

October 21, 2009

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

RECEIVED

OCT 22 2009

PUBLIC SERVICE
COMMISSION

Re: Middletown Waste Disposal, Inc. Rate Case No. 2009-00227

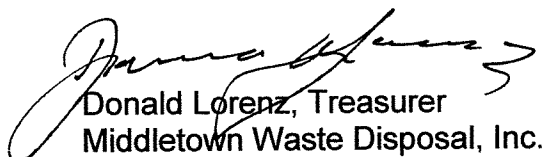
Dear Sirs:

Attached please find an original and 6 copies of Middletown Waste Disposal, Inc.'s responses to the Commission Staff's Data Request dated September 28, 2009. Due to the voluminous nature of the responses to Questions 8 and 13 wherein numerous invoices were requested, Middletown is hereby requesting a deviation from the requirement to file 6 copies of those responses. In lieu thereof, Middletown has instead filed two copies of a separate document containing these invoices - an original for the Commission's main case file and a copy for the Staff's team leader.

Recently, Middletown became aware that it will be required as part of its permit renewal process to increase lab testing for total nitrogen and phosphorous. Beckmar Labs informs us that the additional tests will cost \$150 per week (\$7,800 annually), and we will forward documentation of this increase when available. We respectfully request that the Staff consider this new testing expense when determining its recommendations

Middletown is also hereby requesting an Informal Conference in this case to discuss issues presented in its application, including the plant repairs done in 2008 and the need for some rate relief to allow for additional repairs needed in the future.

Sincerely,


Donald Lorenz, Treasurer
Middletown Waste Disposal, Inc.

Middletown WD Data Request Responses

Question 1. In its 7/2/09 response to the Commission's 6/26/09 deficiency letter, Middletown submitted a Revised Attachment B. In its Revised Attachment B, Middletown referenced a flat residential rate of \$15.00 per month in the present and proposed rate comparison.

Q1A. When did Middletown establish the \$15.00 monthly residential rate?

Answer: The \$15.00 rate was established in June of 1997.

B. Explain how Middletown calculated the \$15.00 monthly residential rate.

Answer: According to Middletown's letter to the PSC dated November 23, 1994 (attached), "we would use the lowest single family rate found in Jefferson County." The \$15.00 residential rate was established based upon the belief that it was a reasonable rate and lower than any other sewer rate in Jefferson County.

C. Cite the proceeding in which the Commission authorized Middletown's flat residential rate of \$15.00 per month.

Answer: There was no formal proceeding wherein the Commission authorized Middletown to charge the \$15.00 per month residential rate. Middletown worked with the PSC Staff over the course of more than 4 years to establish a reasonable residential rate.

D. Identify Middletown's tariff page that lists the flat residential rate of \$15.00 per month.

Answer: There is no tariff page listing the \$15.00 residential rate.

E. Staff is unable to duplicate the test year Normalized Revenue Table. Provide the table in a Microsoft Excel 2003 or earlier version digital format. The table should allow for unrestricted view of all formulas. In the event there are no formulas, provide a detailed description of the calculations used to derive the normalized revenue numbers.

Answer: The billing analysis information does not exist in Excel or other digital formats. Middletown does not maintain computerized records relative to the revenues and usage of Middletown's customers, and respectfully requests that the PSC Staff accept the following detailed description of how the billing analysis numbers were derived.

Residential Revenues

Middletown's 120 residential customers are billed bi-monthly by Middletown itself, and Middletown does not record or monitor their usage because they are charged a flat rate of \$15.00 per month. For purposes of the billing analysis, their usage was estimated at 5,000 gallons per month. For the normalized revenue table, these 120 customers billed at \$15.00 times 12 months generate \$21,600 of normalized residential revenue.

Test Year Industrial and Commercial Revenues

Middletown's 47 industrial and 28 commercial customers are billed bi-monthly by the Louisville Water Company based upon their usage. For 2008, Middletown recorded revenues of \$116,489 for these commercial and industrial customers. However, as noted in Attachment A of the rate application, this reported revenue included sales tax of \$6,316, and removing it results in net revenues of \$110,173.

In response to the Commission's notice dated June 26, 2009, Middletown submitted a billing analysis based on written reports for commercial and industrial customers generated by Louisville Water Company. Louisville Water's reports indicate that total 2008 usage for the commercial and industrial customers was 19,469,000 gallons, and total revenues for these customers, net of 6% sales taxes, were

\$109,229.66. (See Revised Attachment B submitted 7/2/09, Test Year Usage Table.) This \$109, 229.66 compared to the above-mentioned \$110,173 represents a minor difference of \$943.

Middletown then tallied and classified all 428 industrial and commercial bills for 2008 to determine how many bills fell into each rate block, in accordance with the format included with the Alternative Rate Filing application at pages 5-8. The results are shown in the Test Year Usage Table. For commercial customers using 7,500 gallons or less per month, there were 54 bills (and 366,000 gallons usage) at a bi-monthly rate of \$60.00, which generated revenue of \$3,240. The higher commercial rate block (i.e., 102 bills at 7,500 gallons and above) generated revenue of \$56,365.66 and usage of 13,656,000 gallons.

For Industrial customers using more than 20,000 gallons per month, there were 32 bills (and 2,174,000 gallons used) which generated revenues of \$11,224.00. The lower industrial rate block (i.e., 240 bills at less than 20,000 gallons) generated revenue of \$38,400 (240 bills x \$160 bi-monthly bill) and usage of 3,273,000 gallons.

Normalized Industrial and Commercial Revenues

Middletown's application included an adjustment to increase commercial and industrial revenues by \$3,231 to a pro forma level of \$113,404 based on an analysis of 12/31/08 accounts receivable, as shown at Attachment F of the rate application. However, a closer examination of the industrial and commercial customers' 2008 usage indicates this proposed revenue adjustment is incorrect, as detailed below.

Middletown is highly dependent upon commercial and industrial revenues. Because of the economic turmoil which intensified through 2008, Middletown analyzed year-end conditions (as reflected in the 2008 year-end accounts receivable) to determine whether pro-forma revenue adjustments were appropriate. Based on this analysis, the year-end addition of one major account, and having more customers at the end of the year than the year's average, Middletown initially proposed the \$3,231 revenue adjustment.

However, upon closer examination, Middletown's total commercial usage for the last billing period of 2008 is in fact lower than both the 2008 average and the usage at the beginning of 2008. As seen on the chart on the following page, the commercial usage of 2,301,000 gallons for the 6th billing period is actually lower than that for the 1st, 2nd, and 5th billing periods, and lower than the overall average for the 6 periods of 2,338,667 gallons. This indicates that the average usage (and revenues) as reflected in the Test Year Usage Table are more appropriate numbers than those contained in the Normalized Revenue Table.

For the Normalized Revenue Table, the year-end commercial/industrial customers billed 6 times per year results in 450 bills for these users – 282 bills for the 47 Industrial customers and 168 bills for the 28 commercial customers. For the 47 industrial customers, 42 consistently used less than the 20,000-gallon minimum for this rate block, resulting in 252 bills. In the Table, the 12 additional bills for this rate block were estimated to generate a small increase of 136,375 gallons, or 11,364 gallons per bill.

Five industrial customers were identified as consistent users over the 20,000-gallon minimum, resulting in 30 bills at this rate block, or two fewer bills compared to the test period. To reflect lower usage from two less bills for the large industrial rate block, the test-period average of 67,937 gallons per bill was used to reduce the projected normalized usage for this block by 135,875 gallons. However, because the normalized usage for this rate block was projected to decrease, the Normalized Revenue should have shown a decrease of approximately \$356 (to \$10,868) from the test year revenue of \$11,224, instead of increasing to \$13,456 as was shown in Revised Attachment B.

For the 28 commercial customers, 10 were determined to be consistent minimum users. Sixty bills would fall under the minimum bill rate block (i.e., 0-7,500 gallons), with normalized usage determined to be 406,680 gallons – a 40,680 gallon increase over the test year usage of 366,000 gallons for this rate block. For 18 commercial users paying bills above the minimum usage block at the end of 2008, their normalized usage according to Revised Attachment B was 14,459,256 gallons – a difference of 803,256 gallons from the 2008 usage of 13,656,000 for this rate block. Upon reexamining the usage data, Middletown has determined that this normalized usage figure is incorrect. As can be seen from the

following, the November/December (6th period) usage for these 18 customers was little-changed from the average usage during the year:

Commercial Cust.	12/31/08 Acts. Rec.	1	2	3	4	5	6	Total
CTD & Dooleys			12	12				24
1. English Sta. Condo	\$63.60	8	8	23	53	17	12	121
2. Batteries Plus	\$63.60	4	4	3	3	3	4	21
3. Eastside Corp.	\$63.60	18	32	22	17	13	15	117
4. Blockbuster	\$63.60	4	4	5	4	4	3	24
5. Pet Salon	\$63.60	6	7	6	7	8	9	43
6. LVSES	\$63.60	13	2	7	8	3	4	37
7. Zip Clips	\$63.60	7	8	6	7	9	7	44
8. BB&T	\$63.60	3	4	3	4	8	4	26
9. BFDL, LLC	\$63.60	8	7	5	8	8	5	41
10. Hagan Properties	\$63.60	0	0	0	0	0	0	0
11. Grand Generation	\$109.18	0	13	14	5	0	0	32
12. Arby's	\$139.92	41	40	36	37	48	33	235
13. Radio Shack	\$187.60	0	0	0	0	0	21	21
14. Waffle House	\$195.04	230	66	61	61	56	46	520
15. J.&K. Smith	\$233.20	17	20	18	18	20	17	110
16. Fuji Restaurant	\$245.92	58	61	57	57	56	58	347
17. Cncord Cleaners	\$245.92	327	296	175	61	71	58	988
18. D S of Kentucky	\$245.92	54	57	55	58	83	58	355
19. Hagan Properties	\$296.80	0	70	125	72	75	70	412
20. Wendys/BF South	\$360.40	70	68	78	112	125	85	538
21. Middletwn Partners	\$432.43	33	42	68	44	48	96	331
		215	16	109	103	101	21	565
22. Applebees	\$657.20	222	187	172	161	162	155	1059
23. Buffalo Wild Wings	\$826.80	196	195	221	323	387	195	1517
24. WalMart	\$992.16	213	189	211	266	276	234	1389
25. WalMart	\$1,187.20	0	0	0	0	0	280	280
26. Auto Wash	\$1,615.44	608	464	433	358	408	381	2652
27. Estgte Off. Condo	\$1,645.94	408	447	15	36	84	56	1046
28. Estgte. Off. Condo	\$237.44	16	16	0	362	359	374	1127
Totals		2779	2335	1940	2245	2432	2301	14,032
							Avg.	2,338

Therefore, assuming the normalized usage for the commercial rate block paying more than the minimum bills is 13,656,000 (as it was in 2008) rather than the incorrect figure of 14,459,256, the Normalized Revenue Table should be corrected as follows (changes are in bold print):

Customer Class	Bills	Gallons	Bimonthly Rates	Normalized Revenue
Residential (120 YE cust.)	720	7,200,000	\$30.00	\$21,600
Industrial (47 YE customers)	282			
0-20,000 gallons	252	3,409,375	\$160.00	\$40,320
20,000 - total	30	2,038,125	\$160.00 plus \$4 per 1,000	\$10,868
Total Industrial	282	5,447,500		\$51,188

English Station Shopping Center (28 YE customers)	168			
0-7,500 gallons	60	406,680	\$60.00	\$3,600
7,500 - total	108	13,656,000	\$60.00 plus \$4 per 1,000	\$56,366
Total Commercial	168	14,062,680		\$59,966
Kentucky DOT District #5 Office				
0 – 50,000 gallons	0	0	\$400.00	0
50,000 gallons - total	0	0	\$400.00 plus \$4 per 1,000	0
Totals		26,710,180		\$132,754

These corrections change the normalized revenue from \$135,004 to \$132,754, a decrease of \$2,250.

F. Provide a detailed explanation as to why Middletown did not propose to increase the residential rate. Also, explain why Middletown believes this to be reasonable.

Answer: Middletown needs a significant revenue increase to pay for repairs and replacements to provide safe and adequate service, and commercial customers account for the great majority of the utility's revenue stream. The 2008 PSC Annual Report shows approximately 85% (or \$116,489) of Middletown's total revenues of \$137,909 were commercial revenues. Residential revenues for 2008 were only \$21,420, a relatively minor amount. Middletown has requested a revenue increase of \$56,459, and any residential rate increase would need to be enormous to generate this much revenue. Since most of Middletown's sewage volumes are related to commercial rather than residential customers, and since the commercial customers haven't borne any rate increases since Middletown began providing service in the early 1980s (residential customers came online in 1997 and thereafter), Middletown believes it is reasonable to propose that commercial rather than residential sewer rates be increased in this instance.

Witness: Donald Lorenz

MIDDLETOWN WASTE DISPOSAL, INC.

641 Normandy Road
Taylorsville, Kentucky 40071
(502) 477-6423

November 23, 1994

Mr. Larry Updike
Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, KY 40602

Dear Larry:

We are enclosing a copy of our rate structure effective April 15, 1993.

You will notice this structure has no category for single family residential customers. Within the next twelve months we feel a limited number of residential customers will be utilizing the system. In order to arrive at a reasonable rate for these customers without having the enormous expense of a revised rate application we would use the lowest single family rate found in Jefferson County.

We would appreciate if you could review the situation and let us know if this is satisfactory.

Sincerely,

MIDDLETOWN WASTE DISPOSAL, INC.

Donald A. Lorenz
Secretary-Treasurer

Question 2. At page 3 of the Application, Middletown states that in 2009 it has been mandated by the Health Department to spend an estimated \$10,000 to \$15,000 for additional repairs.

a. Provide an itemized list describing the construction the Health Department is mandating Middletown to complete in 2009.

Answer: Middletown may have mistakenly asserted that there was a Health Department mandate other than compliance with the law. Rather, Middletown is acutely aware of the need to maintain its plant in compliance with the law, including the need to collect, treat, and dispose of sewage so as to avoid environmental problems. It therefore needs to spend approximately \$15,000 to replace an air header which has only been patched in the past.

Also, please note that Middletown has spent approximately \$2,375 in April, May and August of 2009 to address plant problems extending beyond routine maintenance – including an \$880 charge for emergency repairs to the treatment plant header; labor and materials charges of \$615.03 to install three additional air diffusers to meet discharge permit limits; and labor and materials charges of \$880.52 to repair and reinstall a flow meter (three invoices attached). These projects could be considered capital in nature, and Middletown respectfully requests that the Commission Staff consider these projects when determining its revenue requirement recommendations.

b. Identify the Health Department that Middletown is referencing and provide any written notification from the Health Department that mandated Middletown to perform the construction.

Answer: See the response to question 2a above.

c. Provide bids to support the estimated construction costs.

Answer: Bids on the air header replacement are currently unavailable, but Middletown will provide them when they become available.

d. Provide an estimated construction schedule.

Answer: Because this plant replacement is urgent, Middletown plans to complete this project in 2009.

Witness: Donald Lorenz

Sanders Sales & Service

INVOICE

7109 Lorenzo Ln.
 Louisville, KY 40228
 (502) 231-2829 Fax (502) 231-2659

DATE	INVOICE #
4/30/2009	3711

BILL TO
Middletown Waste Disposal C/O- Don Lorenz 130 Apple Ln. Taylorsville, KY 40071

SHIP TO
SEWAGE TREATMENT PLANT 11313 Middletown Industrial Blvd.

P.O. NO.	TERMS	SHIP DATE	SHIP VIA
	Net 30	4/30/2009	Our Truck

QTY	ITEM	DESCRIPTION	EACH	EXTENDED
1	OM	MONTHLY OPERATION FEE	665.00	665.00
1	FUEL	FUEL SURCHARGE	65.00	65.00
1	MX	Barscreen fork	18.50	18.50
1	XT	4-19: EXTRA TRIP TO PLANT DUE TO STORM.	55.00	55.00
16	LABOR	4-20: Emergency service run to repair air leak in treatment plant header with welder & fiberglass reinforced epoxy resin.	55.00	880.00
1	FUEL	FUEL SURCHARGE	5.00	5.00
1	MX	Epoxy resin, misc. material & supplies.	65.96	65.96
2	LABOR	Prepare electronic response to Public service commission, make (12) hard copies and take to post office.	55.00	110.00
1	MX	Postage & office supplies	12.50	12.50
		Ky Sales Tax	6.00%	0.00

6-1-09
 # 5275

Total	\$1,876.96
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Sanders Sales & Service

7109 Lorenzo Ln.
 Louisville, KY 40228
 (502) 231-2829 Fax (502) 231-2659

INVOICE

DATE	INVOICE #
5/31/2009	3727

BILL TO
Middletown Waste Disposal C/O- Don Lorenz 130 Apple Ln. Taylorsville, KY 40071

SHIP TO
SEWAGE TREATMENT PLANT 11313 Middletown Industrial Blvd.

