons providing these services are well compensated. He further asserted that Commission Staff's use of a water district commissioner salary was a reasonable proxy for an owner-manager fee and the duties of a water district commissioner were at least as complex and demanding as those of an owner of a sewage treatment facility.

* * *

While the AG and Commission Staff rely upon our historical use of a water district commissioner's salary in determining the reasonableness of a sewer utility's owner-manager fee, we have not established a strict rule regarding the level of this expense. To the contrary, the reasonableness of the fee will depend on the circumstances of the particular utility, to include its owner's responsibilities and duties, and the size and complexity of the sewer utility's operations. A water district commissioner's statutory salary serves as a starting point for analysis.

In the present case, the utility has failed to demonstrate that its owner-manager has duties that are greater or more extensive than those imposed upon an individual water district commissioner. It has further failed to demonstrate that Mr. Cogan's workload is significantly heavier or more complex and demanding than that required of an individual water district commissioner. Given the relatively small size of Farmdale's operations and the limited demands placed upon its owner as a result of his significant use of contractors, we find that an owner-manager fee in excess of \$6,000 is unreasonable. Accordingly, the Commission has disallowed the test period fee of \$9,600 and will allow a fee of \$6,000 only for rate-making purposes. (Footnotes omitted.)

(See July 30, 2008 Order entered in Case No. 2007-00436, pp. 3-7). There have been no significant changes to Farmdale's operations since the entry of the July 30, 2008 Order that justify a decrease in the Owner Manager Fee. For this reason alone, Farmdale's Owner Manager Fee should remain at \$6,000.

Furthermore, as the owner/manager of the Farmdale WWTP, Mr. Cogan is ultimately responsible for:

- the operation and management of the Farmdale WWTP, consisting of the plant site, two extended aeration treatment plants, blower building with blowers and electrical controls, raw sewage pump station at the plant, chlorine contact system, chlorination system, dechlorination system, flow meter, tertiary lagoon, lagoon aerators, approximately 14,000 feet of 8" sanitary sewer line and one remote lift station.
- insuring proper maintenance, repairs and improvements to the plant.
- preparing and submitting the required reports, applications for rate adjustment and tax returns to the Commission and the Revenue Department.
- preparing and submitting the required reports to the Kentucky Division of Water, including the monthly discharge monitoring reports.
- compliance by the Farmdale WWTP with the regulations of both the

Commission and the Kentucky Division of Water.

- He is subjected to substantial potential liability arising out of the operation of the WWTP, including potential liability in the event that Farmdale has an upset and fails to comply with its KPDES permit or one of its customers experiences a backup of wastewater into his/her home. The applicable statutes authorize a fine of up to \$5,000 for discharges in violation of the KPDES permit.
- hiring and supervising the professionals retained by Farmdale, including accountants and attorneys.
- personally guaranteeing loans obtained by Farmdale, as lending institutions will not loan monies to a privately owned sewer utility without an adequate guarantee.
- hiring and supervising Farmdale's part-time employee and its subcontractors.
- monitoring the billing and collection of Farmdale's total revenue from its 241 customers and payment of Farmdale's total expenses.
- He does not employ a superintendent or treasurer as is authorized for water districts. (KRS 74.040 and KRS 74.050).

(See Farmdale's Exhibit 1, Answer 10b filed in PSC Case No. 2007-00436.) The Owner Manager of Farmdale still performs each of these duties, which duties were pointed out to the Commission in Case No. 2007-00436. In contrast, the Commissioner of a water district merely purchases water and then redistributes it - there is no water treatment is required, there is no treatment plant to operate and maintain, there is no requirement to personally guarantee loans, and there is only one Owner-Manager as opposed to three (3) water district commissioners. Therefore, the Owner Manager Fee should be at least \$9,600 per year, and should certainly not be reduced below \$6,000.

