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August 18, 2009

RECEIVED

AUG 18 2009

**PUBLIC SERVICE
COMMISSION**

Mr. Jeff R. Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602-0615

Re: Application of Farmdale Development Corporation for Tariff Revisions and
to Increase Certain Non-Recurring Charges;
PSC Case No. 2009-00185

Dear Executive Director Derouen:

Please find enclosed an original and ten copies of the Answers to the Commission Staff's
Second Data Request to Farmdale Development Corporation for filing in the above-referenced
case. Please contact me should you have any questions concerning this matter.

Yours truly,

Robert C. Moore

Robert C. Moore

nb

RCM/neb
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

AUG 18 2009
PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF FARMDALE DEVELOPMENT)
CORPORATION FOR TARIFF REVISIONS AND TO) CASE NO. 2009-00185
INCREASE CERTAIN NONRECURRING CHARGES)

**ANSWERS TO THE COMMISSION STAFF'S
SECOND DATA REQUEST TO FARMDALE DEVELOPMENT CORPORATION**

Comes Farmdale Development Corporation and for its Answers to the Second Data Request of the Commission states as follows:

Data Request No. 1. In response to Question 1(a) of Staff's first Data Request, Farmdale Development stated that there is no written agreement with Farmdale Water District.

a. If there is no written agreement, is there an oral agreement? If so, provide a summary of the agreement.

Answer: Farmdale Water District has verbally agreed to perform billing and collection services for Farmdale Development Corporation. Farmdale Water District has been performing these billing and collection services for Farmdale Development Corporation since it purchased the Farmdale Wastewater Treatment Plant and collection system in approximately 1974. At this time, Farmdale performs the billing and collection services for a fee equal to fifteen percent (15%) of the amount collected, excluding the amount of the surcharge currently being paid by the customers of Farmdale Development Corporation. Farmdale Water District includes the fee of Farmdale Development Corporation on its invoice for water services, which is mailed to its customers on a monthly basis, and payment is then due on or about the tenth day of

the month. Farmdale Water District then issues a check to Farmdale Development Corporation for the amount that it receives for wastewater treatment services, less the fee that it charges.

b. If no oral agreement, how is Farmdale Water authorized to bill for Farmdale Development?

Answer: There is an oral agreement.

c. How was the fee determined?

Answer: The amount of the fee was determined by the Farmdale Water District. As is reflected in a letters forwarded to the Farmdale Water District on July 25, 2007 and August 7, 2007, Farmdale Water District was requested to reduce its fee to 7.5% of the amount of collections received, but declined to do so. (See Attachment A). The Farmdale Water District did agree that it would not charge the fifteen percent (15%) fee on the surcharge collections.

Data Request No. 2. In response to Question 1(b) of Staff's first Data Request, Farmdale Development stated that Farmdale Development governs how their customers are billed. What is meant by this statement?

Answer: Objection. Farmdale Development Corporation objects to this Data Request on the basis that it does not accurately reflect the Answer of Farmdale Development Corporation to Question 1(b) of Staff's first Data Request. However, without waiving this objection, Farmdale Development Corporation states that the relevant provisions of its answer to the indicated Data Request stated: "The tariff of the Farmdale Development Corporation governs the charges made to its customers. The Farmdale Development Corporation tariff paragraph 3 on page 9 provides for the payment of bills, including the requirement that the bill is to be paid 'within 10 days of the date of the bill.'" Farmdale Development Corporation was stating that the

amount of the charge for wastewater treatment service is set forth in the tariff.

a. Does Farmdale Development provide bills to Farmdale Water for inclusion with the bills mailed by Farmdale Water?

Answer: The charge for the services provided by Farmdale Development Corporation is set forth on the same invoice as the charge for the services provided by Farmdale Water District.

(1) How is this done since Farmdale Water bills by a post-card type billing statement?

Answer: The post-card type billing statement includes both the charge for water services and the charge for sewer services.

(2) If Farmdale Development has a separate bill that is used provide copies of the type of bill.

Answer: Not applicable.

(3) If Farmdale Development does not provide a separate bill, explain and provide a copy of a bill sent to its customers for sewer service.

Answer: As indicated in the Answer to Data Request No. 2(a)(1), Farmdale Water District issues a post-card type billing statement that includes both the charge for water services and the charge for sewer services. A copy of a billing statement issued by Farmdale Water District to Farmdale Development Corporation is attached as Attachment B. Billing statements issued by Farmdale Water District to customers of Farmdale Development Corporation would include a charge for sewer services designated by the initials "SW".

b. (1) State whether a joint customer of Farmdale Development and

Farmdale Water is required to pay his bill for sewer service with separate checks made out to each utility.