P.O. NO.	TERMS	SHIP DATE	SHIP VIA
	Net 30	5/31/2009	Our Truck

QTY	ITEM	DESCRIPTION	EACH	EXTENDED
			665.00	665.00
1	OM	MONTHLY OPERATION FEE		
1	FUEL	FUEL SURCHARGE	65.00	65.00
2	XT	5-09th, 12th, EXTRA TRIPS TO PLANT DUE TO STORMS.	55.00	110.00
6	LABOR	5-28 & 29th: SERVICE RUN TO INSTALL THREE (3) ADDITIONAL AIR DIFFUSERS IN CONTACT CHAMBER TO MEET DISCHARGE PERMIT LIMITS.	55.00	330.00
1	FUEL	FUEL SURCHARGE	5.00	5.00
1	misc	1-1/4" PVC PIPING, FITTINGS, BRONZE BALL VALVES, HOSES, DIFFUSERS, MISC. MATERIAL & SUPPLIES Ky Sales Tax	285.03	285.03
			6.00%	17.10
Total				\$1,477.13

7-15-09
 #5303

INVOICE

Sanders Sales & Service
 7109 Lorenzo Ln.
 Louisville, KY 40228
 (502) 231-2829 Fax (502) 231-2659

DATE	INVOICE #
8/31/2009	3872

BILL TO
Middletown Waste Disposal C/O- Don Lorenz 130 Apple Ln. Taylorsville, KY 40071

SHIP TO
SEWAGE TREATMENT PLANT 11313 Middletown Industrial Blvd.

SHIP DATE	SHIP VIA	TERMS	P.O. NO.
8/31/2009	Our Truck	Net 30	

QTY	ITEM	DESCRIPTION	EACH	EXTENDED
1	OM	Monthly Operation Fee	665.00	665.00
1	FUEL	Fuel Surcharge	65.00	65.00
1	XT	08/10: Extra Trip to Plant due to Storm (2" rain fall)	55.00	55.00
1	FUEL	Fuel Surcharge	5.00	5.00
9	LABOR	08/11: Service Run to trouble shoot Funeral home lift station, found blown Fuses on Pump #2, pick-up new & replaced; Checked both Pumps-OK, Fuses probably blew due to storm overnight. Call Headden Septic Service to pump Heavy Skum from behind Baffle on Clarifier& haul sludge from Plant.	55.00	495.00
1	FUEL	Fuel Surcharge	5.00	5.00
2	LABOR	08/14: Service Run to change oil & grease blowers	55.00	110.00
1	FUEL	Fuel Surcharge	5.00	5.00
5	LABOR	08/19: Service Run to Fix Air Leaks	55.00	275.00
1	FUEL	Fuel Surcharge	5.00	5.00
1	MX	Service Parts	130.59	130.59
1	misc	Factory Repair of Flow meter	660.52	660.52
1	UPS	Shipping Charges	17.00	17.00
4	LABOR	08/31: Service Run to reinstall & recalibrate Flow Meter	55.00	220.00
1	FUEL	Fuel Surcharge	5.00	5.00
		Ky Sales Tax	6.00%	39.63

9-16-09
 #5343

Total	\$2,757.74
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Question 3. At page 3 of the Application, Middletown states that it may have to spend an additional \$100,000 in the coming years to properly repair the plant. Provide a detailed description of the \$100,000 of construction costs referenced by Middletown and the anticipated years the construction will be performed. Also, explain if these repairs are mandated by the Health Department and if Middletown will request the Commission to issue a Certificate of Public Convenience and Necessity ("Certificate") before beginning construction.

Answer: The following is a list of the construction projects that Middletown believes to be necessary to keep the plant operating and compliant:

Item	Cost Estimate	Notes
-Treatment plant tank sandblasting and painting to address rust issues identified by PSC inspector	\$25,000+	Pursuant to recent PSC inspection
-Remote lift station repairs	\$15,000	
-New main lift station pumps	\$15,000	Replace original equipment
-Lagoon blowers	\$10,000	Replace original equipment
-Replacement control panel for main lift station	\$8,500	Replace original equipment
-New post aeration blower	\$8,500	
-Surge tank blowers	\$8,000	Replace original equipment
-New lagoon aerator	\$7,500	Replace original equipment
-Aeration blower	\$5,500	Replace original equipment
-Surge tank pump	\$5,000	Replace original equipment
-Disinfecting Chemical Feed System (2 units)	\$3,000	\$1,500 per unit
Total	\$111,000	

In addition, Middletown has never had a comprehensive video survey of its sewer collection lines, which is estimated to cost between \$10,000 and \$20,000.

As to the anticipated years when the construction will be performed, this is totally dependent upon the amount of rate relief granted by the PSC in this proceeding. For instance, if the requested revenue increase of \$56,459 per year is granted, Middletown believes it could complete the above-mentioned projects within two to three years. Middletown's partners have subsidized the plant's operations for many years, and the degree of subsidy has increased in recent years. Middletown would like to work with the PSC Staff in this proceeding – and invites the Staff to tour the sewage treatment plant in the next few months - to allow it a full understanding of all the projects needing to be done in a reasonably brief timeframe to keep this 30-year old plant running in compliance with environmental standards. Middletown stresses that its intent in filing this rate case is to seek the revenues needed to fix the plant and avoid future environmental issues and potential liabilities.

Middletown would like to work with the Commission Staff in this proceeding to identify which of the above-mentioned projects would require PSC approval through a CPCN.

Witness: Donald Lorenz

Question 4. In its Revenue Requirement Calculation, Attachment A of the Application, Middletown uses an income tax gross-up factor. In prior proceedings, the Commission has noted that for subchapter S corporations there is no income tax liability at the corporate level and, therefore, the Commission does not allow a provision for income taxes in the utility's revenue requirement. Provide a detailed discussion to persuade the Commission Staff that this prior Commission position is unreasonable.

Answer: Middletown included income tax in its revenue requirement for two reasons. First, the PSC Order approving Middletown's initial rates in Case No. 7732 dated January 23, 1981 included an allowance of \$1,941 for "Income & Jefferson Co. Tax" at Appendix B. Second, PSC Staff's 1998 revenue requirement recommendation included an allowance for taxes using a gross-up factor of 1.22549.

Witness: Donald Lorenz

Question 5. *Refer to Attachment A of the Application, Adjustment B, Owner/Manager Fee. Middletown states that in the test period Donald Lorenz, Middletown's Secretary/Treasurer, was paid \$10,800 to manage the day-to-day operations of Middletown's system and to perform various engineering services.*

a. Provide a detailed list of the management duties and engineering services being performed by Mr. Lorenz.

Answer: Mr. Lorenz provides management and supervisory activities for Middletown, including supervising office and plant operations, making periodic inspections, and corresponding with all regulatory agencies including the PSC, the Division of Water, the Board of Health, and the Metropolitan Sewer District. He also provides development planning and engineering services, including monitoring the system for toxic waste materials, conducting annual inspections of the plant and property, supervising maintenance of all lines and the two lift stations, and determining the feasibility of possible expansions. He also interacts with contract operators and other contractors to resolve any operational issues.

b. Does Mr. Lorenz track the number of hours he spends performing the daily management and engineering services for Middletown? (1) If yes, provide documentation to support the number of hours Mr. Lorenz devotes to the management of Middletown. Also, document the number of hours Mr. Lorenz provides engineering services to Middletown. (2) If no, given that this is a less-than-arms-length transaction, provide documentation to show that Mr. Lorenz's annual salary of \$10,800 is reasonable.

Answer: Mr. Lorenz does not track the hours he spends performing the daily management and engineering services for Middletown. Middletown believes payments to Mr. Lorenz are reasonable and in view of his 30+ years of experience in sewer plant operations, his technical expertise, and the services he provides on a continual basis. He charges Middletown \$400 per month for management and supervisory activities, including supervising office operations, supervising plant operations, making periodic inspections, and corresponding with all regulatory agencies. He charges Middletown \$500 per month for development planning and engineering, including monitoring the system for toxic waste materials, conducting annual inspections of the plant and property, supervising maintenance of all lines and the lift stations, and determining the feasibility of possible expansions. He also interacts with the contract operator and other contractors to resolve any operational issues.

Witness: Donald Lorenz

Question 6. Refer to Attachment A of the Application, Adjustment B, Owner/Manager Fee. Middletown states that in the test period Paul Lichtefeld, Middletown's President, was paid an owner/manager fee of \$3,600 and that Middletown is proposing to increase the annual owner/manager fee to \$6,000.

a. Provide a detailed list of the management duties being performed by Mr. Lichtefeld.

Answer: Mr. Lichtefeld is responsible for the overall affairs of the corporation, including ultimate responsibility for ensuring that Middletown provides reliable and adequate service, complies with all environmental requirements, and has the necessary financial resources to operate in a sound manner. He interacts with banks and lending institutions, deals with possible sewer line expansions, and meets with attorneys on legal issues. Over the years, Mr. Lichtefeld has subsidized the sewer utility's operations because of its inadequate rates, providing the necessary financial resources to keep the plant running.

For much of Middletown's existence, Mr. Lichtefeld was a "silent partner" in Middletown's operations, allowing Mr. Lorenz to manage the day-to-day affairs of the corporation and handle most of the engineering and other decisions necessary to operate, maintain, and upgrade the plant. However, in the past few years – and particularly in 2008 and 2009 when the need to significantly repair the sewer plant became apparent - Mr. Lichtefeld became much more involved in the affairs of the utility because of Mr. Lorenz's health issues.

b. Does Mr. Lichtefeld track the number of hours he spends performing the management of Middletown? If yes, provide documentation to support the number of hours Mr. Lichtefeld devotes to the management of Middletown. If no, given that this is a less-than-arms-length transaction, provide documentation to show that Mr. Lichtefeld's proposed annual salary of \$6,000 is reasonable.

Answer: Mr. Lichtefeld does not track the hours he devotes to Middletown. However, the Commission should note that Mr. Lichtefeld's involvement in the plant has substantially increased in 2008 and 2009, and he has every expectation that his duties and responsibilities relative to Middletown will substantially increase in the coming years. He gives the company great value with his business relationships and time devoted to Middletown.

Mr. Lichtefeld's primary concern is that the Commission establish a fair, just, and reasonable revenue requirement in this case – including a reasonable level of overall compensation that allows Middletown to retain the human resources needed to meet the challenges it will face in the future.

Witness: Paul Lichtefeld

Question 7. Refer to Attachment A of the Application, Adjustment B, Owner/Manager Fee. Middletown states that Mr. Lorenz is responsible for the management of Middletown's daily operations and that Mr. Lichtefeld is responsible for maintaining the sewer plant. Given the size of Middletown, explain in detail why it requires two owner/managers to oversee its operations. Provide documentation to support Middletown's response.

Answer: Middletown has noted that for most of its existence, it was managed and operated on a day-to-day basis by Donald Lorenz, and Paul Lichtefeld was not as involved in Middletown until the past few years. These were complementary rather than duplicative roles. That situation changed significantly in recent years, with Mr. Lichtefeld becoming increasingly involved as it became necessary. To reiterate, Middletown's primary concern is that the Commission include a reasonable level of total compensation based upon current conditions, recognizing that Middletown has not increased its sewer rate throughout its 28-year existence.

Witness: Paul Lichtefeld

Question 8. Refer to Attachment A of the Application, Adjustment C, Fuel and Power Expense. Provide legible copies of the LG&E, AT&T, and Louisville Water Company invoices for the period of 1/1/2007 through 3/31/2009.

Answer: Due to the voluminous nature of these invoices and the added expense that would be required to produce an original and 6 copies, Middletown requests a deviation from the requirement to provide 7 copies. Two copies of LG&E and Louisville Water Company invoices for 2008 and 2009 have been provided in a separate document at Tab 1. 2007 invoices prior to those provided are not readily available. In addition, AT&T does not separately bill Middletown for the office phone, but instead jointly bills Mr. Lorenz approximately \$140 per month for his house and the separate office building. Mr. Lorenz then charges Middletown a set fee of \$60 per month to cover Middletown's cost for telephone service.

Witness: Donald Lorenz

Question 9. Refer to Attachment A of the Application, Adjustment E, Maintenance of Collection System Expense; Adjustment M, Amortization Expense; and Attachment G, Lift Station and Sewer Repairs.

a. Provide a detailed description of the construction that was performed at the lift stations.

Answer: Please note that Middletown submitted, at Attachment G of its application, a summary sheet showing 23 payments related to the lift station repairs (and sewer collection lines), as well as the invoices and correspondence between Middletown's President and Treasurer. Also, please note the attached photos of the lift station repairs.

Middletown has a main lift station and a remote lift station. In early 2008, the main lift station experienced infiltration issues – an emergency situation needing immediate attention. An invoice for \$646.85 dated March 31, 2008 shows the primary contractor performing the repairs, Advanced Paving & Construction Company, Inc., began work on March 6. Middletown's initial intent was to perform cleanup and minor pump repairs, but additional problems were discovered as the work progressed, and it became more apparent that more significant repairs and substantial expenditures were needed. For instance, the lid to the wet well was unsafe and needed replacement; the lift station controls were deteriorated and had to be reworked; and the shutoff valves to the lift station needed replacement. Additional March 31 invoices from Advanced Paving and Construction show large bills of \$8,956.25 and \$19,274.76 for work done from March 10 through March 29. At least \$11,000 of this cost related to temporary pumping to keep sewage flowing while the main lift station was being repaired, and when the repairs began, there was no way to predict how long the temporary pumping would be necessary. Work continued into early April, as shown by the last major invoice totaling \$7,185.78 from Advanced Paving and Construction.

b. Explain why Middletown did not file an application with the Commission requesting a Certificate for the lift station construction project.

Answer: Middletown did not file an application for a Certificate for these repairs because it does not believe a Certificate was required. Middletown did not do a wholesale replacement of its main lift station, but rather a series of patchwork repairs that eventually added up to \$49,251. The repairs were needed immediately to keep the sewage treatment plant operating and compliant with environmental mandates. Moreover, if Middletown had done a wholesale replacement of the main lift station, such a replacement would have most likely cost in excess of \$200,000.

c. Provide the date the lift stations were originally installed and the depreciation life used by Middletown.

Answer: The main lift station was installed with the original plant in 1981, and the depreciation life used was 33 years.

d. Provide documentation to support the proposed three-year amortization period.

Answer: In its 2008 PSC Annual Report, Middletown expensed the series of 2008 repairs to its lift station totaling \$49,251. In applying for the rate increase to help pay for repairs in 2008 and 2009, and the items set forth in response to Question 3, Middletown recognizes it would be unfair to customers to base new sewer rates upon the 2008 repairs as if they occurred annually. We therefore propose to remove them from operating expenses and spread them over a multi-year period for fair, just and reasonable rate recovery.

Middletown recognizes that in recent years, the Commission has allowed rate recovery to small utilities for significant repairs and replacements over periods of 3 or 5 years. Middletown is asking the Commission to afford it similar treatment in this instance, and has based its rate proposal upon a three-year amortization period. To cite two instances where the Commission has approved 3 or 5-year recovery of significant sewer repairs, replacements, upgrades, or other rehabilitation projects, we note the following:

-In an Order dated April 11, 2007 approving new rates and a surcharge in Case No. 2006-00028, the Commission approved a settlement agreement authorizing Farmdale Development Corporation a monthly surcharge of \$9.92 for a period of 5 years or the collection of \$146,307, whichever comes first. The surcharge was intended to fund several projects, including the installation of a new remote lift station, various system repairs and replacements, and the pumping and cleaning of a lagoon.

-In an Order dated June 14, 2004 approving new rates for Airview Estates, Inc. in Case No. 2003-00494, the Commission authorized Airview to collect a monthly surcharge of \$17.31 per customer for 36 months, or until \$118,990 had been collected. The surcharge was intended to fund certain system repairs pursuant to a specific construction schedule.