Staff's assertion that the Owner Manager Fee for a wastewater treatment plant should be \$3,600 is based on its determination that an Owner Manager's duties are similar to the duties of a water commissioner. However, as indicated above by Mr. Cogan, an Owner Manager of a WWTP has far more duties than a commissioner of a water district and far more potential liability. Moreover, there are three members of a water district that are each paid an annual salary and there is only one Owner Manager of Farmdale. Additionally, the evidence introduced in Case No. 2007-00436 reflected that the Commission has been using the \$3,600

owner/manager fee for a least ten (10) years. (See Transcript in PSC Case No. 2007-00436, p. 134.) Commission Staff's attempt to reduce the Owner Manager Fee to \$3,600 fails to take into account the fact that costs have increased in the last ten (10) years. The Commission's witness in Case No. 2007-00436 agreed, stating that "it seems to me appropriate to adjust that upward, whether it's \$6,000 or some other number." (See Transcript in PSC Case No. 2007-00436, p. 134.) It seems incredible that Commission Staff should attempt to reduce the Owner Manager Fee to \$3,600 where the Commission itself has already ruled on this very issue and determined that, based on the "circumstances of the particular utility", the Owner Manager Fee for Farmdale should be \$6,000.

Interestingly, the commissioners for the following water districts are paid at least \$6,000 per year: Jessamine-South Elkhorn Water District, Northeast Woodford County Water District, Northern Kentucky Water District, West Shelby Water District, South Anderson Water District, and Oldham County Water District. Accordingly, even if the Commission has determined that Owner Managers of WWTPs are to be paid the same amount as commissioners of water districts, the Owner Manager of Farmdale should be paid the amount of \$6,000 per year.

2. Agency Collection Fee: Commission Staff recommends limiting the Agency Collection Fee to \$9,154. In doing so, Staff ignores the fact that Farmdale is required to pay fifteen percent (15%) of its gross revenue to the Farmdale Water District so that it will perform Farmdale's billing and collection services. Mr. Cogan's testimony in PSC Case No. 2007-00436 pointed out that the billing and collection services provided by FWD are particularly important because the bill for sewer services is included on the water bill, and water service to a customer can be cut off if the bill, including the charge for sewer services, is not paid in full. Mr. Cogan also testified that FWD will not accept a partial payment. (See Transcript in PSC Case No.

2007-00346, p. 85). The Commission's witness in that proceeding stated that it "would be preferable for a sewer utility to contract with a water utility to cut off, if need be." (See Transcript in PSC Case No. 2007-00346, p. 184). He also agreed that it is more likely that a sewer utility customer will pay his sewer bill if it is included on the water bill. (See Transcript in PSC Case No. 2007-00346, p. 185).

Contrary to Commission Staff's assertions, Farmdale placed an advertisement in the newspaper requesting quotes to determine if another entity could perform the billing and collections services as efficiently and cost-effectively as the Farmdale Water District. None of the entities responding to the advertisement were able to do so.

Finally, Commission Staff states "In Case No. 2007-00436, the Commission limited the recovery of agency collection fee expenses to ten percent of normalized revenues" Commission Staff then found that Farmdale's annual revenue requirement should be \$109,438. However, instead of recommending that Farmdale's Agency Collection Fee be ten percent of \$109,438, it strangely recommended that the fee be limited to \$9,154. Accordingly, if the Commission declines to authorize Farmdale its requested Agency Collection Fee of \$13,731, the Commission should approve an Agency Collection Fee of ten percent of \$109,438.

3. Consultant's Fee. Staff proposes to disallow consulting fees for the preparation and support of Farmdale's rate application, on the grounds that Farmdale should have requested PSC Staff rate case assistance. It should be noted that the amortization of the consulting fee is minimal since it totals \$700. This recommendation is completely arbitrary and unfair - and is totally without merit - for the following reasons.

In 2010, Farmdale entered into a contract with Kentucky Small Utility Consulting to prepare and support its application. Farmdale retained Kentucky Small Utility Consulting

because of its expertise in preparing applications and the desire to reduce rate case expenses.

Kentucky Small Utility Consulting has prepared and supported the following rate applications with the PSC since the beginning of 2009, and in all of those cases Commission Staff has recommended - and the Commission has approved - allowance of its consulting fees:

1. Longview Land Sewer
2. Sedalia Water District
3. Hendron Water District
4. Hickory Water District
5. Big Bear Wastewater
6. Middletown Waste Disposal
7. Corinth Water District
8. Coolbrook Utilities
9. Delaplain Disposal
10. Ridgelea Investments

In addition, Kentucky Small Utility Consulting currently has several cases pending final decisions before the PSC, and in none of those cases - other than Farmdale - has the PSC Staff recommended disallowance of its consulting fees.