Answer: A joint customer of Farmdale Development Corporation and Farmdale Water District is not required to pay his bill for sewer service with separate checks made out to each utility.

(2) State the reason that Farmdale Development seeks to have a separate return check fee.

Answer: Despite Farmdale Water District's very effective billing and collection system, the Commission has been encouraging Farmdale Development Corporation to use another billing and collection service in lieu of Farmdale Water District. If Farmdale Development Corporation determines that it should conduct its billing and collection service or determines to perform its billing and collections in a different manner, then it may need the ability to charge a bad check fee where a customer's check has been returned for insufficient funds. Certainly, the ability to charge such a fee should be included in a tariff before a change is made to billing and collection procedures. Otherwise, the utility could incur a number of bad check charges and have no way to recover this expense. Additionally, where an individual is substantially behind in its payments to the utility and makes a payment directly to the utility rather than making the payment directly to Farmdale Water District and the check is returned for insufficient funds, the utility should be able to recover the bad check charge from the responsible party.

(a) If the customers of Farmdale Development pay by one check to Farmdale Water, why would Farmdale Development need to have a separate returned check charge?

Answer: Despite Farmdale Water District's very effective billing and collection system, the Commission has been encouraging Farmdale Development Corporation to use another billing and collection service in lieu of Farmdale Water District. If Farmdale Development Corporation determines that it should conduct its billing and collection service or determines to perform its billing and collections in a different manner, then it may need the ability to charge a bad check fee where a customer's check has been returned for insufficient funds. Certainly, the ability to charge such a fee should be included in a tariff before a change is made to billing and collection procedures. Otherwise, the utility could incur a number of bad check charges and have no way to recover this expense. Additionally, where an individual is substantially behind in its payments to the utility and makes a payment directly to the utility rather than making the payment directly to Farmdale Water District and the check is returned for insufficient funds, the utility should be able to recover the bad check charge from the responsible party.

(b) What charge is being paid directly to Farmdale Development that would create a scenario for a returned check from its customers?

Answer: Where an individual is substantially behind in its payments to the utility and makes a payment directly to the utility rather than making the payment directly to Farmdale Water District and the check is returned for insufficient funds, the utility should be able to recover the bad check charge from the responsible party. Additionally, despite Farmdale Water District's very effective billing and collection system, the Commission has been encouraging Farmdale Development Corporation to use another billing and collection service in lieu of Farmdale Water District. If Farmdale Development Corporation determines that it should

conduct its billing and collection service or determines to perform its billing and collections in a different manner, then it may need the ability to charge a bad check fee where a customer's check has been returned for insufficient funds. Certainly, the ability to charge such a fee should be included in a tariff before a change is made to billing and collection procedures. Otherwise, the utility could incur a number of bad check charges and have no way to recover this expense.

Data Request No. 3. In response to Question 4(a) & (b) of Staff's first Data Request, Farmdale Development stated that there has been discussions concerning Farmdale Water's disconnection of Farmdale Development's customers for non-payment. Were these discussions written or oral discussions?

Answer: Farmdale Development Corporation has requested Farmdale Water District verbally and in writing to consider stopping water service to the customers of Farmdale Development Corporation that fail to pay their sewer bills. Copies of correspondence forwarded to Farmdale Water District concerning this issue are attached hereto as Attachment C.

a. If these were oral discussions, were there any notes taken? If so, provide copies of the notes.

Answer: Farmdale Development Corporation was unable to locate notes taken of oral discussions. However, copies of correspondence forwarded to Farmdale Water District concerning Farmdale Development Corporation's request that Farmdale Water District consider stopping water service to its customers that fail to pay their sewer bills and reflecting the discussions concerning this issue are attached hereto as Attachment C.

b. If these were written discussions, provide copies of any correspondence.

Answer: Copies of correspondence forwarded to Farmdale Water District

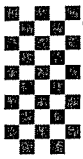
concerning Farmdale Development Corporation's request that Farmdale Water District consider stopping water service to its customers that fail to pay their sewer bills and reflecting the discussions concerning this issue are attached hereto as Attachment C.

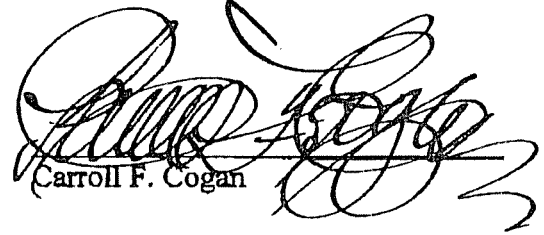
c. Has Farmdale Water provided any reason why it did not want to request a deviation to terminate service for non-payment of the sewer bill?