Middletown has never had a rate increase since its inception in 1981, and the owners have continually subsidized the plant's operation. Middletown's financial history according to PSC Annual Reports shows that we experienced our worst year in 2008:

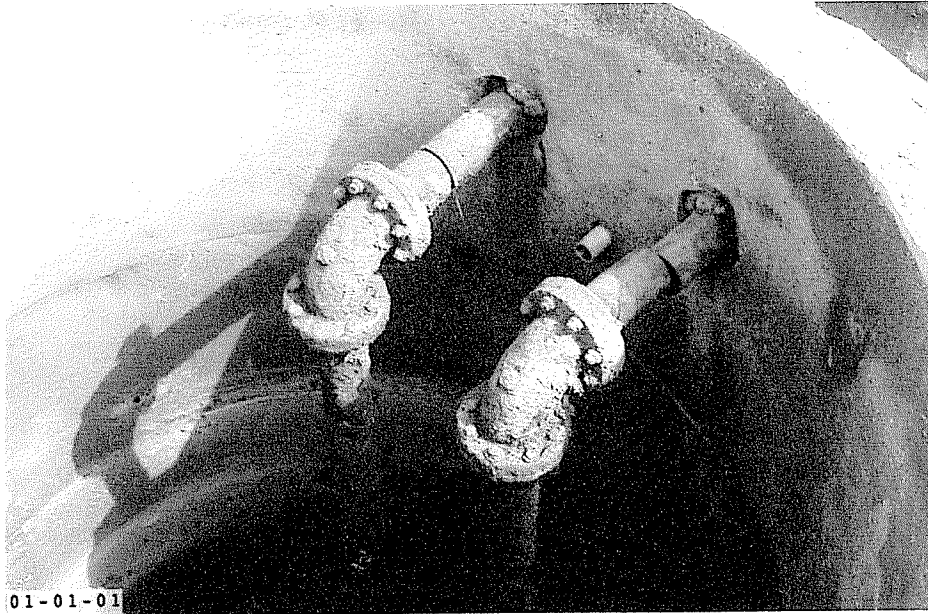
Year	Total Sewage Operating Expenses	Net Income
2008	\$228,150	(\$99,300)
2007	\$156,628	(\$5,316)
2006	\$139,668	(\$11,959)
2005	\$145,262	(\$32,648)
2004	\$131,180	(\$16,158)
2003	\$126,299	(\$17,698)
2002	\$117,150	(\$23,240)
2001	\$122,854	(\$32,422)
2000	\$130,940	(\$29,798)
1999	\$103,568	(\$29,098)
1998	\$101,639	(\$12,773)
1997	\$98,138	(\$29,974)
1996	\$91,786	(\$4,620)
1995	\$94,902	(\$19,294)
1994	\$87,169	\$931
1993	\$82,811	(\$18,709)
1992	\$81,309	(\$27,899)

We have strived to remain compliant with the law, and to provide safe, reliable and adequate service to an important commercial and residential area in eastern Jefferson County. We are therefore asking the Commission for suitable rate relief to allow us to recover the costs of these repairs.

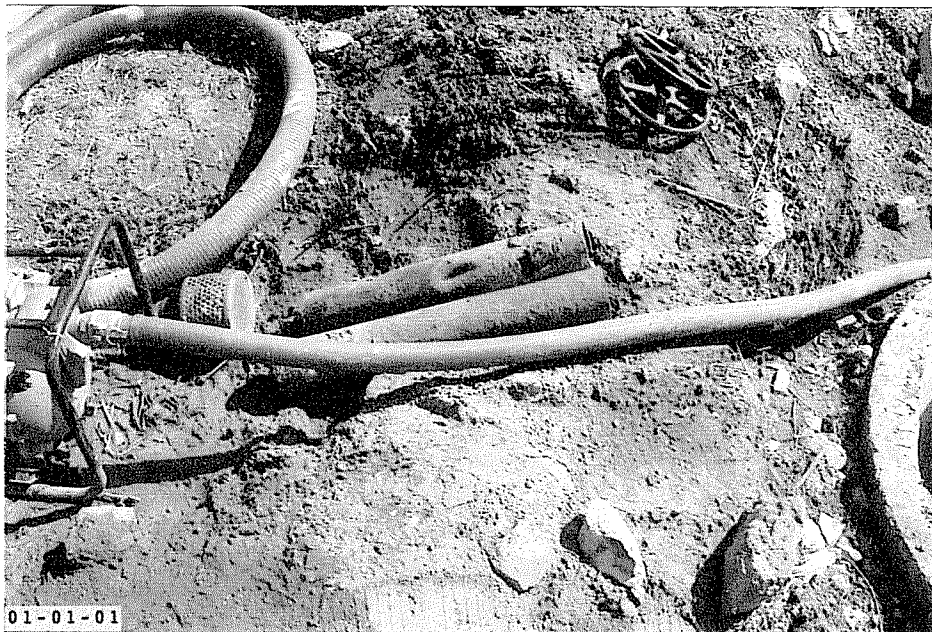
e. Provide any written notification from the Health Department that mandated Middletown to perform the construction at its lift stations.

Answer: See the response to Question 2.

Witness: Donald Lorenz



Deteriorated discharge pipes



Discharge pipe with hole causing sewage to be pumped back into wet well

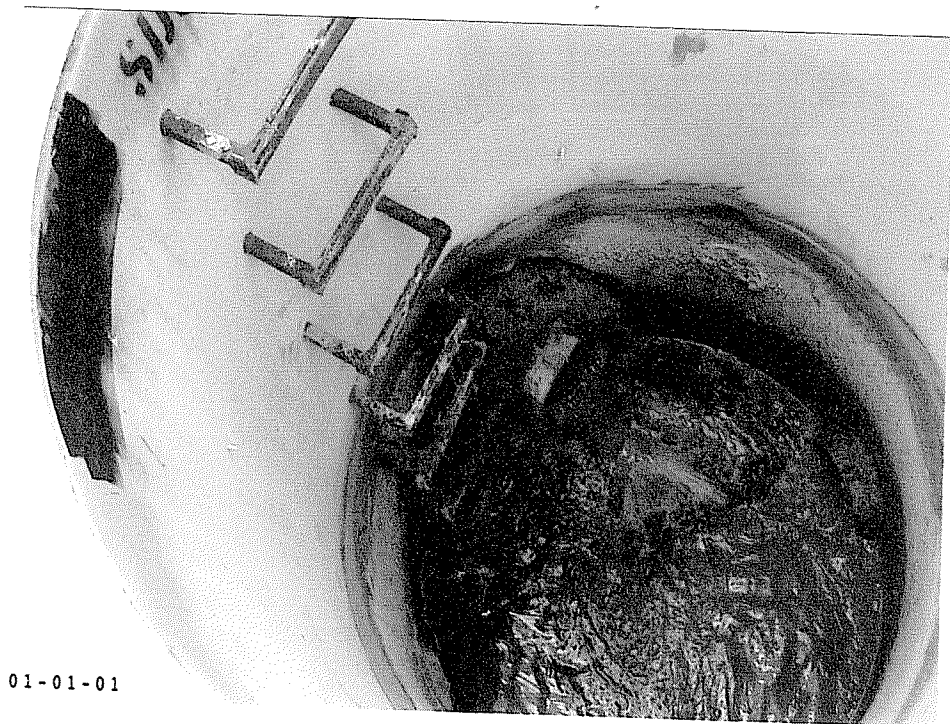


Bypass pump and bypass valve





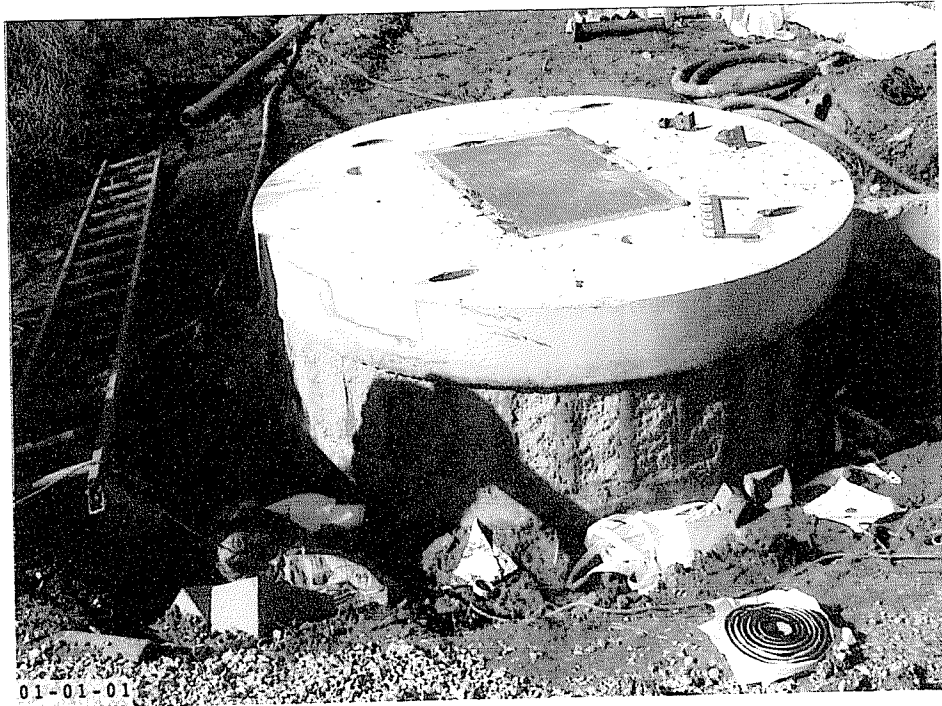
Installed new manhole to stop ground water infiltration into wet well



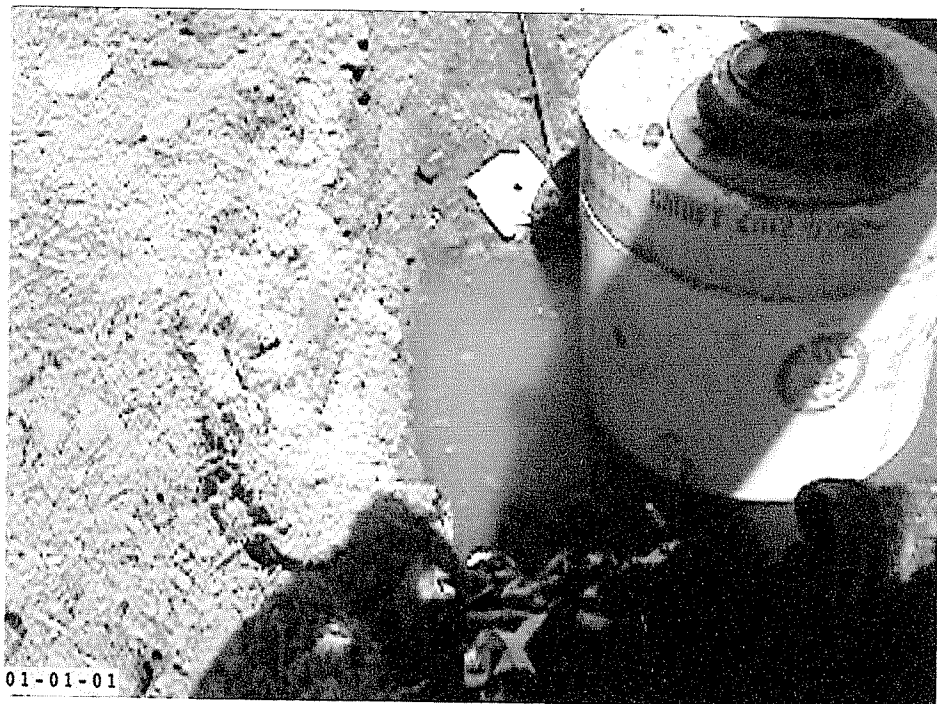


New discharge lines and valves

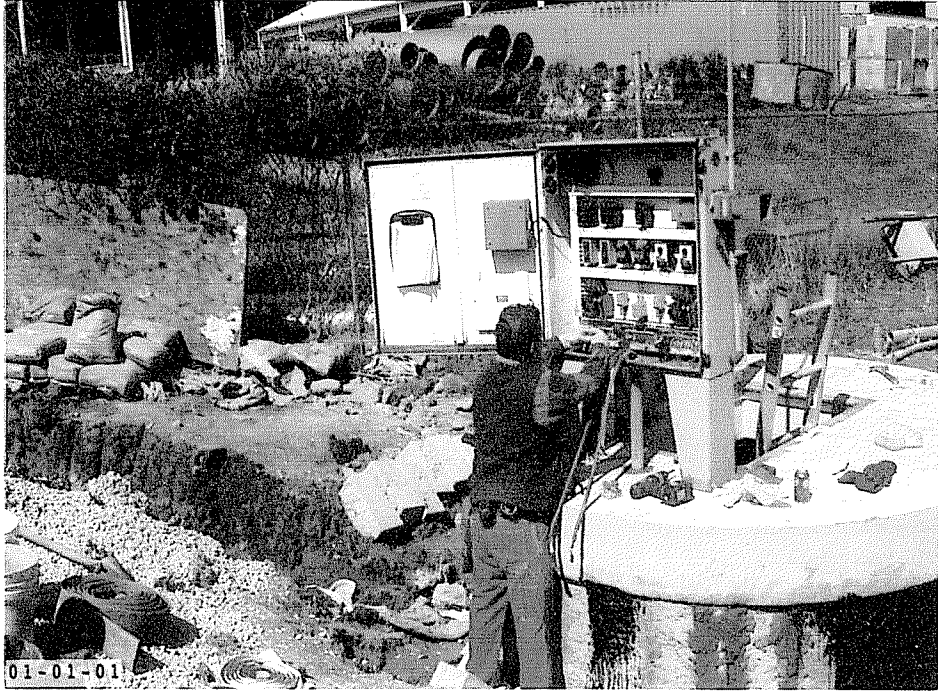




Installed new concrete and aluminum top & access to replace existing that was a
Safety hazard. Raised lid 1'4" to stop ground water infiltration



New manhole to stop ground water infiltration



New electrical components and conduit



Completed Project

Question 10. Refer to Attachment A of the Application, Adjustment F, Maintenance of Pumping System Expense; Adjustment M, Amortization Expense; and Attachment G of the Application, Lift Station and Sewer Repairs. In 2008, Middletown spent \$49,251 to make repairs to its sewer collection lines to comply with Health Department requirements. Middletown is proposing to remove the \$49,251 from test period operating expenses and to amortize those repair costs over a three-year period. a. Provide a detailed description of the construction that was performed to repair the sewer collection lines.

Answer: This question seems to confuse the lift station repairs totaling \$49,251 with repairs to the sewer collection lines totaling \$16,848. Since Middletown responded to the lift station repairs in Answer No. 9, we assume Question 10 refers to the sewer collection lines (Adjustment E) and will answer accordingly.

In February 2008, a Middletown contractor found leaks in two lines located in Middletown Industrial Park. In March 2008, one of these lines was repaired at a cost of \$8,802. Middletown initially attempted to repair the lines in an inexpensive manner by "sliplining" the affected areas, but that attempt failed. Therefore, it was necessary to excavate and replace approximately 20 feet of line. The invoice dated March 31, 2008 from Advanced Paving and Construction (filed with this rate application) shows these repairs were done from March 17 through March 21 and involved the use of a backhoe and other heavy equipment to excavate the lines in order to repair the leaks. Similarly, in late March and early April, repairs to the second line were completed at a cost of \$6,235.69. The Advanced Paving and Construction invoice dated April 30, 2008 (also filed with the rate application) shows these leak repairs were done from March 31 through April 3, and involved using an excavator and other equipment to locate and repair the leaks.

b. Explain why Middletown did not file an application with the Commission requesting a Certificate for a sewer collection line construction project.

Answer: Middletown does not believe a Certificate is required in order to repair minor sections of its lines. Small line sections representing less than 15 percent of Middletown's sewage collection system were repaired; Middletown did not do a wholesale replacement of large sections of its collection lines. An analysis of the two above-mentioned invoices from Advanced Paving and Construction clearly shows that a majority of the charges for both line repairs were related to labor and equipment rental to locate, access, and fix the leaks, and that relatively small amounts of materials were used.

c. Provide the date the sewer collection lines were originally placed into service.