Farmdale's past practice has been to hire attorneys and accountants to assist it in preparing, filing and supporting its rate applications and the use of Kentucky Small Utility Consulting should reduce Farmdale's reliance on attorneys and accountants in a rate case. Interestingly, Farmdale requested Commission Staff's assistance in filing the rate case application in PSC Case No. 2007-00436. However, Farmdale was refused assistance and its documentation was returned to it so that it could prepare and file its own rate case. Therefore, it is extremely ironic that Farmdale is one of the very few small utilities that PSC Staff has refused to assist with a rate case (in fact, its most recent case in 2007), so Staff cannot logically or in good faith single out Farmdale for failing to request assistance when it has been denied such assistance in the recent past. This is particularly true where the Commission has a thirty (30) year history of approving reasonable consulting fees.

In addition, Staff's reasoning on this issue in the Staff Report is a gross oversimplification of Farmdale's position. Farmdale stated in response to the data request in this case that Staff's interests and the utility's interests are not always in perfect harmony in rate cases. In fact, the Commission and its Staff are supposed to do a "balancing act" between the interests of utilities and their customers. For instance in this case, Farmdale is seeking to obtain an Owner Manager Fee of \$9,600 and Commission Staff not only has objected to this request, but requests the Commission to reduce its Owner Manager Fee from \$6,000 to \$3,600. Furthermore, Farmdale requests the Commission to approve an Agency Collection Fee equal to the amount it pays Farmdale Water District for this service, but Commission Staff has objected to this request and asks the Commission to authorize the payment of a smaller amount than the ten percent approved by the Commission in Case No. 2007-00436. These are just two examples of the conflicts that exist between the utility's request for recovery of reasonable expenses and Commission Staff's attempts to protect the rate payer, which will be reflected in Staff's preparation of a rate case.

Furthermore, Farmdale has the right to pursue the rate relief justified by the expenses that it incurs in the test year. To require a utility to use Staff to prepare its application can result in proper expenses being excluded from the application. For instance, in a recent rate case for Delaplain Disposal, Staff failed to include depreciation expense on several capital items that occurred prior to the test year. Kentucky Small Utility Consulting pointed out in Delaplain's Staff Report comments, based on its expertise with the ratemaking process, that this expense should be allowed, and the Commission agreed. This annual adjustment of more than \$6,000 per year more than justified the \$2,400 in one-time consulting fees that Delaplain paid its consultant in that case. This example makes it clear that consultants such as Kentucky Small Utility serve an important function. Otherwise, utilities may fail to obtain the needed rate adjustment and the

customer will suffer when the utility cannot provide the needed service.

4. Legal Fees.

Finally, it appears that the Staff Report recommends against the payment of legal fees. Farmdale objects to this recommendation to the extent that it proposes to disallow legal expenses incurred throughout this application process. As in all other rate cases in which counsel has been involved, Farmdale should be allowed to recover its legal fees by amortizing same over a three-year period, consistent with other Commission cases. To date, Farmdale has incurred legal expenses of \$1,361.25 related to this case, and this legal expense will increase as this case is finalized. (See Attachment A - Please note that the statement for July has not yet been issued).

4. Additional De-chlorination Equipment. Farmdale needs to install a Sodium Bisulfite De-chlorination at its WWTP. On July 5, 2011, Farmdale entered into a contract with Otis Engineering to provide the necessary engineering services to submit an application to the Kentucky Division of Water for the installation of this de-chlorination system. (Attachment B). The cost of the engineering services will not exceed \$2,250.00 and Farmdale should be allowed to amortize this expense in this case.