Answer: Not to the best of the recollection of Farmdale Development Corporation.

d. In Farmdale Development's response to questions in Case No. 2007-00436, it stated that Farmdale Water does not accept partial payments for Farmdale Development customers for their water and sewer services and that, if the bill is not paid in a timely manner, Farmdale Water disconnects water service. Explain why Farmdale Development is requesting a mechanism to disconnect the service for non-payment.

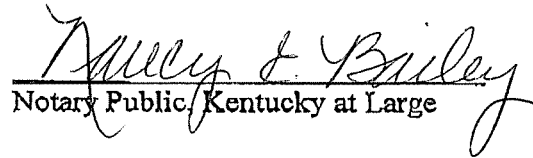
Answer: Despite Farmdale Water District's very effective billing and collection system, the Commission has been encouraging Farmdale Development Corporation to use another billing and collection service in lieu of Farmdale Water District. If Farmdale Development Corporation determines that it should conduct its billing and collection service or determines to perform its billing and collections in a different manner, then it may need the ability to disconnect a customer's service for non-payment and recover the expense incurred in the disconnection from the delinquent customer. Certainly, the ability to disconnect a customer's service for non-payment and to recover the cost of same from the delinquent customer should be included in a tariff before a change is made to billing and collection procedures. Otherwise, Farmdale Development Corporation would be unable to recover its costs incurred in disconnecting a delinquent customer.

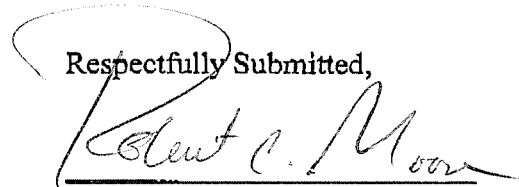



Carroll F. Cogan

STATE OF KENTUCKY
COUNTY OF FRANKLIN

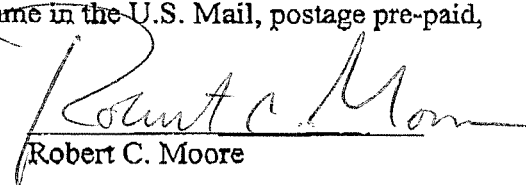
Subscribed and sworn to before me by Carroll F. Cogan, this 18th day of July,
2009,
My commission expires: 3-11-10


Nancy J. Bailey
Notary Public, Kentucky at Large

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 has been served upon Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Blvd., P.O. Box 615, Frankfort, Kentucky 40602, and Gregory Stumbo, Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204, by placing same in the U.S. Mail, postage pre-paid, this the 18th day of August, 2009.


Robert C. Moore

ATTACHMENT A

July 25, 2007

Mr. Berl Robinson, Chairman
Farmdale Water District
90 Mill Road
Frankfort, Kentucky 40601

Re: Farmdale Development Corporation

Dear Mr. Robinson:

As we discussed in our telephone conversation on July 17, 2007, I represent the Farmdale Development Corporation. As you are aware, the Farmdale Development Corporation owns and operates the Farmdale Wastewater Treatment Plant (WWTP), which provides sewer service to the residents of the Farmdale Subdivision. The Farmdale Water District has provided billing and collection services to the Farmdale WWTP for a number of years at a charge fifteen percent (15%) of the amount collected. For the last several years, this charge has been fifteen percent (15%) of approximately \$52,995.

The Public Service Commission recently granted Farmdale WWTP an increase in general rates from \$19.05 per month to \$28.00 per month, and a surcharge in the amount of \$9.92 for a period of 5 years or the amount of \$146,. The rate of \$28 per month is to cover the normal operating expenses of the Farmdale WWTP, and the monthly surcharge of \$9.92 is for the purpose of recovering the cost of needed repairs and improvements to the Farmdale WWTP. Therefore, the general rate has increased by approximately eleven dollars (\$11) per month, in addition to the \$9.92 surcharge. Because the amount to be paid to the Farmdale WWTP has almost doubled, we are asking that the Farmdale Water District consider reducing the amount of the collection fee. The amount paid by the Farmdale Development Corporation to Farmdale Water District for its collection services on an annual basis was previously approximately \$7,949. If the collection cost remains at fifteen percent (15%), the cost of collection will be approximately \$16,790. The collection fee is borne directly by the individuals living in Farmdale Subdivision, and we would like to minimize the fee that will ultimately be paid by the residents. Accordingly, I am requesting that the percentage charge for the collection charge be reduced to 7.5%. This would enable the Farmdale Water District to increase its fee to approximately \$8,393 annually, but not charge the residents an unreasonable amount.

