

October 7, 2015

Jeff Derouen
Executive Director
KY Public Service Commission
PO BOX 615
211 Sower Boulevard
Frankfort KY, 40602-0615

RECEIVED

OCT 15 2015
PUBLIC SERVICE
COMMISSION

RE: CUSTOMER OBJECTION TO ETREMELY HIGH SEWER RATE PROPOSAL FOR CASE NUMBER 2015-00306

Mr. Derouen,

As a customer of the Bush Gardens Enterprises (BGE) subdivision, I would like to personally file an objection to the proposed rate of \$194.61 to every customer on the subdivision. While I will agree with some of the filer's assessments, some of them are just not true and are unwarranted costs associated with the plant and its operation. Comments in response to the original filing for the rate set forth and the "facts" in that document (dated Sept 3rd and received Sept 8th by the PSC) presented by the rate applicant:

- 1) This is true. The plant has been in operation nearly 10 years.
- 2) This is also true. But it is also not the fault of the tenants of the subdivision this rate was never set. We asked repeatedly over the years when we were going to be receiving a sewer bill and how much (approximately) it would be. We were repeatedly told it was being worked on and it would be in the "\$40 to \$50 range".
- 3) This is partially true. We did receive a letter. Our "options" given were not viable options in any way shape or form to the residents of the subdivision.
 - a. Option 1: Form a homeowners association and take over the plant. This was never an option for two reasons. The first is because the plant is located on another person's property. Even if the property the plant sits on was given to us in the form of a, "99 year lease for a dollar" as it was proposed. This would still be a huge problem if the plant were to have a major issue and leak or something of that nature, the property owner in this case Dave and Linda Bowling who also own the plant, could easily file suit against us for damages to their property.
 - b. While it's easy to say everyone could install an independent sewer system for their home, there are many factors here that are just not true... Several of the home owners on the subdivision have contacted the health department about putting septic systems in place because in the long run this would be a much better option than \$194 a month. We were told that every single property would have to be

independently “perk tested” or soil tested to verify if any houses could do so. How Bush Gardens Enterprises LLC can make this claim without a single house on the subdivision being tested is baffling... When the Johnson Co. Health Dept was notified of this claim as we were exploring our options, we were told that no such statement was ever given to David Bowling (who has been representing to us on behalf of Bush Gardens Enterprises LLC and NOT Linda Bowling, David’s wife, who I have personally never even met).

- 4) While I will agree that this sewer system has likely caused the owner financial distress, it is by no fault of anyone but themselves it is in this situation. No resident in the subdivision is complaining about paying a REASONABLE sewage bill. Most of us would even agree to pay a slightly higher sewage bill due to the circumstances we have fallen on. But I think anyone would agree that \$194 a month is NOT reasonable. Furthermore, if the proposed operating costs really are \$16,440.51, there is absolutely no way anyone on the planet would allow something of that cost to continue for free, no matter the reason. If anyone owned something that costed them \$16,000 a year, there is absolutely no way they wouldn’t take action to remedy this situation at some point before almost 10 years has passed.
- 5) This is true. We met twice and they were nice enough to give us time to explore our options.
- 6) This is also true. We have no other choice at this point other than to rely on the plant at this point. From talking with the Johnson Co Health Dept, it is very unlikely there is enough property and room for every house on the subdivision to be able to install another sewage treatment option...
- 7) I cannot verify if this statement is true. I have no reason to believe it is not. Flooding did occur on the property as well.
- 8) No resident has any problem with a rate being set. We just don’t want to pay the equivalent of a car payment every month in order to just have sewage service which costs most households between \$20 and \$40 a month.
- 9) Obviously it looks like BGE was indeed created, but I doubt it’s for the reasons given. This is more of a personal opinion, so I will not elaborate much or name names. But I would encourage the PSC to ask many questions about the true previous owner of the plant and his history with sewage and sewage plants. The record is not good to say the least... This is the likely real reason BGE was created.
 - a. I would suggest these quotes be shown to insure it is the lowest possible rate available.

Again, I have no doubts this plant and its operation have caused financial distress to the owners. No one has EVER refused to pay a rate of any kind to this point because no rate was ever set. Due to the extremely high rate, I would like to urge you to NOT grant the 30 day expedited review. Furthermore, I would like to note that the residents of Bush Gardens Subdivision were not notified of the attempted

expedited review... This was only found by actually reviewing the document submitted to the PSC directly. The copy of the filing sent to us mysteriously was missing this critical information.

Additionally, I would like to now move on to the proposed "Operating Expenses" outlined in ARF FORM 1 – ATTACHMENT SAO-S – SEPTEMBER 2011.