5. Cost of Annual Sewer Survey.

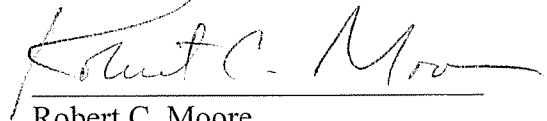
807 KAR 5:006 Section 25(8) requires each sewage utility to “annually inspect collecting sewers and manholes on a scheduled basis unless conditions warrant more frequent inspections.” Farmdale has provided a quote in the amount of \$2,700 to perform the required annual survey of the collecting sewers and manholes, as specifically required by the Commission’s own regulation. Staff recommends that Farmdale not be allowed to recover the cost of this survey in its rate because the quote is over three (3) years old. Farmdale will be providing additional quotes for the cost of the annual survey prior to the Informal Conference scheduled for Thursday,

July 28, 2011. Farmdale should be allowed to recover this cost in its rates as it is required by the Commission's regulation to perform same. Staff's recommendation should be rejected.

6. Insurance Expense.

Commission Staff recommended that the proposed adjustment for insurance expense be denied on the basis that Farmdale failed to produce any evidence that it has insurance coverage or is paying for such coverage. Accordingly, Farmdale has provided as Attachment C the Common Policy Declarations page for the insurance policy providing its insurance. The second page contains the Summary of Locations and Farmdale is listed as Furrow Lane, Frankfort, Kentucky. The total cost of this insurance policy is \$3,345.32 per year, and the amount of premium that is allocated to Farmdale is \$730 per year.

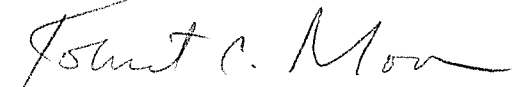
Respectfully Submitted,



Robert C. Moore
Hazelrigg & Cox, LLP
415 West Main Street, 1st 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 Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Blvd., P.O. Box 615, Frankfort, Kentucky 40602, and David Edward Spenard, Assistant Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Ky., 40601-8204, on this the 21st day of July, 2011.



Robert C. Moore

Hazelrigg & Cox, LLP
 415 W. Main Street
 P. O. Box 676
 Frankfort, KY 40602

Invoice submitted to:
 Carroll Cogan
 Farmdale Development Corp.
 P. O. Box 91588
 Louisville, KY 40291
 RCM

November 05, 2010

Invoice # 20939

Professional Services

	<u>Hours</u>	<u>Amount</u>
✓ 10/14/2010 Review correspondence from J. Kaninberg Telephone conference with J. Kaninberg	0.20	30.00 •
For professional services rendered	<u>0.20</u>	<u>\$30.00</u>
Additional Charges :		
10/22/2010 Photocopies		3.75
Total costs		<u>\$3.75</u>
Total amount of this bill		\$33.75
Previous balance		\$3,049.61
11/2/2010 Payment - thank you. Check No. 7675		<u>(\$349.61)</u>
Total payments and adjustments		(\$349.61)
Balance due		<u><u>\$2,733.75</u></u>

Timekeeper Summary

<u>Name</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Robert C. Moore	0.20	150.00	\$30.00

ATTACHMENT A

WE ACCEPT VISA AND MASTERCARD

Hazelrigg & Cox, LLP
 415 W. Main Street
 P. O. Box 676
 Frankfort, KY 40602

Invoice submitted to:
 Carroll Cogan
 Farmdale Development Corp.
 P. O. Box 91588
 Louisville, KY 40291
 RCM

January 06, 2011

Invoice # 21211

Professional Services

	<u>Hours</u>	<u>Amount</u>
12/3/2010 Review correspondence from J. Kaninberg Review file and correspondence to J. Kaninberg Telephone conference with C. Cogan	0.15	22.50
12/15/2010 [REDACTED] [REDACTED]	0.10	15.00
12/29/2010 [REDACTED] [REDACTED]	0.20	30.00
For professional services rendered	0.45	\$67.50
Previous balance		\$2,793.75
12/28/2010 Payment - thank you. Check No. 1941		(\$250.00)
Total payments and adjustments		(\$250.00)
Balance due		<u>\$2,611.25</u>

Timekeeper Summary

<u>Name</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Robert C. Moore	0.45	150.00	\$67.50