Answer: The sewer collection lines were placed into service in 1981.

d. It is Middletown's responsibility to show that its proposed amortization period is reasonable. Provide documentation to support the proposed three-year amortization period.

Answer: Please refer to our response to Question 9d above. In its 2008 PSC Annual Report, Middletown expensed the series of 2008 repairs to its sewer collection lines totaling \$16,848. In applying for the rate increase to help pay for repairs in 2008 and 2009, and additional repairs soon to be required to remain compliant with the law, Middletown recognizes it would be unfair to customers to base new sewer rates upon the 2008 repairs as if they occurred annually. We therefore propose to spread them over a reasonably brief multi-year period for fair, just and reasonable rate recovery.

e. Provide any written notification from the Health Department that mandated Middletown to perform the construction at its lift stations.

Answer: See Response to Question 2

Witness: Donald Lorenz

Question 11. Refer to Attachment A of the Application, Adjustment K, Rents Expense Office. Middletown is proposing to include office rent of \$200 per month that is to be paid to Mr. Lorenz for the use of "office space, utilities, and all office equipment." a. Provide a schedule listing by month the following costs incurred by Mr. Lorenz in calendar years 2007 and 2008: (1.) Office rent (2.) Telephone (3.) Utilities-gas, electricity, etc. (4) Equipment; and (5) Furnishings.

Answer: See Attached.

b. Identify all affiliated and nonaffiliated companies that share Mr. Lorenz's office.

Answer: There are no affiliated or nonaffiliated companies that share Mr. Lorenz's office.

c. Provide the rent/office overheads paid by each affiliated or nonaffiliated tenant during the calendar years 2007 and 2008.

Answer: There are no affiliated or nonaffiliated companies that share Mr. Lorenz's office.

d. Provide a list of the tenants that share the office with Middletown. For each tenant listed, identify if the tenant is affiliated with Middletown, Mr. Lichtefeld or Mr. Lorenz.

Answer: There are no tenants that share Mr. Lorenz's office.

e. Identify the total square footage of the office and the amount that is occupied by each tenant listed in the response to 11(d).

Answer: The office measures 192 square feet (12 x 16), and there are no tenants sharing it.

f. The office rent paid to Mr. Lorenz is considered a less-than-arms-length transaction; provide documentation to show that the actual test-period rent of \$1,200 and the proposed annual rent of \$2,400 are reasonable.

Answer: Middletown believes these rents are reasonable because of the following:

- The 1981 order setting Middletown's initial rates, at Appendix B, included office rent of \$540. Twenty-eight years have passed, and the rental, equipment and other costs of running an office have increased.
- When the PSC Staff developed its recommended pro forma operations for Middletown in 1998, it included pro forma Rent Expense of \$1,200. Eleven years have passed since then, and the costs of running an office have increased.
- PSC regulations require utilities to maintain some type of office for customer contacts and to house records. If Middletown were required to maintain a separate office with a phone, office equipment, office utilities, and records, we believe rent for such a freestanding office would far exceed the proposed monthly rent expense of \$200.
- The Commission has allowed other sewer utilities reasonable rental expense that equals or exceeds the \$200 per month requested in this case. For instance, in rate cases for Hillridge Facilities, Inc. in 1990 and again in 2001, the Commission Staff recommended and the Commission allowed annual rent of \$3,575 (see Hillridge Facilities, Inc. Case No. 2001-062, Order and Staff Report dated November 26, 2001 at page 10). Also, in Rate Case No. 2009-00075 for Longview Land Company Inc., the Commission allowed monthly rent expense of \$200 for this sewer utility (see Order and Staff Report dated June 24, 2009). These examples show the Commission has allowed rental expenses of \$200 per month or more - both well into the past, and as recently as this year.

Witness: Donald Lorenz

a. Provide a schedule listing by month the following costs incurred by Mr. Lorenz in calendar years 2007 and 2008: (1.) Office rent (2.) Telephone (3.) Utilities-gas, electricity, etc. (4) Equipment; and (5) Furnishings.

Answer: Attached please find a schedule listing the 2008 electricity charges paid for the office, which is a separate building and therefore separately metered. The average of these bills is \$19.22 per month.

Relative to the office rent, Mr. Lorenz owns the building which houses his office, and hence did not incur office rental charges. Having the office in this building saves Middletown the expense of renting elsewhere, and Middletown believes the proposed rent of \$200 per month is lower than rent which would be paid to an outside party.

Relative to the telephone expense, Mr. Lorenz charges Middletown a set fee of \$60 per month for telephone service. Mr. Lorenz's total AT&T bill for his house and the separate office building is approximately \$140 per month, and the office phone can be answered in the house as well as the office.

Relative to equipment and office furnishings, any such charges were immaterial in 2007 and 2008.

Witness: Donald Lorenz

Quicken Find

	Acct	Num	Payee	Cat	Memo	Clr	Amount
12/10/08	PEOPLES BANK	1358	KU	UTILITIES		R	-21.39
11/10/08	PEOPLES BANK	1354	KU	UTILITIES		R	-15.51
10/15/08	PEOPLES BANK	1350	KU	UTILITIES		R	-13.95
9/15/08	PEOPLES BANK	1345	KU	UTILITIES		R	-16.59
8/11/08	PEOPLES BANK	1341	KU	UTILITIES		R	-15.80
7/14/08	PEOPLES BANK	1335	KU	UTILITIES		R	-15.07
6/10/08	PEOPLES BANK	1333	KU	UTILITIES		R	-13.86
5/13/08	PEOPLES BANK	1326	KU	UTILITIES		R	-14.80
4/14/08	PEOPLES BANK	1324	KU	UTILITIES		R	-16.97
3/17/08	PEOPLES BANK	1321	KU	UTILITIES		R	-23.77
2/14/08	PEOPLES BANK	1319	KU	UTILITIES		R	-27.15
1/14/08	PEOPLES BANK	1314	KU	UTILITIES		R	-20.99
1/7/08	PEOPLES BANK	1313	KU	UTILITIES		R	-14.74

232.59
 ÷ 12 = 19.22
 cy

Utility Bills
 Paid by illa 2, Inc.

Question 12. Refer to Attachment A of the Application, Adjustment M, Amortization Expense.

a. Provide documentation to support the proposed five-year amortization period for the two capital charges totaling \$8,390.

Answer: The two items in question were the labor and materials costs for both a sludge pump totaling \$5,030 and an air diffuser totaling \$3,360. Middletown had proposed a 5-year amortization period in its application based on the understanding that the Commission often uses a 5-year life to depreciate many pieces of sewer equipment it believes to be capital in nature. Middletown, upon referring to a commonly-used table of average service lives for wastewater equipment (see attached), has discovered that air diffusers are commonly depreciated over 3 years rather than 5, and sludge pumps are commonly depreciated over 5 to 10 years. If the Commission recognizes a 3-year life rather than 5 years for the \$3,360 diffuser cost, this amortization adjustment would increase by \$448 to a new total of \$8,838.

b. Provide a copy of the KPDES permit referenced in the adjustment description.

Answer: We assume the intent of this question is to determine the appropriate amortization expense for the 5-year permit, and the attached letter dated September 14, 2007 from the KPDES Branch of the Kentucky Division of Water shows the issuance fee paid in 2007 was \$1,360. (The draft permit is also attached.) Please note that Middletown's application was in error in suggesting that this fee was expected to be \$1,000, and that the 5-year amortization would be \$200. In fact, the 5-year amortization of the \$1,360 fee would be \$272.

c. Provide a legible copy of the invoices to support the rate case consulting fees of \$3,300.

Answer: The attached contract calls for three payments totaling \$3,300; the first two payments totaling \$2,475 have already been made.

Witness: Donald Lorenz

Table 44
Average Service Lifetimes, Major Systems Components
Wastewater Systems

Description	Average Service Lifetimes	
<u>Septic Tank-Soil Absorption</u>		
Septic Tank	20-50 years	
Soil Absorption System	10-30 years	
<u>Home Aerobic Tanks</u>		
Tank	20-50 years	
Mechanical Components	3-10 years	
<u>Collection Systems</u>		
Gravity Sewers, clay, cement	25-50 years	
Gravity Sewers, cast iron	30-75 years	
Gravity Sewers, plastic	30-75 years	
Manholes, structures	20-50 years	
Lift Station, structures	20-50 years	
Lift Station, pumps, etc.	7 years	
Pressure sewers, plastic, small dia.	5-10 years	
Small (household) sewage pumps	5-10 years	
Pressure Mains-same as gravity sewers		
<u>Treatment Systems</u>		
Primary	Comminutors	5 years
	Screens	10 years
	Clarifier Tanks, concrete	20 years
	Clarifier Tanks, metal	20 years
	Grit and Sludge Handling Equipment	5-10 years
Secondary	Lagoons	5-25 years
	Extended Aeration tankage, concrete	20-50 years
	Extended Aeration tankage, metal	20-30 years
	Aerator Compressors	5-10 years
	Air diffusers	3 years
	Sludge pumps	5-10 years
	Clarifier Tankage, Concrete	20-50 years
	Clarifier Tankage, Metal	20-30 years
	Chlorinators	10 years
	Sludge Digesters-same as aeration tankage	
Advanced Wastewater Treatment	Sand Filters	5-10 years
Sludge Disposal Equipment	Drying beds	5-15 years
	Incinerators	
	Dewatering devices	
Effluent Disposal	Irrigation Pumps	5-10 years
	Sprinkler Heads	2-5 years
<u>General Use Equipment</u>		
Laboratory instrumentation	3-10 years	
Service Vehicles	3-5 years	
Pumper/Tank trucks	5-10 years	
Automatic Controls	5-20 years	

Source: O &M Guide for the Support of Rural Water-Wastewater Systems by Commission on Rural Water, Chicago, Illinois, 1974, p 246-247



ERNIE FLETCHER
GOVERNOR

ENVIRONMENTAL AND PUBLIC PROTECTION CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION
DIVISION OF WATER
14 REILLY ROAD
FRANKFORT, KENTUCKY 40601
www.kentucky.gov

TERESA J. HILL
SECRETARY

September 14, 2007

9-24-07
c/24855

Mr. Donald Lorenz
Middletown Waste Disposal, Incorporated
130 Apple Lane
Taylorsville, Kentucky 40071

Re: Public Notice of Draft KPDES Permit
KPDES No.: KY0086843
Middletown Industrial Park
AI ID: 2148 Activity ID: APE20030001
Jefferson County, Kentucky

Dear Mr. Lorenz:

A draft Kentucky Pollutant Discharge Elimination System (KPDES) permit for the above-referenced facility has been completed and the information sent to public notice as per Regulation 401 KAR 5:075, Sections 3 and 5. Enclosed for your review are copies of the public notice, draft permit, and fact sheet. Comments on the draft permit must be received by the comment due date on the enclosed public notice.

The issuance fee for your KPDES permit is 1360.00. Please make your check payable to the Kentucky State Treasurer and mail it to the Division of Water, KPDES Branch, Inventory and Data Management Section, 14 Reilly Road, Frankfort, Kentucky 40601 upon receipt of this letter. For your record keeping purposes, it is recommended that your check be sent by certified mail.

If you have any questions, feel free to contact the permit writer (referenced in the public notice) or me at (502) 564-8158, extension 528.

Sincerely,

Ann S. Workman

Ann S. Workman
Inventory and Data Management Section
KPDES Branch
Division of Water

ASW:asw

Enclosures

c: Louisville Regional Office
Division of Water Files



STEVEN L. BESHEAR
GOVERNOR

LEONARD K. PETERS
SECRETARY

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION
DIVISION OF WATER
200 FAIR OAKS LANE, 4TH FLOOR
FRANKFORT, KENTUCKY 40601
www.dep.ky.gov

October 2, 2009

Mr. Donal Lorenz
Middletown Waste Disposal, Inc.
130 Apple Lane
Taylorsville, KY 40071

Re: Public Notice of Draft KPDES Permit
KPDES No.: KY0086843
Middletown Industrial Park
AI ID: 2148
Jefferson County, Kentucky

Dear Mr. Lorenz:

A draft Kentucky Pollutant Discharge Elimination System (KPDES) permit for the above-referenced facility has been completed and the information sent to public notice as per Regulation 401 KAR 5:075, Sections 3 and 5. Copies of the public notice, draft permit, fact sheet and application are available at: www.water.ky.gov. Comments on the draft permit must be received by the comment due date on the public notice.

If you have any questions concerning this matter, feel free to contact the permit writer (referenced in the public notice) or me at (502) 564-8158, extension 4918.

Sincerely,
Ann S. Workman
Ann S. Workman
Permit Support Section
Surface Water Permits Branch
Division of Water

ASW:asw
Enclosures

c: Louisville Regional Office
TEMPO

KPDES



**KENTUCKY POLLUTANT
DISCHARGE ELIMINATION
SYSTEM**

PERMIT

PERMIT NO.: KY0086843
AI NO.: 2148

**AUTHORIZATION TO DISCHARGE UNDER THE
KENTUCKY POLLUTANT DISCHARGE ELIMINATION SYSTEM**

Pursuant to Authority in KRS 224,

Middletown Waste Disposal, Inc
130 Apple Lane
Taylorsville, Kentucky 40071

is authorized to discharge from a facility located at

Middletown Industrial Park
13105 Middletown Industrial Blvd
Middletown, Jefferson County, Kentucky

to receiving waters named

Upper Chenoweth Run at mile point 2.12

in accordance with effluent limitations, monitoring requirements and other conditions set forth in Parts I, II, III, and IV hereof. The permit consists of this cover sheet, and Part I 2 pages, Part II 6 pages, and Part III 1 page.

This permit shall become effective on.

This permit and the authorization to discharge shall expire at midnight,

Date Signed

Sandra L. Gruzesky, Director
Division of Water

A1. EFFLUENT LIMITATIONS AND MONITORING REQUIREMENTS

During the period beginning on the effective date of this permit and lasting through the term of this permit, the permittee is authorized to discharge from Outfall serial number: 001 - Sanitary Wastewater (Design Flow = 0.160 MGD)

Such discharges shall be limited and monitored by the permittee as specified below:

EFFLUENT CHARACTERISTICS	DISCHARGE LIMITATIONS				MONITORING REQUIREMENTS	
	(lbs/day)		Other Units (Specify)		Measurement Frequency	Sample Type
	Monthly Avg.	Daily Max.	Monthly Avg.	Daily Max.		
Flow (MGD)	Report	Report	N/A	N/A	Continuous	Recorder
CBOD ₅ (mg/l)	20	30	15	22.5	1/Week	24 Hr Composite
TSS (mg/l)	40	60	30	45	1/Week	24 Hr Composite
Ammonia Nitrogen (as mg/l N)						
May 1 - October 31	5.34	8.01	4.0	6.0	1/Week	24 Hr Composite
November 1 - April 30	13.3	20	10	15	1/Week	24 Hr Composite
<i>Escherichia Coli</i> (N/100 ml)	N/A	N/A	130	240	1/Week	Grab
Dissolved Oxygen (mg/l) (minimum)	N/A	N/A	Not less than	7.0	1/Week	Grab
pH (standard units)	N/A	N/A	6.0 (min)	9.0 (max)	1/Week	Grab
Total Residual Chlorine (mg/l)	N/A	N/A	0.011	0.019	1/Week	Grab
Total Phosphorus (mg/l)	N/A	N/A	1.0	Report	1/Week	24 Hr Composite
Total Nitrogen (mg/l)	N/A	N/A	Report	Report	1/Week	24 Hr Composite

The abbreviation CBOD₅ means Carbonaceous Biochemical Oxygen Demand (5-day).

The abbreviation TSS means Total Suspended Solids.

The abbreviation N/A means Not Applicable.

The effluent limitations for CBOD₅ and TSS are Monthly (30 day) and Weekly (7 day) Averages.

The effluent limitations for *Escherichia Coli* are thirty (30) day and seven (7) day Geometric Means.

Total Nitrogen is to be reported as the summation of the analytical results for Total Nitrates, Total Nitrites, and Total Kjeldahl Nitrogen.

There shall be no discharge of floating solids or visible foam or sheen in other than trace amounts.

Samples taken in compliance with the monitoring requirements specified above shall be taken at the following location: nearest accessible point prior to discharge to or mixing with the receiving waters or wastestreams from other outfalls.