Thank you very much for your consideration of this request, and please feel free to contact me to discuss same. Otherwise, I will call you in the near future to discuss this request.

Sincerely,

Robert C. Moore

RCM/neb
cc: Carroll Cogan

August 7, 2007

Mr. Berl Robinson, Chairman
Farmdale Water District
90 Mill Road
Frankfort, Kentucky 40601

Re: Farmdale Development Corporation

Dear Mr. Robinson:

Pursuant to our telephone conversation on Monday, August 6, 2007, it is my understanding that the Farmdale Water District declines to reduce the percentage fee charged to Farmdale Development Corporation for sewer services provided by the Farmdale Wastewater Treatment Plant. Thank you for considering this request, even though you declined to grant same. Please feel free contact me should you wish to discuss this matter further, or if my understanding is incorrect.

Yours truly,

Robert C. Moore

RCM/eoo
cc: Carroll Cogan

ATTACHMENT B

FARMDALE WATER DISTRICT
 100 HIGHWOOD DRIVE
 FRANKFORT, KY 40601
 PHONE: 223-3502

RW - Residential Water TX - Tax
 CW - Com/Ind - Water LT - School Tax
 SW - Sewer BF - Balance Forward
 TC - Trailer Charge CC - Check Charge
 RC - Reconnect Charge

10% PENALTY ADDED AFTER 4:30 PM ON THE 10TH OF MONTH
 IF NOT PAID BY 20TH, WATER WILL BE DISCONNECTED ON 21ST.

ACCOUNT 0005-74900-001 06/04/09 TO 07/02/09

SERVICE AT Furrow Lane

TYPE	PRESENT	PREVIOUS	USAGE	CHARGES
BF	Balance Forward			-7.50
CW	8147	7797	35000	88.00
LT				2.64
TX				5.44
<p><i>Yol 8/08/09</i> <i>Ch # 1640</i></p> <p>FOR A HAPPIER HOME AND FAMILY GO TO THE CHURCH OF YOUR CHOICE</p>				
CLASS	AMOUNT DUE AFTER DUE DATE	DUE DATE	AMOUNT DUE ON OR BEFORE DUE DATE	
C01	97.38	08/10/09	88.58	



ATTACHMENT C

December 20, 2007

Mr. Berl Robinson, Chairman
Farmdale Water District
90 Mill Road
Frankfort, Kentucky 40601

Re: Farmdale Development Corporation

Dear Mr. Robinson:

As we have previously discussed, I am counsel for Farmdale Development Corporation, which operates the Farmdale Wastewater Treatment Plant. The Public Service Commission is currently reviewing the amount billed to Farmdale's customers for billing and collection services providing by the Farmdale Water District. Please let me know whether the Farmdale Water District will agree to stop water service to one of its customers if the customer fails to pay its sewer bill even if you do not provide billing and collection services, and the charge for this service, as well as the charge for turning the water back on. Please note that pursuant to KRS 96.930 the user of water in any manner tending to contaminate it raises a duty to provide for the proper disposition of the waste water according to the highest public health standards and such duty includes full responsibility for paying the cost of such disposition. Agreeing to stop water service to a customer who fails to pay his or her sewer bill is certainly consistent with the provisions of KRS 96.930. I have enclosed a draft contract that has been entered into by other water utility companies providing for this service for your review.

I will be contacting you to discuss this matter and look forward to speaking with you at that time.

Sincerely,

Robert C. Moore

RCM/neb

cc: Carroll Cogan

January 31, 2008

Mr. Berl Robinson, Chairman
Farmdale Water District
90 Mill Road
Frankfort, Kentucky 40601

Re: Farmdale Development Corporation

Dear Mr. Robinson:

Thank you for agreeing to speak with me on Thursday, January 31, 2008, concerning whether the Farmdale Water District would terminate water service to one of its customers pursuant to KRS 96.930 if a sewer bill is not paid where the water district is not handling the billing and collection services for the sewer company. Based on our telephone conversation, it is my understanding that the water district would not terminate water service to the customer. It is also my understanding that the water district does not wish to reconsider its decision declining to reduce the percentage charged for billing and collection services provided to Farmdale Development Corporation.

Again, thank you very much for speaking with me concerning this matter and please feel free to contact me if my understanding is incorrect.

Sincerely,

Robert C. Moore

RCM/neb
cc: Carroll Cogan