WE ACCEPT VISA AND MASTERCARD

Hazelrigg & Cox, LLP
 415 W. Main Street
 P. O. Box 676
 Frankfort, KY 40602

Invoice submitted to:
 Carroll Cogan
 Farmdale Development Corp.
 P. O. Box 91588
 Louisville, KY 40291
 RCM

March 09, 2011

Invoice # 21497

Professional Services

	<u>Hours</u>	<u>Amount</u>
2/3/2011 Review correspondence from J. Kaninberg re rate case Review file Provide comments to rate case documents	0.50	75.00
2/9/2011 Telephone conference with C. Cogan Review correspondence from L. Wood Review file and forward correspondence to C. Cogan re Farmdale Water District	3.00	195.00
2/10/2011 Telephone conference with C. Cogan Review correspondence from L. Wood Review correspondence from J. Kaninberg - 22.50	0.35	52.50
2/11/2011 Review file and correspondence to C. Cogan Correspondence to Farmdale Water District	1.70	105.00
2/12/2011 Telephone conferences with C. Cogan Review correspondence from L. Wood and C. Cogan Review correspondence to Farmdale Water District	1.70	105.00
For professional services rendered	3.55	\$532.50
Previous balance		\$2,633.75
2/9/2011 Payment - thank you. Check No. 7824		(\$335.00)
2/9/2011 Payment - thank you		(\$95.37)
Total payments and adjustments		(\$430.37)

Carroll Cogan

Balance due

Amount
\$2,735.88

Timekeeper Summary

<u>Name</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Robert C. Moore	3.55	150.00	\$532.50

WE ACCEPT VISA AND MASTERCARD

Carroll Cogan

Balance due

Amount
\$3,763.38

Timekeeper Summary

<u>Name</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Robert C. Moore	6.85	150.00	\$1,027.50

WE ACCEPT VISA AND MASTERCARD

Hazelrigg & Cox, LLP
 415 W. Main Street
 P. O. Box 676
 Frankfort, KY 40602

Invoice submitted to:
 Carroll Cogan
 Farmdale Development Corp.
 9505 Williamsburg Plaza
 Louisville, KY 40222
 RCM

June 08, 2011

Invoice # 21814

Professional Services

	<u>Hours</u>	<u>Amount</u>
- 5/10/2011 [REDACTED] [REDACTED] [REDACTED] [REDACTED] - Review Information Requests - Telephone conference with C. Cogan - Correspondence to J. Kaninberg 1.45	2.90	435.00
Review draft complaint and demand letter to Jim Boyd and make corrections.	0.30	45.00
- 5/11/2011 Telephone conference with J. Kaninberg re Answers to Information Requests	0.15	22.50
- 5/13/2011 Review revised answers to information requests Telephone conferences with C. Cogan Telephone conference with J. Kaninberg Review and revise Answers	1.20	180.00
- 5/16/2011 Finalize responses	0.25	37.50
5/19/2011 [REDACTED] [REDACTED] Correspondence to Mr. Cogan and L. Smither	0.25	37.50
5/23/2011 Review fax from C. Cogan and email from L. Wood Telephone conference with C. Cogan	0.45	67.50
5/25/2011 Telephone conferences with C. Cogan Telephone conference with J. Boyd	0.25	37.50
For professional services rendered	5.75	\$862.50

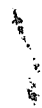
Additional Charges :

	<u>Amount</u>
5/16/2011 Copying cost	94.05
Total costs	<u>\$94.05</u>
Total amount of this bill	\$956.55
Previous balance	\$4,798.38
Balance due	<u><u>\$5,754.93</u></u>

Timekeeper Summary

<u>Name</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Robert C. Moore	5.45	150.00	\$817.50
Thomas J. Hellmann	0.30	150.00	\$45.00

WE ACCEPT VISA AND MASTERCARD



Hazelrigg & Cox, LLP
 415 W. Main Street
 P. O. Box 676
 Frankfort, KY 40602

Invoice submitted to:
 Carroll Cogan
 Farmdale Development Corp.
 9505 Williamsburg Plaza
 Louisville, KY 40222
 RCM