- a. **Owner/Manager Fee:** This is the owner's son and nothing more than a way to increase the rate artificially at the cost of the residents. Management fee for what? The plant is managed by the maintenance person. He comes out once per week for an average of 7 to 10 minutes (we have timed his visits) and he handles the plants general operation and maintenance. BGE provides this person the chemicals and tools to manage the plant. This fee is not warranted for the daily operation of the plant.
- b. **Power bill:** Not much complaint here as long as all of the receipts have been submitted for timeframe given. However, since the plant has been in operation for 10 years, the residents of the subdivision would like to see previous year's records of the power bills. I think this would also be very telling of the plants general operating efficiency and management as I can personally attest to numerous periods where the plant was either running too much, or not at all for very extended periods of time over the course of the 10 years of its operation.
- c. **Routine Maintenance:** This is a reasonable fee from the research we have done. However, given the nature of the visits of the maintenance person (7 to 10 minutes max), all of the things outlined in the quote by this person are not factual. For example: He says he cleans the floats of the plant on a weekly basis. I would guarantee this has NEVER been done because there is no running water at the plant which is required to properly clean the floats. In watching the maintenance person do his work on a weekly basis, this usually includes putting one chlorine tablet in the plant and then leaving. All of this for the low, low price of \$16000+ a year!
- d. **Insurance:** Was this never carried before? If yes, is there record of it that can be shown for cost? If no, then why is it required now when someone else is paying for it? I understand that it is likely needed, but I don't understand why it wasn't needed or used in previous years, but now suddenly is?
- e. **Office Expenses:** The price of 8 pieces of paper, 8 stamps, and some printer ink has increased a lot...
- f. **Chemicals:** I have no arguments here, but would like to see receipts of the items purchased for the last year and compare them to the chemical costs for a similar plant.
- g. **Sludge hauling:** This is not applicable. There is no sludge in the plant to haul. Every house has a septic tank installed by Mr. David Bowling when the houses were built that holds all of the solids. I just had mine pumped for a cost of \$175 back in July which I would be happy to produce a receipt for.
- h. **Regulatory Commission Expense:** No arguments here if this indeed the cost.

- i. Maintain structure and improvements: No funds were added to this account on their part for the past 10 years, but now we are required to do in what feels like a “make-up payment plan” on behalf of BGE. No one would be in this mess, including the owners, if the owners had just set a reasonable rate 10 years ago.
- j. Depreciation: Not an expert on this, but I am not sure how depreciation adds to the yearly cost of maintaining the plant?
- k. Property tax: No argument here either.

Next I would like to address the Tri-County Concrete, Inc compensation in regards to the plant and sewer rate. Again, it’s David and Linda Bowling’s son, Lance who is the beneficiary of the fee. I feel like this is a conflict of interest... We aren’t paying a business such as BGE, we are paying a family that wants to charge whatever they want.

Linda Bowling is listed as the President and CEO of BGE, LLC and is having us pay her son \$3600 to “manage” the plant. Furthermore, I have never met Lance or Linda in regards to this plant... Every meeting we have had has been with the lawyer, Mr. Davis, and David Bowling. Yet, nowhere do I see his name as even being a part of this whole process? Why? Who is it being represented by other people in the paperwork, but in person someone completely different?

Contents Comments:

- A. Monthly Rates: Different total listed here? Shows \$195.20 here and \$194.61 in the other part of the document? Either way, a completely ridiculous rate to the consumer.
- B. Deposits: Have to come up with nearly \$400 up front in addition to \$194 a month after to “start” a service that has been active for almost 10 years. Send the bill of whatever the rate is set to (hopefully not \$194.61), and we’ll pay it.
- C. Connection fee: Again, the service has been on for nearly 10 years, but we now have to pay to connect? Really?
- D. We have to have our lines inspected now despite the service being active and working for the past 10 years?
- E. No argument here.
- F. No issue here.
- G. Sewer lines: No sewer pipe shall be laid in the same trench as a water pipe. We had no control of how this was implemented. These houses were all actually built by David and Lance Bowling who also happen to be who installed the sewer system and water. If the houses are not in compliance with this, it’s not due to the home owner but the builders.

- H. Sewer failure: I contend the whole system belongs to BGE. They built the houses and the lines. The customer installed nothing. If this is the case, BGE should also be responsible for pumping our septic tanks that are connected to their sewage system.
- I. No issue here.
- J. No issue here.
- K. No issue here.
- L. Shouldn't be in issue here.
- M. No issue here.
- N.
1. This is convenient wording to the utility? If the system fails or is interrupted for paying customers, whose responsibility is it then?
 2. No issue here
 3. No issue here.

Lastly, I would like to close with how this whole process started. 8 years ago, when we asked what our sewage rates would be and why we weren't being billed for it, we were told \$40 to \$50. This went on for years and no bills were ever sent due to the negligence of the plant owners. Back in April, the original letter we got stated "the estimated rate for service could be \$80 per month, per home, perpetually." Then another estimate around June said \$130.35. Now, the rate proposed is \$194.61 a month, per home, perpetually. I suspect the charges will continue to go up because the owners obviously are making the numbers up as they go. There is absolutely no way this plant costs them \$16000+ a year to operate. If it did, the rate setting would NEVER have been ignored. They also had to do some math to come up with the initial letter for estimated expenses that sent us. At that time it was "only" \$80 a month (which is still high by most standards). Just 6 short months later that math has suddenly doubled which I find highly suspicious...