B. SCHEDULE OF COMPLIANCE

The permittee shall achieve compliance with all requirements on the effective date of this permit.

DRAFT

STANDARD CONDITIONS FOR KPDES PERMIT

This permit has been issued under the provisions of KRS Chapter 224 and regulations promulgated pursuant thereto. Issuance of this permit does not relieve the permittee from the responsibility of obtaining any other permits or licenses required by this Cabinet and other state, federal, and local agencies.

It is the responsibility of the permittee to demonstrate compliance with permit parameter limitations by utilization of sufficiently sensitive analytical methods.

The following KPDES permit conditions apply to all discharges authorized by this permit pursuant to 401 KAR 5:065, Section 1.

(1) Duty to comply.

(a) General requirement.

The permittee shall comply with all conditions of this permit. Any permit noncompliance shall constitute a violation of KRS Chapter 224, among which shall be the following remedies: enforcement action, permit revocation, revocation and reissuance, or modification; or denial of a permit renewal application.

(b) Specific duties.

1. The permittee shall comply with effluent standards or prohibitions established under 40 CFR Part 129 as of July 1, 2001, as adopted without change, within the time provided in the federal regulations that establish these standards or prohibitions, even if the permit has not yet been modified to incorporate the requirement.

2. Any person who violates a permit condition as set forth in the KPDES administrative regulations shall be subject to penalties under KRS 224.99-010(1) and (4).

(2) Duty to reapply.

If the permittee wishes to continue an activity regulated by this permit after the expiration date of this permit, the permittee shall apply for and obtain a new permit as required in 401 KAR 5:060, Section 1.

(3) Need to halt or reduce activity not a defense.

It shall not be a defense for a permittee in an enforcement action that it would have been necessary to halt or reduce the permitted activity in order to maintain compliance with the conditions of this permit.

(4) Duty to mitigate.

The permittee shall take all reasonable steps to minimize or prevent any discharge in violation of this permit which has a reasonable likelihood of adversely affecting human health or the environment.

(5) Proper operation and maintenance.

The permittee shall at all times properly operate and maintain all facilities and systems of treatment and control and related appurtenances which are installed or used by the permittee to achieve compliance with the conditions of this permit. Proper operation and maintenance also shall include adequate laboratory controls, and appropriate quality assurance procedures. This provision shall require the operation of back-up or auxiliary facilities or similar systems which are installed by a permittee only if the operation is necessary to achieve compliance with the conditions of the permit.

(6) Permit actions.

The permit may be modified, revoked and reissued, or revoked for cause. The filing of a request by the permittee for a permit modification, revocation and reissuance, or revocation, or a notification of planned changes or anticipated noncompliance, shall not stay any permit condition.

(7) Property rights.

This permit shall not convey any property rights of any kind, or any exclusive privilege.

(8) Duty to provide information.

The permittee shall furnish to the cabinet, within a reasonable time, any information which the cabinet may request to determine whether cause exists for modifying, revoking and reissuing, or revoking this permit, or to determine compliance with this permit. The permittee shall also furnish to the cabinet, upon request, copies of records required to be kept by this permit.

(9) Inspection and entry.

The permittee shall allow the cabinet, or an authorized representative, upon the presentation of credentials and other documents as may be required by law, to:

(a) Enter upon the permittee's premises where a regulated facility or activity is located or conducted, or where records pertinent to the KPDES program are or may be kept;

(b) Have access to and copy, at reasonable times, any records that are required to be kept under the conditions of this permit;

(c) Inspect at reasonable times any facilities, equipment, including monitoring and control equipment, practices, or operations regulated or required under this permit; and

(d) Sample or monitor at reasonable times, for the purposes of assuring KPDES program compliance or as otherwise authorized by KRS Chapter 224, any substances or parameters at any location.

(10) Monitoring and records.

(a) Samples and measurements taken for the purpose of monitoring shall be representative of the monitored activity.

(b) The permittee shall retain records of all monitoring information, including all calibration and maintenance records and all original strip chart recordings for continuous monitoring instrumentation, copies of all reports required by this permit, and records of all data used to complete the application for this permit, for a period of at least three (3) years from the date of the sample, measurement, report, or application. This period may be extended by request of the cabinet at any time.

(c) Records of monitoring information shall include:

1. The date, exact place, and time of sampling or measurements;
2. The individuals who performed the sampling or measurements;
3. The dates analyses were performed;
4. The individuals who performed the analyses;
5. The analytical techniques or methods used; and
6. The results of the analyses.

(d) Monitoring shall be conducted according to test procedures approved under 40 CFR Part 136, unless other test procedures have been specified in the permit.

(e) Any person who falsifies, tampers with, or knowingly renders inaccurate any monitoring device or method required to be maintained under the permit shall, upon conviction, be subject to penalties under KRS 224.99-010(4).

(11) Signatory requirement.

All applications, reports, or information submitted to the cabinet shall be signed and certified as indicated in 401 KAR 5:060, Section 9. Any person who knowingly makes any false statement, representation, or certification in any record or other document submitted or required to be maintained under this permit, including monitoring reports or reports of compliance or noncompliance shall, upon conviction, be subject to penalties under KRS 224.99-010(4).

(12) Reporting requirements.

(a) Planned changes.

The permittee shall give notice to the cabinet as soon as possible of any planned physical alteration or additions to the permitted facility. Notice shall be required only if:

1. The alteration or addition to a permitted facility may meet one (1) of the criteria for determining whether a facility is a new source in 401 KAR 5:080, Section 5; or
2. The alteration or addition could significantly change the nature or increase the quantity of pollutants discharged. This notification only applies to pollutants which are subject either to effluent limitations in the permit, or to notification requirements under 401 KAR 5:080, Section 5.

(b) Anticipated noncompliance.

The permittee shall give advance notice to the cabinet of any planned changes in the permitted facility or activity which may result in noncompliance with permit requirements.

(c) Transfers.

The permit shall not be transferable to any person except after notice to the cabinet. The cabinet may require modification or revocation and reissuance of the permit to change the name of the permittee and incorporate other requirements as may be necessary under KRS Chapter 224.

(d) Monitoring reports.

Monitoring results shall be reported at the intervals specified in the permit. Monitoring results shall be reported as follows:

1. Monitoring results shall be reported on a Discharge Monitoring Report (DMR).
2. If the permittee monitors any pollutant more frequently than required by the permit, using test procedures approved under 40 CFR Part 136 or as specified in the permit, the results of this monitoring shall be included in the calculation and reporting of the data submitted in the DMR.
3. Calculations for all limitations which require averaging of measurements shall utilize an arithmetic mean unless otherwise specified by the cabinet in the permit.

(e) Compliance schedules.

Reports of compliance or noncompliance with, or any progress reports on, interim and final requirements contained in any compliance schedule of this permit shall be submitted no later than fourteen (14) days following each schedule date.

(f) Twenty-four (24) hour reporting.

The permittee shall follow the provisions of 401 KAR 5:015 and shall orally report any noncompliance which may endanger health or the environment, within twenty-four (24) hours from the time the permittee becomes aware of the circumstances. This report shall be in addition to and not in lieu of any other reporting requirement applicable to the noncompliance. A written submission shall also be provided within five (5) days of the time the permittee becomes aware of the circumstances. The written submission shall contain a description of the noncompliance and its cause; the period of noncompliance, including exact dates and times, and if the noncompliance has not been corrected, the anticipated time it is expected to continue; and steps taken or planned to reduce, eliminate, and prevent recurrence of the noncompliance. The cabinet may waive the written report on a case-by-case basis if the oral report has been received within twenty-four (24) hours. The following shall be included as events which shall be reported within twenty-four (24) hours:

1. Any unanticipated bypass which exceeds any effluent limitation in the permit, as indicated in subsection (13) of this section.
2. Any upset which exceeds any effluent limitation in the permit.
3. Violation of a maximum daily discharge limitation for any of the pollutants listed by the cabinet in the permit to be reported within twenty-four (24) hours, as indicated in Section 2(7) of this administrative regulation.

(g) Other noncompliance.

The permittee shall report all instances of noncompliance not reported under paragraphs (d), (e), and (f) of this subsection, when monitoring reports are submitted. The reports shall contain the information listed in paragraph (f) of this subsection.

(h) Other information.

Where the permittee becomes aware that it failed to submit any relevant fact in a permit application, or submitted incorrect information in a permit application or in any report to the cabinet, it shall promptly submit these facts or information.

(13) Occurrence of a bypass.

(a) Bypass not exceeding limitations.

The permittee may allow any bypass to occur which does not cause effluent limitations to be exceeded, but only if it also is for essential maintenance to assure efficient operation. This type of bypass shall not be subject to the provisions of paragraphs (b) and (c) of this subsection.

(b) Notice.

1. Anticipated bypass.

If the permittee knows in advance of the need for a bypass, it shall submit prior notice, if possible at least ten (10) days before the date of the bypass. Compliance with this requirement constitutes compliance with 401 KAR 5:015, Section 1.

2. Unanticipated bypass. The permittee shall submit notice of an unanticipated bypass as required in subsection (12)(f) of this section, twenty-four (24) hour notice. Compliance with this requirement constitutes compliance with 401 KAR 5:015, Section 4.

(c) Prohibition of a bypass.

1. Bypassing shall be prohibited, and the cabinet may take enforcement action against a permittee for bypass, unless:

a. The bypass was unavoidable to prevent loss of life, personal injury, or severe property damage;

b. There were no feasible alternatives to the bypass, such as the use of auxiliary treatment facilities, retention of untreated wastes, or maintenance during normal periods of equipment downtime. This condition shall not be satisfied if adequate back-up equipment should have been installed in the exercise of reasonable engineering judgment to prevent a bypass which occurred during normal periods of equipment downtime or preventive maintenance; and

c. The permittee submitted notices as required under paragraph (b) of this subsection.

2. The cabinet may approve an anticipated bypass, after considering its adverse effects, if the cabinet determines that it will meet the three (3) conditions listed in subparagraph 1a, b, and c of this paragraph.

(14) Occurrence of an upset.

(a) Effect of an upset.

An upset constitutes an affirmative defense to an action brought for noncompliance with technology-based permit effluent limitations if the requirements of paragraph (b) of this subsection are met.

(b) Conditions necessary for a demonstration of an upset.

A permittee who wishes to establish the affirmative defense of upset shall demonstrate through properly signed, contemporaneous operating logs, or other relevant evidence that:

1. An upset occurred and that the permittee can identify the causes of the upset;
2. The permitted facility was at the time being properly operated;
3. The permittee submitted notice of the upset as required in subsection (12)(f) of this section; and
4. The permittee complied with any remedial measures required under subsection (4) of this section.

(c) Burden of proof.

In any enforcement proceeding, the permittee seeking to establish the occurrence of an upset shall have the burden of proof.

(15) Additional conditions applicable to specified categories of KPDES permits.

The following conditions, in addition to others set forth in this administrative regulation, shall apply to all KPDES permits within the categories specified below:

(a) Existing manufacturing, commercial, mining, and silvicultural dischargers.

In addition to the reporting requirements under subsections (12), (13), and (14) of this section, any existing manufacturing, commercial, mining, and silvicultural discharger shall notify the cabinet as soon as it knows or has reason to know:

1. That any activity has occurred or will occur which would result in the discharge on a routine or frequent basis, of any toxic pollutant which is not limited in the permit, if that discharge will exceed the highest of the following "notification levels:"

a. 100 micrograms per liter (100 µg/l);

b. 200 micrograms per liter (200 µg/l) for acrolein and acrylonitrile; 500 micrograms per liter (500 µg/l) for 2,4-dinitrophenol and for 2-methyl-4,6-dinitrophenol; and one (1) milligram per liter (1 mg/l) for antimony;

c. Five (5) times the maximum concentration value reported for that pollutant in the permit application in accordance with 401 KAR 5:060, Section 2(7);

d. The level established by the cabinet in accordance with Section 2(6) of this administrative regulation.

2. That any activity has occurred or will occur which would result in any discharge, on a nonroutine or infrequent basis, of a toxic pollutant which is not limited in the permit, if that discharge will exceed the highest of the following "notification levels:"

a. 500 micrograms per liter (500 µg/l);

b. One (1) milligram per liter (1 mg/l) for antimony;

c. Ten (10) times the maximum concentration value reported for that pollutant in the permit application in accordance with 401 KAR 5:060, Section 2(7); or

d. The level established by the cabinet in accordance with Section 2(6) of this administrative regulation.

(b) POTWs.

1. POTWs shall provide adequate notice to the cabinet of the following:

a. Any new introduction of pollutants into that POTW from an indirect discharger which would be subject to the KPDES administrative regulations if it were directly discharging those pollutants; or

b. Any substantial change in the volume or character of pollutants being introduced into that POTW by a source introducing pollutants into the POTW at the time of issuance of the permit.

2. For purposes of this paragraph, adequate notice shall include information on the quality and quantity of effluent introduced into the POTWs and any anticipated impact of the change on the quantity or quality of effluent to be discharged from the POTW.

PART III

OTHER REQUIREMENTS

A. Reporting of Monitoring Results

Monitoring results obtained during each monitoring period must be reported on a preprinted Discharge Monitoring Report (DMR) Form that will be mailed to you. The completed DMR for each monitoring period must be sent to the Division of Water at the address listed below (with a copy to the appropriate Regional Office) postmarked no later than the 28th day of the month following the monitoring period for which monitoring results were obtained.

Division of Water
London Regional Office
875 South Main Street
London, Kentucky 40741
ATTN: Supervisor

Environmental & Public Protection Cabinet
Dept. for Environmental Protection
Division of Water/KPDES Branch
14 Reilly Road, Frankfort Office Park
Frankfort, Kentucky 40601

B. Reopener Clause

This permit shall be modified, or alternatively revoked and reissued, to comply with any applicable effluent standard or limitation issued or approved under 401 KAR 5:050 through 5:086, if the effluent standard or limitation so issued or approved:

1. Contains different conditions or is otherwise more stringent than any effluent limitation in the permit; or
2. Controls any pollutant not limited in the permit.

The permit as modified or reissued under this paragraph shall also contain any other requirements of KRS Chapter 224 when applicable.

C. Disposal of Non-Domestic Wastes

The pass through or non-treatment by the wastewater treatment plant of chemicals or compounds which may injure, be chronically or acutely toxic to or produce adverse physiological or behavioral responses in humans, animals, fish and other aquatic life is not desirable. Materials such as acids, caustics, herbicides, household chemicals or cleansers, insecticides, lawn chemicals, non-biodegradable products, paints, pesticides, pharmaceuticals, and petroleum based products may not be treatable by the wastewater treatment plant and should not be introduced and other environmentally sound methods for disposal should be utilized. The permittee should educate users of its system that introduction of such chemicals or compounds could result in an adverse environmental impact and provide the users with alternative disposal measures.

D. Certified Operators

This wastewater system shall be operated under the supervision of a Class II Kentucky Certified Operator who shall be reasonably available at all times. All other operators employed by the system shall hold a Kentucky Certificate or shall be in the process of obtaining a Kentucky Certificate. The certificates of each operator shall be prominently displayed on the wall of the system office.

E. Outfall Signage

The permittee shall post a permanent marker at all discharge locations and/or monitoring points. The marker shall be at least 2 feet by 2 feet in size and a minimum of 3 feet above ground level with the Permittee Name and KPDES permit and outfall numbers in 2 inch letters. For internal monitoring points the marker shall be of sufficient size to include the outfall number in 2 inch letters and shall be posted as near as possible to the actual sampling location.



STEVEN L. BESHEAR
GOVERNOR

ENVIRONMENTAL AND PUBLIC PROTECTION CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION
DIVISION OF WATER
14 REILLY ROAD
FRANKFORT, KENTUCKY 40601-1190
www.kentucky.gov

ROBERT D. VANCE
SECRETARY

FACT SHEET

**KENTUCKY POLLUTANT DISCHARGE ELIMINATION SYSTEM
PERMIT TO DISCHARGE TREATED WASTEWATER
INTO WATERS OF THE COMMONWEALTH**

KPDES No.: KY0086843 Permit Writer: Larry Sowder Date: June 11, 2008
AI No.: 2148

1. **SYNOPSIS OF APPLICATION**

a. Name and Address of Applicant

Middletown Waste Disposal, Inc
130 Apple Lane
Taylorsville, Kentucky 40071

b. Facility Location

Middletown Industrial Park
13105 Middletown Industrial Blvd
Middletown, Jefferson County, Kentucky

c. Description of Applicant's Operation

Industrial Park

d. Design Capacity

0.160 MGD

e. Description of Existing Pollution Abatement Facilities

Treatment process consists of screening, activated sludge, aerobic digestion, aerated lagoon, chlorine disinfection, and dechlorination.

f. Permitting Action

This is a reissuance of a minor KPDES permit for a wastewater treatment plant serving an Industrial Park.