July 05, 2011

Invoice # 21936

Professional Services

	Hours	Amount
[REDACTED] E-mail message from J. Boyd [REDACTED] Correspondence to J. Boyd	0.90	135.00
6/20/11 Telephone conference with J. Boyd	[REDACTED]	[REDACTED]
6/27/2011 Telephone conference with J. Boyd [REDACTED] Correspondence to C. Cogan	0.30	30.00
6/22/2011 Telephone conference with C. Cogan	0.20	30.00
6/24/2011 Correspondence to C. Cogan Review Orders Draft Notice of Entry of Appearance Correspondence to C. Cogan Calendar dates	0.50	75.00
6/27/2011 Telephone conference with C. Cogan	[REDACTED]	[REDACTED]
6/28/2011 Edit Complaint in anticipation of filing action	[REDACTED]	[REDACTED]
6/29/2011 Telephone conference with G. W. Weidner Telephone conference with C. Cogan Frankfile Correspondence to C. Cogan Correspondence to J. DeGouch	1.20	180.00
[REDACTED] Complaint regarding complaint against Farmdale Water Dist.	0	[REDACTED]
6/30/2011 Telephone conference with C. Cogan	[REDACTED]	[REDACTED]

Carroll Cogan

Page 2

	<u>Hours</u>	<u>Amount</u>
For professional services rendered	5.30	\$795.00
Previous balance		\$5,754.93
Balance due		<u>\$6,549.93</u>

Timekeeper Summary

<u>Name</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Robert C. Moore	3.40	150.00	\$510.00
Thomas J. Hellmann	1.90	150.00	\$285.00

WE ACCEPT VISA AND MASTERCARD

Otis Engineering, LLC

234 W. Main Street, Ste. 2
Frankfort, KY 40601
Phone: (502) 352-2808
Fax: (502) 352-2809
otisengineering@fewpb.net

July 5, 2011

Farmdale Development Corporation
P.O. Box 91588
Louisville, KY 40291
Attn: Larry Smither

Re: Engineering Services for Farmdale
Treatment Plant Permit No. KY0054780

Farmdale Development Corporation:

Otis Engineering is pleased to offer this proposal for professional services to Farmdale Development Corporation. The general scope of work to be provided and more particularly defined below is to provide the necessary engineering services to submit an application to the Department of Environmental Protection Division of Water for installation of a Sodium Bisulfite Dechlorination system. This scope of work does not include any additional permit or compliance measures that may be related to current Plant status. Permit Plan(s) are a general representation of the intended construction and should not be construed as satisfying the possible need for more detailed construction plans. No construction related services, which may include but not limited to the following are provided within this Agreement: coordination of utility services, survey stakeout, construction coordination or inspection, certification of any aspect of the construction, or construction asbuilt drawings. The permit Site Plan shall be based on a Nov. '84 drawing provided by the Owner's representative. The Owner or Owner's representative, Mr. Larry Smither, must provide all requested application, design, and existing site data in a timely manner. The Owner shall pay the required application fee.

SCOPE OF SERVICES

This proposal is for submittal of Construction Permit Application for Wastewater Treatment Plant only. Expenses for printing of the application and required attachments are included in the fee estimate. The following itemized scope of work generally outlines the proposed project sequence and the services to be provided by Otis Engineering, LLC.

Project Scope & Sequence:

- Site visit for verifications of existing facilities; particularly chlorine contact chamber and discharge pipe configuration
- Misc. contact with Owner's representative regarding general information and design
- Complete DOW application
- Preparation of typical application attachments
- Calculation of Sodium Bisulfite delivery and contact time for discharge pipe
- Application package submittal
- Misc. contact with DOW reviewer
- Minor application revisions and resubmittal

Services not included:

- Construction services as listed above
- Construction estimate

ATTACHMENT B

SCHEDULE

Based upon our present project levels, we can begin this project within five days of authorization to proceed. Periodic status updates may be provided as requested.

AUTHORIZATION

If any Modifications or Exceptions to the Scope as outlined above are needed, please note them below where indicated. We assume that right of entry for field investigation, survey work, and possible utility exposures shall be obtained by the City of Frankfort Sewer Department upon acceptance of this proposal and verbal or written Notification to Proceed.