Again, no one is arguing about paying a REASONABLE rate. We expect a bill and expect to pay it if it's fair. Thank you for your time and consideration. I have attached copies of the initial letter we got back in April highlighting the then proposed rate. Also attached is another estimated rate proposal from around June where the rate was then upped to \$130.35 per month. Their math constantly changes! I look forward to your rate review and setting of a fair and reasonable rate for all parties involved.

Regards,

Ashley Litteral

Marketing Manager

Appalachian Wireless

March 30, 2015

Attachment 1.
Initial rate quote.

Dear Bush Gardens Resident,

This letter is to inform you of current circumstances, as well as potential changes to your sewer utility service. As you know, residents of the Bush Gardens subdivision have never been billed for their sewer utility services. To the present, the provider has paid all costs out-of-pocket. The provider will no longer pay these costs, therefore Bush Gardens residents should consider the following possible options for continued sewer service. (Please keep in mind that the Bush Gardens sewer treatment plant is subject to be replaced in the near future and that replacement costs will be passed on to residents through rate setting, as allowed by the Kentucky Division of Water. Such rates are subject to increase as operation costs increase, however they are not likely to decrease. The estimated rate for service could be \$80 per month, per home, perpetually.)

Options for Continued Sewer Service

- 1) Bush Gardens residents may elect to take over and assume all responsibility for the sewer treatment plant themselves on behalf of the subdivision. The current provider is willing to transfer and surrender all rights and responsibilities to the existing sewer treatment plant at no cost to the residents. At that time, residents could set a rate as allowed by the Kentucky Division of Water.
- 2) The current provider will set a rate for services as allowed by the Kentucky Division of Water.
- 3) Each individual homeowner may elect to install a septic system to service their individual home. Once the septic system is installed and paid for, the homeowner will not be billed a monthly rate for sewer service; however, any septic systems must be completely installed PRIOR to a rate being set for the current sewer treatment plant. Homeowners could choose from the following septic system installation options:

- a. Contract with the septic system installer of your choice.
- b. Contract with Tri-County Concrete, to install a septic system, which could be made payable in monthly installments of approximately \$80 per month for 42 months.

NOTE: If any homeowners choose septic system installation, a monthly rate will be set (as noted in option 2) and collected from those choosing *not* to install a septic system. This rate will be proportionately higher as the number of homeowners serviced by the sewer treatment plant decreases. (For example, if only half of the houses in the subdivision use the sewer treatment plant then the rate could be \$160 per month, per home, perpetually.)

Once you have had an opportunity to thoroughly review the options presented above, you should consult your fellow Bush Gardens residents in order to come to a agreement on these issues. Feel free to explore other alternatives in addition to those listed for continued sewer service.

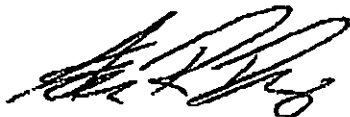
The provider and the provider's representative have scheduled to be available and meet with all residents at Bush Gardens on Tuesday, April 14, 2015, at 6:00 p.m. Should you have any questions prior to that meeting, please contact either of the following individuals:

David Bowling
(606) 789-8800

or

Aaron R. Davis
(606) 432-3641

Thank you,



Aaron R. Davis, Engineer, Attorney

Representative of Bush Gardens Sewer Treatment Plant Provider

Attachment 2.
Estimate 2.

David,
Please find form ARF Form 1 from the Public Service Commission attached.

This is an estimate, exclusively. You should notice that most spaces are blank. Others are forecasted numbers. None are warranted to be exact.

Among the blank spaces, please notice that there are no taxes included, none of the impairment/Replacement fees are included, and no profit has been accounted for.

With the information given, the estimate is over \$130/month per home. Because of the missing info, as described ~~very~~ very informally above, this estimate could be very low.
Thank you for your patience and consideration of this matter.

SEWER OPERATIONS AND MAINTENANCE EXPENSES

TYE 12/31/20

	Test Year	Adjustment	Ref.	Pro Forma
<u>Operation Expenses</u>				
Supervision and Engineering:				
Owner/Manager-Management Fee	Estimate ↴ # 3600			0.00
Other Expenses				0.00
Labor and Expenses:				
Collection System-Labor, Materials and Expenses				0.00
Pumping System-Labor, Materials and Expenses				0.00
Treatment System:				
Sludge Hauling	475.00			0.00
Utility Service- Water Cost				0.00
Other-Labor, Materials and Expenses	700.00			0.00
Rents				0.00
Fuel/Power Purchased for Pumping and Treatment	890.05			0.00
Chemicals	1714.20			0.00
Miscellaneous Supplies and Expenses:				
Collection System	484.00			0.00
Pumping System				0.00
Treatment and Disposal				0.00
<u>Maintenance Expenses</u>				
Supervision and Engineering:				
Routine Maintenance Service Fee	3908.00			0.00
Internal Supervision and Engineering				0.00
Maintenance of Structures and Improvements	Unknown			0.00
Maintenance of Collection Sewer System				0.00
Maintenance of Pumping System				0.00
Maintenance of Treatment and Disposal Plant				0.00
Maintenance of Other Plant and Facilities				0.00
<u>Customer Accounts Expenses</u> → Unknown. To be Added Later.				
Supervision	 			0.00
Meter Reading Expenses and Flat Rate Inspections				0.00