2. RECEIVING WATER

a. Name/Mile Point

Facility discharges to Upper Chenoweth Run at mile point 2.12.

b. Stream Segment Use Classification

Pursuant to 401 KAR 5:026, Section 5, Upper Chenoweth Run carries the following classifications: Warmwater Aquatic Habitat, Primary/Secondary Contact Recreation, and Domestic Water Supply

c. Stream Segment Categorization

This segment of Chenoweth Run is categorized as a "High Quality" water pursuant to the requirements of 401 KAR 5:030, Section 1(3)(a)1.

d. Stream Low Flow Condition

The 7-day, 10-year (7Q10) low flow condition of the receiving stream is 0.14 cfs.

3. REPORTED DISCHARGE AND PROPOSED LIMITS

Serial Number 001 - Sanitary Wastewater (Design Flow = 0.160 MGD)

Effluent Characteristics	Reported Discharge		Proposed Limits		Applicable Water Quality Criteria and/or Effluent Guidelines	
	Monthly Average	Daily Maximum	Monthly Average	Daily Maximum		
Flow (MGD)	0.102	0.203	Report	Report	401 KAR 5:065, Section 2(8)	
CBOD ₅ (mg/l)	4.88	41	15	22.5	401 KAR 5:031, Section 4 401 KAR 5:045, Sections 3 and 5	
TSS (mg/l)	12.2	72	30	45	401 KAR 5:031, Section 4 401 KAR 5:045, Sections 2 and 3	
Fecal Coliform (N/100 ml)	29.1	107.4	Removing from permit		401 KAR 5:080, Section 1(2)(c)2	
<i>Escherichia Coli</i> (N/100 ml)	NR	NR	130	240	401 KAR 5:031, Section 7 401 KAR 5:045, Section 4 401 KAR 5:080, Section 1(2)(c)2	
Ammonia Nitrogen (as mg/l N)	May 1 - October 31	1.7	15.3	4.0	6.0	401 KAR 5:031, Section 4
	November 1 - April 30	1.1	6.5	10.0	15.0	401 KAR 5:045, Sections 3 and 5
Dissolved Oxygen (mg/l) (minimum)	7.8		Not less than 7.0		401 KAR 5:031, Section 4 401 KAR 5:045, Sections 3 and 5	
pH (standard units)	7.2	7.9	6.0 (min)	9.0 (max)	401 KAR 5:031, Section 4 401 KAR 5:045, Section 4	

3. REPORTED DISCHARGE AND PROPOSED LIMITS - SANITARY FACILITY

Serial Number 001 - Sanitary Wastewater (Design Flow = 0.160 MGD)

Effluent Characteristics	Reported Discharge		Proposed Limits		Applicable Water Quality Criteria and/or Effluent Guidelines
	Monthly Average	Daily Maximum	Monthly Average	Daily Maximum	
Total Residual Chlorine (mg/l)	0.03	0.10	0.011	0.019	401 KAR 5:031, Section 4(k)
Total Phosphorus (mg/l)	NR	NR	1.0	Report	401 KAR 5:065, Section 2(8) 401 KAR 5:080, Section 1(2)(c)2
Total Nitrogen (mg/l)	NR	NR	Report	Report	401 KAR 5:065, Section 2(8)

The data contained under the reported discharge columns is not from the renewal application, but rather from the analysis of the DMR data that has been reported during the term of the previous permit.

The abbreviation CBOD₅ means Carbonaceous Biochemical Oxygen Demand (5-day).

The abbreviation TSS means Total Suspended Solids.

The abbreviation NR means not reported on the Discharge Monitoring Report (DMR).

The effluent limitations for CBOD₅ and TSS are Monthly (30 day) and Weekly (7 day) Averages.

The effluent limitations for *Escherichia Coli* are thirty (30) day and seven (7) day Geometric Means.

Total Nitrogen is to be reported as the summation of the analytical results for Total Nitrates, Total Nitrites, and Total Kjeldahl Nitrogen.

4. METHODOLOGY USED IN DETERMINING LIMITATIONS

a. Serial Number

Outfall 001 Sanitary Wastewater (Design Flow = 0.160 MGD)

b. Effluent Characteristics

Flow, CBOD₅, TSS, Fecal Coliform Bacteria, *Escherichia Coli*, pH, Ammonia Nitrogen, Dissolved Oxygen, Total Residual Chlorine (TRC), Total Phosphorus, and Total Nitrogen.

c. Pertinent Factors

This facility is a sanitary wastewater treatment plant that treats domestic waste for an industrial park.

The receiving stream named Chenoweth Run is one of two streams named Chenoweth Run. The Middletown Industrial Park discharge is to the northern stream in Middletown as opposed to the Chenoweth run to the south in Jeffersontown.

Regional Facility Plan: The plant is located outside of the regional facility planning area of the Metropolitan Sewer District (MSD). No regional facility is available for connection as defined in regulation 401 KAR 5:002, Section 1(21).

The Division's Total Maximum Daily Load (TMDL) for Floyds Fork was approved by the United States Environmental Protection Agency Region IV on September 4, 1997. The TMDL called for the elimination of this wastewater treatment plant when sewers became available. As sewers are not yet available elimination has not occurred however Floyds Fork remains impaired for nutrients.

d. Monitoring Requirements

Flow monitoring shall be conducted continuously by recorder

CBOD₅, TSS, Ammonia Nitrogen, Total Phosphorus and Total Nitrogen shall be monitored once per week by 24 hour composite sampling.

Escherichia Coli, pH, Dissolved Oxygen and Total Residual Chlorine shall be monitored once per week by grab sample.

e. Justification of Conditions

The Kentucky regulations cited below have been duly promulgated pursuant to the requirements of Chapter 224 of the Kentucky Revised Statutes.

Escherichia Coli and Fecal Coliform Bacteria

The limits for *Escherichia Coli* are consistent with the requirements of 401 KAR 5:031, Section 7, 401 KAR 5:045 Section 4 and 401 KAR 5:080, Section 1(2)(c) 2. The removal of Fecal Coliform Bacteria is consistent with the requirements of 401 KAR 5:080k Section 1 (2) (c)2. Although Fecal Coliform Bacteria has been used as an indicator of fecal contamination, it does contain other species that are not necessarily fecal in origin. EPA recommends *Escherichia Coli*, which is specific to fecal material from warm-blooded animals, as the best indicator of health risk from contact with recreational waters. Therefore, it is the "Best Professional Judgment "BPJ" of the Division of Water that *Escherichia Coli* replace Fecal Coliform Bacteria on this permit.

Flow

The monitoring requirements for this parameter are consistent with the requirements of 401 KAR 5:065, Section 2(8).

CBOD₅, Ammonia Nitrogen, and Dissolved Oxygen

The limits for these parameters are consistent with the requirements of 401 KAR 5:031, Section 4, and 401 KAR 5:045, Sections 3 and 5. Section 4 of 5:031 establishes water quality criteria for the protection of Kentucky's waters. Section 5 of 5:045 requires biochemically degradable wastewaters to receive treatment in excess of secondary treatment if the Cabinet determines that the receiving water would not satisfy applicable water quality standards as a result of a facility discharge or discharges from multiple facilities

Total Suspended Solids

The limits for this parameter are consistent with the requirements of 401 KAR 5:031, Section 4 and 5:045, Sections 2 and 3. Section 4 of 5:031 establishes water quality criteria for the protection of Kentucky's waters. Sections 2 and 3 of 5:045 require biochemically degradable wastewaters to receive secondary treatment.

pH

The limits for these parameters are consistent with the requirements of 401 KAR 5:031, Section 4 and 5:045, Section 4. Section 4 of 5:031 establishes water quality criteria for the protection of Kentucky's waters. Section 4 of 5:045 establishes the acceptable levels of these parameters for biochemically degradable wastewaters.

Total Residual Chlorine

The limits for these parameters are consistent with the requirements of 401 KAR 5:031, Section 4.

Total Phosphorus

The limits for phosphorus are consistent with the requirements of 401 KAR 5:080, Section 1(2)(c) 2. These limits are representative of the Division of Water's "Best Professional Judgment" (BPJ) determination of the "Best Practicable Technology Currently Available" (BPT) and "Best Available Technology Economically Achievable" (BAT) requirements for these pollutants.

Total Nitrogen

The monitoring requirements for these/this parameters are consistent with the requirements of 401 KAR 5:065, Section 2(8)(a). Total Nitrogen is TKN (as N) and nitrate/nitrite (as N).

5. ANTIDEGRADATION

The conditions of 401 KAR 5:029, Section 1 have been satisfied by this permit action. Since this permit action involves reissuance of an existing permit, and does not propose an expanded discharge, a review under 401 KAR 5:030 Section 1 is not applicable.

6. PROPOSED COMPLIANCE SCHEDULE FOR ATTAINING EFFLUENT LIMITATIONS

The permittee will comply with all effluent limitations by the effective date of the permit.

7. PROPOSED SPECIAL CONDITIONS WHICH WILL HAVE A SIGNIFICANT IMPACT ON THE DISCHARGE

Disposal of Non-Domestic Wastes

The pass through or non-treatment by the wastewater treatment plant of chemicals or compounds which may injure, be chronically or acutely toxic to or produce adverse physiological or behavioral responses in humans, animals, fish and other aquatic life is not desirable. Materials such as acids, caustics, herbicides, household chemicals or cleansers, insecticides, lawn chemicals, non-biodegradable products, paints, pesticides, pharmaceuticals, and petroleum based products may not be treatable by the wastewater treatment plant and should not be introduced and other environmentally sound methods for disposal should be utilized. The permittee should educate users of its system that introduction of such chemicals or compounds could result in an adverse environmental impact and provide the users with alternative disposal measures. This requirement is consistent with the requirements of 401 KAR 5:065, Section 1(5) and 401 KAR 5:080, Section 1(c)(2)c.

Certified Operators

Pursuant to 401 KAR 5:010, Section 2(1) wastewater systems shall be operated under the supervision of a certified operator who holds a Kentucky Certificate equivalent to the class of system being supervised. All other operators employed by the system shall hold a Kentucky Certificate or shall be in the process of obtaining a Kentucky Certificate.

Pursuant to 401 KAR 5:010, Section 8 wastewater systems shall be classified as follows:

- Class I: Systems with a design capacity of less than or equal to 50,000 gpd
- Class II: Systems with a design capacity of more than 50,000 gpd but less than or equal to 2.0 MGD
- Class III: Systems with a design capacity of more than 2.0 MGD but less than or equal to 7.5 MGD
- Class IV: Systems with a design capacity of more than 7.5 MGD

Section 2(2) of 401 KAR 5:010 require the certified operator to be reasonably available if not physically present while the system is operating.

Section 2(3) of 401 KAR 5:010 require the Kentucky Certificate shall be displayed on the wall of wastewater system office.

Outfall Signage

As a member of ORSANCO (Ohio River Valley Sanitation Commission) the Commonwealth of Kentucky through the Division of Water implements a requirement that the permittee post a permanent marker at each discharge point to the Ohio River. It is the Best Professional Judgment of the Division of Water, 401 KAR 5:080, Section 1(2)(c)2, that all permittees post a marker at all discharge locations and/or monitoring points. The ORSANCO requirements for the marker specify it to be at least 2 feet by 2 feet in size and a minimum of 3 feet above ground level with the Permittee Name and KPDES permit and outfall numbers in 2 inch letters. For internal monitoring points the marker shall be of sufficient size to include the outfall number in 2 inch letters and is to be posted as near as possible to the actual sampling location.

8. PERMIT DURATION

Five (5) years. This facility is in the Salt/Licking Basin Management Unit as per the Kentucky Watershed Management Framework.

9. PERMIT INFORMATION

The application, draft permit, fact sheet, public notice, comments received, and additional information is available from the Division of Water at 14 Reilly Road, Frankfort Office Park, Frankfort, Kentucky 40601.

10. REFERENCES AND CITED DOCUMENTS

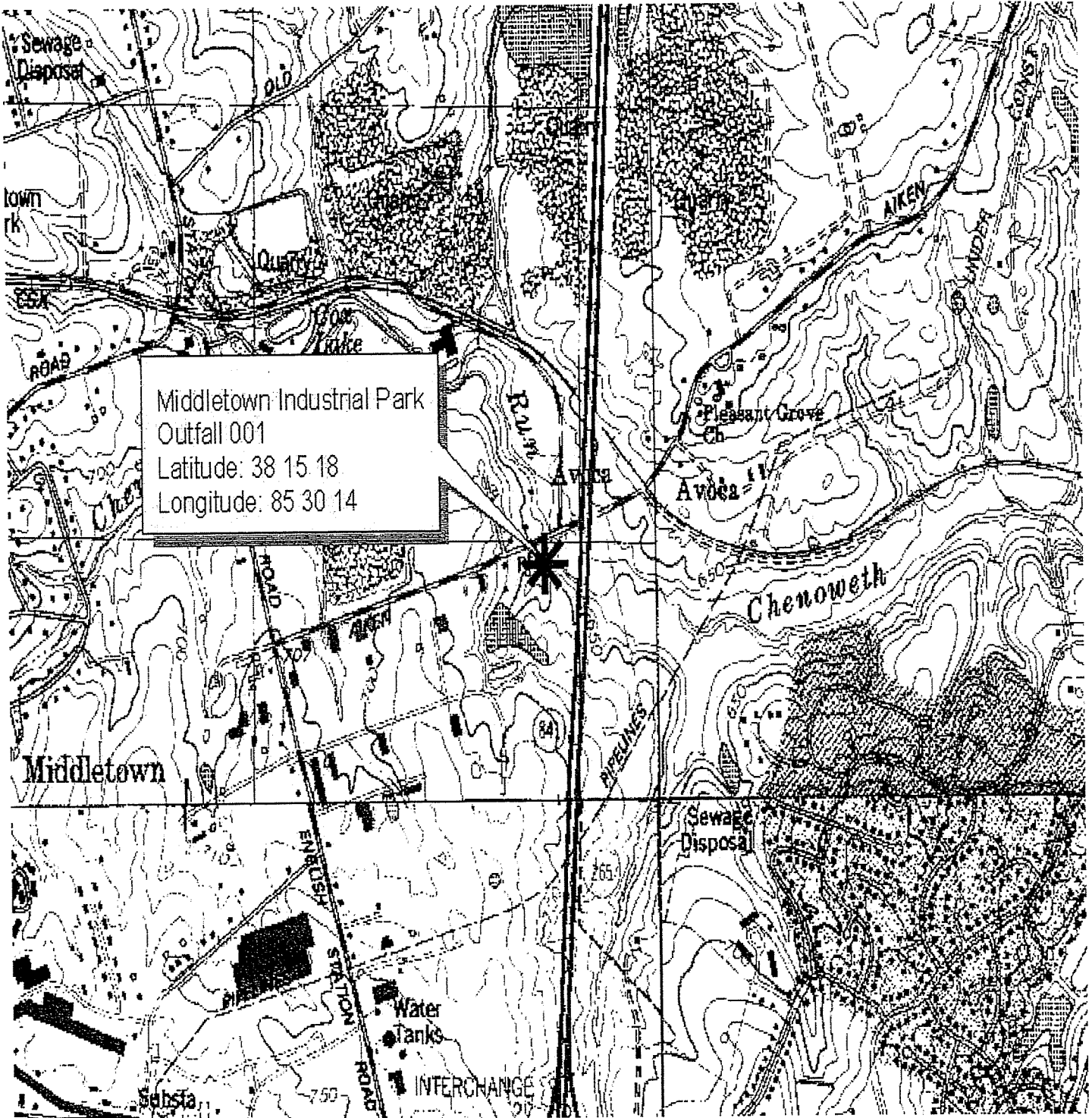
All material and documents referenced or cited in this fact sheet is a part of the permit information as described above and are readily available at the Division of Water Central Office. Information regarding these materials may be obtained from the person listed below.