LIMITATIONS

Otis Engineering, LLC does not certify, warranty, or assert that this site is suitable for the intended construction, which includes but is not limited to Geotechnical and Environmental issues. Further, we do not warranty or certify the existence or absence of any easements, other than those as may be provided by the owner, title attorney, or are contained within the current deed to the subject property. We would request that the owner provide us with any documents and or drawings which define or depict the locations of any on-site utilities. We are not responsible for damage or loss of service for any utility not made known to us or improperly located by others. We would further recommend that all underground installations which might create conflicts with the intended design be exposed for location verification as early in the design stage as possible.

COMPENSATION

Terms for any possible changes or additions to the scope of this project, either by the Sewer Department's own volition or requirements by others shall be made a part of the pending Contract for Professional Services. In accordance with the Scope as defined above, the estimated fee for these services is Not to Exceed \$2,250.00. Additional services which may be required or requested may be provided at the standard rate of \$ 75/hr.

CONCLUSION

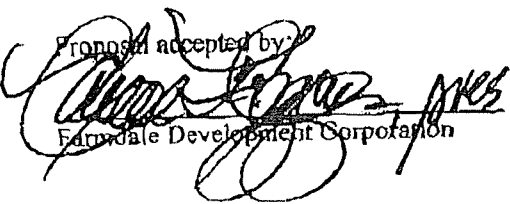
Otis Engineering, LLC appreciates this opportunity to serve the Farmdale Development Corporation and looks forward to working with you on this and future projects.

Sincerely,
Otis Engineering, LLC
Jonathan Otis
Jonathan Otis, P.E.

Modifications or Exceptions to Outlined Scope:

___ Proposal accepted as written.

___ Scope modified as follows: _____

Proposed accepted by

Farmdale Development Corporation

07-05-11
Date

Jonathan K. Otis, P.E.
Otis Engineering, LLC

Date



Coverage is Provided by:
The Ohio Casualty Insurance Company

Policy Number:
BKO (12) 52 02 70 07
Policy Period:
From **02/10/2011 To 02/10/2012**
12:01 am Standard Time
at Insured Mailing Location

Common Policy Declarations

Named Insured & Mailing Address

CARROLL F COGAN CO INC
1706 BARDSTOWN RD
LOUISVILLE, KY 40205-1212

Agent Mailing Address & Phone No.

(866) 668-6650
BB&T INSURANCE SERVICES INC
COMMERCIAL CLIENT CENTER
414 GALLIMORE DAIRY RD STE F
GREENSBORO, NC 27409-9693

Named Insured Is: CORPORATION

Named Insured Business Is: SEWAGE TREATMENT SYSTEMS

In return for the payment of the premium, and subject to all the terms of this policy, we agree with you to provide the insurance as stated in this policy.

SUMMARY OF COVERAGE PARTS AND CHARGES

This policy consists of this Common Policy Declarations page, Common Policy Conditions, Coverage Parts (which consist of coverage forms and other applicable forms and endorsements, if any, issued to form a part of them) and any other forms and endorsements issued to be part of this policy.

COVERAGE PART	CHARGES
Commercial Property	\$1,103.33
General Liability	\$2,048.57

Total Charges for all of the above coverage parts: \$3,151.90
Certified Acts of Terrorism Coverage: \$12.00 (Included)

Note: This is not a bill

IMPORTANT MESSAGES

- This policy is auditable. Please refer to the conditions of the policy for details or contact your agent.
- Notice: The Employment-Related Practices Exclusion CO 21 47 is added to this policy to clarify there is no coverage for liability arising out of employment-related practices. Please read this endorsement carefully.