11. CONTACT

For further information on the draft permit or comment process, contact the individual identified on the Public Notice or the Permit Writer - Larry Sowder at (502) 564-8158, extension 472, or email Larry.sowder@ky.gov.

12. PUBLIC NOTICE INFORMATION

Please refer to the attached Public Notice for details regarding the procedures for a final decision, deadline for comments and other information required by 401 KAR 5:075, Section 4(2)(e).



{Insert Map Here}

Consulting Contract

This agreement is made this 16th day of JUNE, 2009, by and between Kentucky Small Utility Consulting, LLC, 8105 Parkshire Court, Louisville, KY 40220 (hereinafter referred to as the "Contractor"), and Middletown Waste Disposal, Inc., whose address is 130 Apple Lane, Taylorsville, KY 40071 (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 PAUL LUCIFER LLC SR.
- (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 it 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 nor 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
Jack Kaninberg

UTILITY:

MIDLEVEL TOWIX WASTE DISPOSAL LLC.
BY: [Signature]
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 -- A review using 2008 Public Service Commission ("PSC") Income Statement numbers as the "test period" (i.e., starting point), in order to make appropriate pro forma adjustments for material, known, and measurable revenue and expense changes and arrive at a recommended revenue increase.

TASK B -- SCOPE OF SERVICES -- Upon the Utility's approval of a proposed revenue increase, Contractor will prepare the rate increase application and the necessary supporting documentation to justify it, and will forward it to the utility for its review, approval, and submittal to the PSC.

TASK C -- SCOPE OF SERVICES -- Between the submittal of the rate application and a PSC Final Order on the rate application and proposed revenue increase, Contractor will remain available to assist the utility in responding to requests for information and otherwise supporting the application. However, Contractor is restricted by Kentucky Ethics rules from formally representing the utility before the PSC in 2009.

(2) Contract time

- (a) Commencement date: Upon Notice to Proceed
- (b) Estimated Completion Date: _____

(3) Contract Payment - \$3,300 in total

TASK A -- **50% of Total Contract Amount, or \$1,650**

TASK B -- **Additional 25% (or \$825) of Total Contract Amount.**

TASK C -- **Final 25% (or \$825) of Total Contract Amount**

HAVE SEEN AND AGREED:

CONTRACTOR:

Jack Kaninberg
Jack Kaninberg

UTILITY:

Muskegon Waste Disposal, Inc.

BY: [Signature]

TITLE: PRESIDENT

KENTUCKY SMALL UTILITY CONSULTING, LLC

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

June 17, 2009

INVOICE FOR CONSULTING SERVICES

Middletown Waste Disposal, Inc.
130 Apple Lane
Taylorsville, KY 40071

Description of Service	Amount
Rate Case Consulting Services for Middletown Waste Disposal, Inc. - Payment #1 of 3	\$1,650.00

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

August 1, 2009

INVOICE FOR CONSULTING SERVICES

Middletown Waste Disposal, Inc.
130 Apple Lane
Taylorsville, KY 40071

Description of Service	Amount
Rate Case Consulting Services for Middletown Waste Disposal, Inc. - Payment #2 of 3 due upon completion of Task B (preparation of rate application for submittal to PSC). Rate case application received at PSC 6/19/09 and deemed filed at 7/2/09 with submittal of billing analysis.	\$825.00

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

Question 13. Refer to Attachment H of the Application, General Ledger. a. For each item listed in Table 1, provide a copy of the supporting invoice.

Response: Due to their voluminous nature, two copies of these invoices have been attached at Tab 2.

b. In its 2008 Annual Report, Middletown states that it does not have a full- or part-time employee. However, in its 2008 General Ledger, Middletown recorded paying Samantha Fuller \$10,865. (1) Identify the company where Ms. Fuller is employed, explain if the company is affiliated with Middletown, provide her title, and include a detailed list of the duties she performs for Middletown.

Response: Ms. Fuller provides contract services to Middletown. Ms. Fuller has provided such services to Middletown for 26 years, with responsibility for office, bookkeeping, and clerical support. This includes, without limitations, the following:

- maintaining accounts payable and receivable
- maintaining Middletown's ledger books manually
- bill payments
- billing and collection services for all residential customers
- reconciliation of Middletown's accounts with Louisville Water Company
- bank deposits
- vendor relationships
- customer contact
- whatever other duties are required.

(2) Provide the amount of time Ms. Wood spends performing services for Middletown. Include documentation to support this response.

Response: Ms. Fuller provides services two days a week, 52 weeks a year on behalf of Middletown.

(3) Provide Ms. Fuller's total salary and document how the \$10,865 was allocated to Middletown.

Answer: Ms. Fuller provides contract services for Middletown. The \$10,865 is her total annual contract payments. Please note that this contractual arrangement saves Middletown the costs associated with having an employee, including any benefits costs and FICA taxes.

Witness: Donald Lorenz

Question 14. Middletown reports a note payable to associated companies of \$49,234.

a. Identify the associated company that holds the note payable.

Answer: L&L Enterprises holds the note.

b. Provide a current amortization schedule that includes the entire life of the note payable and that details the payment amounts, principal retirements, interest payments, interest rates, and outstanding balances.

Answer: Attached.

c. Provide a description of the use of the borrowed funds.

Answer: The borrowed funds were used by Middletown Waste Disposal to purchase the land upon which Middletown's sewage treatment plant sits. Please note that when the PSC Staff provided rate assistance to Middletown in the 1990s, its recommended pro forma included interest expense of \$9,116 related to this note, suggesting that the Staff believed this to be a reasonable expense for ratemaking purposes.

Witness: Donald Lorenz

REC'D APR 25 1989

Note Payable to
L & L Enterprises

PRINCIPAL 115406.00
 INTEREST 9.00
 TERM (MONTHS) 300.00
 BEGINNING (MONTH) 5
 BEGINNING (YEAR) 89
 MONTHLY PAYMENTS 968.25
 FIXED PRINCIPAL (IF APPLICABLE) 0.00

MONTH	MONTH END BALANCE	PRINCIPAL	INTEREST
May-89	115406.00	102.71	865.55 4-27 #850
Jun-89	115303.30	103.48	864.77 6-2 #864
Jul-89	115199.82	104.25	864.00 7-6 #881
Aug-89	115095.57	105.03	863.22 7-26 #898
Sep-89	114990.54	105.82	862.43 9-6 #917
Oct-89	114884.71	106.61	861.64 10-3 #928
Nov-89	114778.10	107.41	860.84 12-4 #956
Dec-89	114670.69	108.22	860.03 12-29 #974
Jan-90	114562.47	109.03	859.22 12-29 #974
Feb-90	114453.43	109.85	858.40 2-2 #986
Mar-90	114343.58	110.67	857.58 3-2 #998
Apr-90	114232.91	111.50	856.75 4-2 #1008
May-90	114121.41	112.34	855.91 4-31 #1022
Jun-90	114009.07	113.18	855.07 6-1 #1036
Jul-90	113895.89	114.03	854.22 7-2 #1046
Aug-90	113781.86	114.89	853.36 8-1 #1057
Sep-90	113666.97	115.75	852.50 9-6 #1070
Oct-90	113551.22	116.62	851.63 10-3 #1084
Nov-90	113434.61	117.49	850.76 11-1 #1094
Dec-90	113317.12	118.37	849.88 12-3 #1105
Jan-91	113198.74	119.26	848.99 1-3 #1126
Feb-91	113079.48	120.15	848.10 2-1 #1142
Mar-91	112959.23	121.06	847.19 3-1 #1165
Apr-91	112838.28	121.96	846.29 4-1 #1188
May-91	112716.31	122.88	845.37 5-6 #1210
Jun-91	112593.44	123.80	844.45 5-30 #1232
Jul-91	112469.64	124.73	843.52 7-23 #1004
Aug-91	112344.91	125.66	842.59 8-7 #1025
Sep-91	112219.25	126.61	841.64 9-6 #1042
Oct-91	112092.64	127.56	840.69 10-2 #1058
Nov-91	111965.08	128.51	839.74 11-5 #1081
Dec-91	111836.57	129.48	838.77 11-27 #1093
Jan-92	111707.10	130.45	837.80 1-3 #1120
Feb-92	111576.55	131.43	836.82 2-4 #1133
Mar-92	111445.22	132.41	835.84 3-10 #1165
Apr-92	111312.91	133.40	834.85 4-7 #1189
May-92	111179.41	134.40	833.85 5-14 #1213
Jun-92	111045.01	135.41	832.84 6-4 #1223
Jul-92	110909.59	136.43	831.82 7-7 #1246
Aug-92	110773.17	137.45	830.80 8-6 #1269
Sep-92	110635.71	138.48	829.77 9-14 #1283
Oct-92	110497.23	139.52	828.73 10-8 #1305
Nov-92	110357.71	140.57	827.68 11-4 #1321

PRINCIPAL 115406.00
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 FIXED PRINCIPAL (IF APPLICABLE) 0.00

MONTH	MONTH END BALANCE	PRINCIPAL	INTEREST	
Dec-92	110217.14	141.62	826.63	968.25 pd. 12-8
Jan-93	110075.52	142.68	825.57	968.25 pd. 1-15-93
Feb-93	109932.84	143.75	824.50	968.25 pd. 2-18-93
Mar-93	109789.09	144.83	823.42	968.25 pd. 3-3-93
Apr-93	109644.25	145.92	822.33	968.25 pd. 4-6-93
May-93	109498.34	147.01	821.24	968.25 pd. 5-6-93
Jun-93	109351.32	148.12	820.13	968.25 pd. 6-22-93
Jul-93	109203.21	149.23	819.02	968.25 pd. 7-14-93
Aug-93	109053.93	150.35	817.90	968.25 pd. 9-13-93
Sep-93	108903.64	151.47	816.78	968.25 pd. 9-15-93
Oct-93	108752.14	152.61	815.64	11-2-93 #1536
Nov-93	108599.56	153.75	814.50	11/28/93 #1556
Dec-93	108445.80	154.91	813.34	12/1/93 #1566
Jan-94	108290.90	156.07	812.18	1-1-94 #1585
Feb-94	108134.83	157.24	811.01	2-1-94 #1598
Mar-94	107977.59	158.42	809.83	3-8-94 #1624
Apr-94	107819.17	159.61	808.64	3-26-94 #1640
May-94	107659.56	160.80	807.45	5-3-94 #1662
Jun-94	107498.76	162.01	806.24	6-1-94 #1676
Jul-94	107336.75	163.22	805.03	7-6-94 #1699
Aug-94	107173.53	164.45	803.80	7-25-94 #1713
Sep-94	107009.08	165.68	802.57	9-1-94 #1735
Oct-94	106843.40	166.92	801.33	9-27-94 #1752
Nov-94	106676.47	168.18	800.07	11-1-94 #1768
Dec-94	106508.30	169.44	798.81	12-1-94 #1785
Jan-95	106338.86	170.71	797.54	1-3-95 #1805
Feb-95	106168.15	171.99	796.26	2-1-95 #1833
Mar-95	105996.16	173.28	794.97	3-1-95 #1858
Apr-95	105822.88	174.58	793.67	4-1-95 #1874
May-95	105648.30	175.89	792.36	5-2-95 #1898
Jun-95	105472.42	177.21	791.04	5-30-95 #1921
Jul-95	105295.21	178.54	789.71	7-5-95 #1943
Aug-95	105116.67	179.87	788.38	8-2-95 #1965
Sep-95	104936.80	181.22	787.03	8-29-95 #1981
Oct-95	104755.57	182.58	785.67	9-26-95 #2002
Nov-95	104572.99	183.95	784.30	11-1-95 #2022
Dec-95	104389.04	185.33	782.92	11-28-95 #2046
Jan-96	104203.71	186.72	781.53	1-2-96 #2068
Feb-96	104016.98	188.12	780.13	2-1-96 #2086
Mar-96	103828.86	189.53	778.72	2-27-96 #2104
Apr-96	103639.33	190.94	777.29	4-2-96 #2122
May-96	103448.37	192.39	775.86	4-30-96 #2145
Jun-96	103255.99	193.83	774.42	6-4-96 #2164

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MONTH	MONTH END BALANCE	PRINCIPAL	INTEREST		
Jul-96	103062.15	195.28	772.97	7-2-96	#2184
Aug-96	102866.87	196.75	771.50	8-1-96	#2200
Sep-96	102670.12	198.22	770.03	9-3-96	#2219
Oct-96	102471.90	199.71	768.54	10-1-96	#2236
Nov-96	102272.19	201.21	767.04	11-5-96	#2256
Dec-96	102070.98	202.72	765.53	12-3-96	#2273
Jan-97	101868.26	204.24	764.01	1-2-97	#2290
Feb-97	101664.02	205.77	762.48	2-4-97	#2314
Mar-97	101458.25	207.31	760.94	3-4-97	#2337
Apr-97	101250.94	208.87	759.38	4-1-97	#2363
May-97	101042.07	210.43	757.82	5-1-97	#2379
Jun-97	100831.64	212.01	756.24	5-22-97	#2404
Jul-97	100619.63	213.60	754.65	7-1-97	#2421
Aug-97	100406.02	215.20	753.05	7-29-97	#2441
Sep-97	100190.82	216.82	751.43	9-2-97	#2467
Oct-97	99974.00	218.45	749.80	10-5-97	#2498
Nov-97	99755.53	220.08	748.17	10-29-97	#2510
Dec-97	99535.47	221.73	746.52	12-1-97	#2528
Jan-98	99313.74	223.40	744.85	1-5-98	#2548
Feb-98	99090.34	225.07	743.18	1-27-98	#2566
Mar-98	98865.27	226.76	741.49	2-24-98	#2583
Apr-98	98638.51	228.46	739.79	4-1-98	#2599
May-98	98410.05	230.17	738.08	5-5-98	#2632
Jun-98	98179.87	231.90	736.35	5-27-98	#2649
Jul-98	97947.97	233.64	734.61	7-7-98	#2670
Aug-98	97714.33	235.39	732.86	7-28-98	#2690
Sep-98	97478.94	237.15	731.09	9-1-98	#2710
Oct-98	97241.78	238.94	729.31	9-30-98	#2729
Nov-98	97002.84	240.73	727.52	11-10-98	#2759
Dec-98	96762.11	242.53	725.72	11-24-98	#2765
Jan-99	96519.58	244.35	723.90	1-6-99	#2795
Feb-99	96275.22	246.19	722.06	2-1-99	#2814
Mar-99	96029.04	248.03	720.22	2-22-99	#2826
Apr-99	95781.01	249.89	718.36	4-1-99	#2852
May-99	95531.12	251.77	716.48	5-4-99	#2878
Jun-99	95279.35	253.65	714.60	5-25-99	#2897
Jul-99	95025.69	255.56	712.69	7-1-99	#2914
Aug-99	94770.14	257.47	710.78	7-26-99	#2935
Sep-99	94512.66	259.41	708.84	8-31-99	#2960
Oct-99	94253.26	261.35	706.90	10-12-99	#2983
Nov-99	93991.91	263.31	704.94	10-25-99	#2998
Dec-99	93728.60	265.29	702.96	11-29-99	#3013
Jan-2000	93463.31	267.28	700.97	1-1-00	#3026

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 FIXED PRINCIPAL (IF APPLICABLE) 0.00