Servicing Office and Issue Date: COMMERCIAL LINES SERVICE CENTER 12/09/2010

Authorized Representative

To report a claim, call your Agent or 1-800-366-6446

DS 70 21 01 08

ATTACHMENT C



Coverage Is Provided In:
The Ohio Casualty Insurance Company

PAGE 03
Policy Number:
BK0 (12) 52 02 70 07
Policy Period:
From 02/10/2011 To 02/10/2012
12:01 am Standard Time
at Insured Mailing Location

Common Policy Declarations

Named Insured

Agent

CARROLL F COGAN CO INC

(866) 668-6650
BB&T INSURANCE SERVICES INC
COMMERCIAL CLIENT CENTER

OTHER NAMED INSURED

FARMDALE UTILITIES INC

HAYFIELD UTILITIES INC

BULLITT UTILITIES INC

SUMMARY OF LOCATIONS

This policy provides coverage for the following under one or more coverage parts. Please refer to the individual Coverage Declarations Schedules, or, the individual Coverage Forms for locations or territory definition for that specific Coverage Part.

- 0001 FURROW LANE, FRANKFORT, KY 40601-0000
- 0002 BLUE LICK RD, BLDG 3, LOUISVILLE, KY 40229-0000
- 0003 2501 GRINSTEAD DR, LOUISVILLE, KY 40206-2815
- 0004 BLUE LICK RD, BLDG 1, LOUISVILLE, KY 40229-0000
- 0005 BLUE LICK RD, BLDG 2, LOUISVILLE, KY 40229-0000
- 0006 4141 BARDSTOWN RD, LOUISVILLE, KY 40218-3244
- 0007 1706 BARDSTOWN RD, LOUISVILLE, KY 40205-1212
- 0008 4102 HAYFIELD WAY, LOUISVILLE, KY 40059-0000

In witness whereof, we have caused this policy to be signed by our authorized officers.

Dexter Legg
Secretary

Gary Gregg
President

To report a claim, call your Agent or 1-800-360-6446

DS 70 21 01 08



9450 Seward Road, Fairfield, Ohio 45014
 www.ohiocasualty-ins.com/services

A3480101737

BILLING DATE
 01/13/2011

\$3,345.32

DUE DATE
 02/05/2011

MINIMUM DUE
 \$557.52

Commercial Coverage Insurance Bill

PAYOR

CARROLL COGAN CO INC
 PO BOX 91588
 LOUISVILLE KY 40291-0588

AGENT

BB&T INSURANCE SERVICES INC
 COMMERCIAL CLIENT CENTER
 414 GALLIMORE DAIRY RD STE F
 GREENSBORO NC 27409-9693

AGENT'S PHONE NO.

(866) 668-6650



Dear Customer,

WE APPRECIATE THE OPPORTUNITY TO SERVICE YOUR ACCOUNT.

LET US KNOW IF WE CAN HELP YOU.

If you need assistance, contact your agent at the above number, or see the 'Need Assistance?' section of your billing statement that follows.

Account Summary		
Date	Activity	
12/13/2010	Prior Account Balance	\$0.00
	Payment Received	\$0.00
01/10/2011	New Activity Amount	\$3,345.32
01/13/2011	Account Balance	\$3,345.32

*Pd ch # 7825
 557.52*

Account Detail for CARROLL COGAN CO INC

POLICY TYPE	POLICY NUMBER	EFFECTIVE DATE/ EXPIRATION DATE	ACCOUNT ACTIVITY	NEW ACTIVITY AMOUNT	ACCOUNT BALANCE	MINIMUM DUE
COMMERCIAL AUTO	BAO 52027007	02/10/2011 - 02/10/2012	RENEWAL	\$190.00	*See Note	---
COMMERCIAL AUTO	BAO 52027007	02/10/2011 - 02/10/2012	RENEWAL	3.42	*See Note	---
		02/10/2011 - 02/10/2012	INSTALLMENT DUE	---	193.42	32.22
PACKAGE	BKO 52027007	02/10/2011 - 02/10/2012	RENEWAL	3,027.00	*See Note	---
		02/10/2011 - 02/10/2012	RENEWAL	54.47	*See Note	---
		02/10/2011 - 02/10/2012	RENEWAL	70.43	*See Note	---
		02/10/2011 - 02/10/2012	INSTALLMENT DUE	---	3,151.90	525.30
*Note: New Activity Amount is reflected in the Installment Due Total				\$3,345.32	\$3,345.32	\$557.52

For your Records: Amount Paid _____ Date Paid _____ Check No. _____

continued on back page

9450 Seward
 Fairfield, Ohio