MONTH	MONTH END BALANCE	PRINCIPAL	INTEREST	
Feb-2000	93196.04	269.28	698.77	2-1-00 # 3047
Mar-2000	92926.76	271.30	696.95	2-28-00 # 3065
Apr-2000	92655.46	273.33	694.92	3-27-00 # 3084
May-2000	92382.12	275.38	692.87	4-28-00 # 3112
Jun-2000	92106.74	277.45	690.80	5-31-00 # 3134
Jul-2000	91829.29	279.53	688.72	6-26-00 # 3152
Aug-2000	91549.76	281.63	686.62	7-25-00 # 3169
Sep-2000	91268.13	283.74	684.51	8-23-00 # 3184
Oct-2000	90984.39	285.87	682.38	9-25-00 # 3200
Nov-2000	90698.53	288.01	680.24	11-1-00 # 3215
Dec-2000	90410.52	290.17	678.08	11-28-00 # 3236
Jan-2001	90120.34	292.35	675.90	1-2-01 # 3244
Feb-2001	89828.00	294.54	673.71	2-1-01 # 3324
Mar-2001	89533.46	296.75	671.50	3-5-01 # 3345
Apr-2001	89236.71	298.97	669.28	3-26-01 # 3363
May-2001	88937.73	301.22	667.03	4-24-01 # 3389
Jun-2001	88636.52	303.46	664.77	6-1-01 # 3408
Jul-2001	88333.04	305.73	662.50	6-26-01 # 3429
Aug-2001	88027.29	308.05	660.20	8-1-01 # 3449
Sep-2001	87719.24	310.36	657.89	8-27-01 # 3465
Oct-2001	87408.89	312.68	655.57	9-24-01 # 3479
Nov-2001	87096.20	315.03	653.22	10-29-01 # 3500
Dec-2001	86781.18	317.39	650.86	11-26-01 # 3509
Jan-2002	86463.73	319.77	648.48	1-2-02 # 3548
Feb-2002	86144.01	322.17	646.08	2-1-02 # 3559
Mar-2002	85821.84	324.59	643.66	2-26-02 # 3579
Apr-2002	85497.26	327.02	641.23	3-26-02 # 3597
May-2002	85170.24	329.47	638.78	5-1-02 # 3615
Jun-2002	84840.76	331.94	636.31	5-28-02 # 3638
Jul-2002	84508.82	334.43	633.82	6-26-02 # 3659
Aug-2002	84174.38	336.94	631.31	7-29-02 # 3680
Sep-2002	83837.44	339.47	628.78	8-26-02 # 3692
Oct-2002	83497.97	342.02	626.23	10-1-02 # 3711
Nov-2002	83155.96	344.58	623.67	11-1-02 # 3727
Dec-2002	82811.38	347.16	621.09	11-25-02 # 3747
Jan-2003	82464.21	349.77	618.48	1-2-03 # 3776
Feb-2003	82114.44	352.39	615.86	1-27-03 # 3782
Mar-2003	81762.05	355.03	613.22	2-24-03 # 3802
Apr-2003	81407.02	357.70	610.55	4-1-03 # 3816
May-2003	81049.32	360.38	607.87	5-1-03 # 3856
Jun-2003	80688.94	363.08	605.17	5-28-03 # 3851
Jul-2003	80325.86	365.81	602.44	6-24-03 # 3870
Aug-2003	79960.05	368.55	599.70	7-30-03 # 3891

PRINCIPAL 115406.00
 INTEREST 9.00
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 FIXED PRINCIPAL (IF APPLICABLE) 0.00

MONTH	MONTH END BALANCE	PRINCIPAL	INTEREST		
Sep-2003	79591.50	371.31	596.94	8-25-03	#3909
Oct-2003	79220.19	374.10	594.15	9-29-03	#3927
Nov-2003	78846.09	376.90	591.25	10-27-03	#3942
Dec-2003	78469.19	379.73	588.52	11-24-03	#3960
Jan-2004	78089.45	382.58	585.67	1-2-04	#3991
Feb-2004	77706.88	385.45	582.80	2-1-04	#4005
Mar-2004	77321.43	388.34	579.91	3-4-04	#4021
Apr-2004	76933.09	391.25	577.00	3-29-04	#4040
May-2004	76541.84	394.19	574.06	4-26-04	#4060
Jun-2004	76147.65	397.14	571.11	5-26-04	#4076
Jul-2004	75750.51	400.12	568.13	6-28-04	#4094
Aug-2004	75350.39	403.12	565.13	7-26-04	#4112
Sep-2004	74947.26	406.15	562.10	9-1-04	#4133
Oct-2004	74541.12	409.17	559.06	9-27-04	#4149
Nov-2004	74131.93	412.26	555.99	10-25-04	#4166
Dec-2004	73719.67	415.35	552.90	11-29-04	#4181
Jan-2005	73304.31	418.47	549.78	1-3-05	#4212
Feb-2005	72885.85	421.61	546.64	1-24-05	#4218
Mar-2005	72464.24	424.77	543.48	3-3-05	#4244
Apr-2005	72039.47	427.95	540.30	3-28-05	#4264
May-2005	71611.52	431.16	537.09	4-25-05	#4281
Jun-2005	71180.35	434.40	533.85	5-25-05	#4296
Jul-2005	70745.96	437.66	530.59	6-30-05	#4310
Aug-2005	70308.30	440.94	527.31	8-1-05	#4333
Sep-2005	69867.36	444.24	524.01	8-29-05	#4354
Oct-2005	69423.12	447.58	520.67	9-26-05	#4372
Nov-2005	68975.54	450.93	517.32	10-24-05	#4389
Dec-2005	68524.61	454.32	513.93	12-8-05	#4410
Jan-2006	68070.29	457.72	510.53	1-3-06	#4430
Feb-2006	67612.57	461.16	507.09	1-25-06	#4444
Mar-2006	67151.41	464.61	503.64	2-27-06	#4463
Apr-2006	66686.80	468.10	500.15	3-27-06	#4505
May-2006	66218.70	471.61	496.64	4-24-06	#4529
Jun-2006	65747.09	475.15	493.10	5-24-06	#4541
Jul-2006	65271.94	478.71	489.54	6-19-06	#4561
Aug-2006	64793.23	482.30	485.95	7-26-06	#4585
Sep-2006	64310.93	485.92	482.33	8-29-06	#4608
Oct-2006	63825.02	489.56	478.69	9-25-06	#4623
Nov-2006	63335.45	493.23	475.02	10-25-06	#4648
Dec-2006	62842.22	496.93	471.32	11-27-06	#4669
Jan-2007	62345.29	500.66	467.59	1-3-07	#4689
Feb-2007	61844.62	504.42	463.83	1-29-07	#4708
Mar-2007	61340.21	508.20	460.05	2-26-07	#4725 #4726

done *[Signature]*
 484.12
 484.12 Paul

PRINCIPAL 115406.00
 INTEREST 9.00
 TERM (MONTHS) 300.00
 BEGINNING (MONTH) 3
 BEGINNING (YEAR) 89
 MONTHLY PAYMENTS 968.25
 FIXED PRINCIPAL (IF APPLICABLE) 0.00

MONTH	MONTH END BALANCE	PRINCIPAL	INTEREST	
Apr-2007	60832.01	512.01	456.24	Don 484.12 # 4746 Paul 484.12 # 4747
May-2007	60320.00	515.85	452.40	Don 484.12 # 4769 Paul 484.12 # 4770
Jun-2007	59804.15	519.72	448.53	Don 4786 Paul 4787
Jul-2007	59284.43	523.62	444.63	Don 4808 Paul 4809
Aug-2007	58760.82	527.54	440.71	Don 4825 Paul 4826
Sep-2007	58233.27	531.50	436.75	Don 4844 Paul 4844
Oct-2007	57701.77	535.49	432.76	Don 4885 Paul 4886
Nov-2007	57166.26	539.50	428.75	Don 4905 Paul 4906
Dec-2007	56626.78	543.55	424.70	Don 4934 Paul 4935
Jan-2008	56083.23	547.63	420.62	Don 4946 Paul 4947
Feb-2008	55535.61	551.73	416.52	Don 4964 Paul 4965
Mar-2008	54983.37	555.87	412.38	Don 4991 Paul 4992
Apr-2008	54425.00	560.04	408.21	Don 5014 Paul 5015
May-2008	53867.96	564.24	404.01	Don 5036 Paul 5037
Jun-2008	53303.72	568.47	399.78	Don 5058 Paul 5059
Jul-2008	52735.25	572.74	395.51	Don 5079 Paul 5080
Aug-2008	52162.52	577.03	391.22	Don 5099 Paul 5100
Sep-2008	51585.48	581.36	386.85	Don 5122 Paul 5123
Oct-2008	51004.13	585.72	382.53	Don 5141 Paul 5142
Nov-2008	50418.41	590.11	378.14	Don 5163 Paul 5164
Dec-2008	49828.29	594.54	373.71	Don 5187 Paul 5188
Jan-2009	49233.76	599.00	369.25	Don 5201 Paul 5202
Feb-2009	48634.76	603.49	364.76	Don 5216 Paul 5217
Mar-2009	48031.27	608.02	360.23	Don 5236 Paul 5237
Apr-2009	47423.25	612.58	355.67	Don 5255 Paul 5256
May-2009	46810.68	617.17	351.08	Don 5270 Paul 5271
Jun-2009	46193.51	621.80	346.45	Don 5290 Paul 5291
Jul-2009	45571.71	626.46	341.79	Don 5314 Paul 5317
Aug-2009	44945.25	631.16	337.09	Don 5336 Paul 5337
Sep-2009	44314.09	635.89	332.36	Don 5354 Paul 5355
Oct-2009	43678.19	640.66	327.59	
Nov-2009	43037.53	645.47	322.78	
Dec-2009	42392.06	650.31	317.94	
Jan-2010	41741.75	655.19	313.06	
Feb-2010	41086.56	660.10	308.15	
Mar-2010	40426.46	665.05	303.20	
Apr-2010	39761.41	670.04	298.21	
May-2010	39091.37	675.06	293.19	
Jun-2010	38416.31	680.13	288.12	
Jul-2010	37736.16	685.23	283.02	
Aug-2010	37050.95	690.37	277.88	
Sep-2010	36360.58	695.55	272.70	
Oct-2010	35665.04	700.76	267.49	

PRINCIPAL	115406.00
INTEREST	9.00
TERM (MONTHS)	300.00
BEGINNING (MONTH)	5
BEGINNING (YEAR)	89
MONTHLY PAYMENTS	968.25
FIXED PRINCIPAL (IF APPLICABLE)	0.00

MONTH	MONTH END BALANCE	PRINCIPAL	INTEREST
Nov-2010	34964.28	706.02	262.23
Dec-2010	34258.26	711.31	256.94
Jan-2011	33546.95	716.65	251.60
Feb-2011	32830.30	722.02	246.23
Mar-2011	32108.27	727.44	240.81
Apr-2011	31380.84	732.89	235.36
May-2011	30647.94	738.39	229.86
Jun-2011	29909.55	743.93	224.32
Jul-2011	29165.62	749.51	218.74
Aug-2011	28416.12	755.13	213.12
Sep-2011	27660.99	760.79	207.46
Oct-2011	26900.19	766.50	201.75
Nov-2011	26133.70	772.25	196.00
Dec-2011	25361.45	778.04	190.21
Jan-2012	24583.41	783.87	184.38
Feb-2012	23799.54	789.75	178.50
Mar-2012	23009.78	795.68	172.57
Apr-2012	22214.11	801.64	166.61
May-2012	21412.46	807.66	160.59
Jun-2012	20604.80	813.71	154.54
Jul-2012	19791.09	819.82	148.43
Aug-2012	18971.27	825.97	142.28
Sep-2012	18145.31	832.16	136.09
Oct-2012	17313.15	838.40	129.85
Nov-2012	16474.75	844.69	123.56
Dec-2012	15630.06	851.02	117.23
Jan-2013	14779.03	857.41	110.84
Feb-2013	13921.63	863.84	104.41
Mar-2013	13057.79	870.32	97.93
Apr-2013	12187.47	876.84	91.41
May-2013	11310.63	883.42	84.83
Jun-2013	10427.21	890.05	78.20
Jul-2013	9537.16	896.72	71.53
Aug-2013	8640.44	903.45	64.80
Sep-2013	7736.99	910.22	58.03
Oct-2013	6826.77	917.05	51.20
Nov-2013	5909.72	923.93	44.32
Dec-2013	4985.79	930.86	37.39
Jan-2014	4054.94	937.84	30.41
Feb-2014	3117.10	944.87	23.38
Mar-2014	2172.23	951.96	16.29
Apr-2014	1220.27	959.10	9.15
May-2014	261.17	966.29	1.96

Question 15. Middletown reports a note payable to L&L Enterprises of \$49,234 and a note payable to Citizens Union Bank of \$27,277.

a. Identify if L&L is affiliated with Middletown.

Answer: L&L Enterprises is the developer of Middletown Industrial Park.

b. Identify the Commission proceeding wherein Middletown was authorized to obtain the note payable to L&L Enterprises.

Answer: There was no PSC proceeding authorizing Middletown to obtain the note.

c. Provide a current amortization schedule that includes the entire life of the note payable and that details the payment amounts, principal retirements, interest payments, interest rates, and outstanding balances.

Answer: For the L&L note, please refer to response 14c above. The other note with Citizens Union Bank is attached.

d. Provide a description of the use of the borrowed funds.

Answer: For the L&L note, please refer to response 14c above. The other note with Citizens Union Bank is actually a line of credit. It is used to pay operating expenses because Middletown's current rates generate insufficient revenues to meet its expenses.

Witness: Donald Lorenz

CHANGE IN TERMS AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$35,000.00	06-26-2009	06-26-2010	52164	4A / 419	M004302	JSC	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.

Borrower: MIDDLETOWN WASTE DISPOSAL INC. (TIN: 61-0994425), DONALD A LORENZ (SSN: 284-34-5543) and PAUL LICHTFELD (SSN: 401-56-3170)
130 APPLE LANE
TAYLORSVILLE, KY 40071

Lender: Citizens Union Bank
Taylorsville Branch
853 Taylorsville Road
Taylorsville, KY 40071
(502) 633-4450

Principal Amount: \$35,000.00

Date of Agreement: June 26, 2009

DESCRIPTION OF EXISTING INDEBTEDNESS. ORIGINAL LOAN DATE OF 6/26/08 IN THE AMOUNT OF \$35,000.00 AS A REVOLVING LINE OF CREDIT.

DESCRIPTION OF COLLATERAL. UNSECURED.

DESCRIPTION OF CHANGE IN TERMS. RENEW LOAN FOR AN ADDITIONAL 12 MONTHS. A \$275.00 RENEWAL/LOAN PROCESSING FEE WILL BE CHARGED AND COLLECTED AT THE TIME OF RENEWAL.

PAYMENT. Borrower will pay this loan in accordance with the following payment schedule:

Interest only payments will be due quarterly beginning 9/26/2009 until maturity. Principal payments of \$250.00 will be due monthly beginning 7/26/2009 until maturity.

VARIABLE INTEREST RATE. The interest rate on this loan is subject to change from time to time based on changes in an independent index which is the New York Prime rate as published in the Money Rates Section of the Eastern edition of the Wall Street Journal (the "Index"). The Index is not necessarily the lowest rate charged by Lender on its loans. If the Index becomes unavailable during the term of this loan, Lender may designate a substitute index after notifying Borrower. Lender will tell Borrower the current Index rate upon Borrower's request. The interest rate change will not occur more often than each day. Borrower understands that Lender may make loans based on other rates as well. **The Index currently is 3.250% per annum.** The interest rate to be applied to the unpaid principal balance of this loan will be calculated as described in the "INTEREST CALCULATION METHOD" paragraph using a rate of 1.000 percentage point over the Index, adjusted if necessary for any minimum and maximum rate limitations described below, resulting in an initial rate of 5.750% per annum based on a year of 360 days. **NOTICE:** Under no circumstances will the interest rate on this loan be less than 5.750% per annum or more than the maximum rate allowed by applicable law.

INTEREST CALCULATION METHOD. Interest on this loan is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this loan is computed using this method.

CONTINUING VALIDITY. Except as expressly changed by this Agreement, the terms of the original obligation or obligations, including all agreements evidenced or securing the obligation(s), remain unchanged and in full force and effect. Consent by Lender to this Agreement does not waive Lender's right to strict performance of the obligation(s) as changed, nor obligate Lender to make any future change in terms. Nothing in this Agreement will constitute a satisfaction of the obligation(s). It is the intention of Lender to retain as liable parties all makers and endorsers of the original obligation(s), including accommodation parties, unless a party is expressly released by Lender in writing. Any maker or endorser, including accommodation makers, will not be released by virtue of this Agreement. If any person who signed the original obligation does not sign this Agreement below, then all persons signing below acknowledge that this Agreement is given conditionally, based on the representation to Lender that the non-signing party consents to the changes and provisions of this Agreement or otherwise will not be released by it. This waiver applies not only to any initial extension, modification or release, but also to all such subsequent actions.

RENEWAL #. THIS IS RENEWAL #1.

CHANGE IN TERMS AGREEMENT (Continued)

PRIOR TO SIGNING THIS AGREEMENT, EACH BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS AGREEMENT, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. EACH BORROWER AGREES TO THE TERMS OF THE AGREEMENT.

BORROWER:



MIDDLETOWN WASTE DISPOSAL INC.

By: PAUL LICHTEFELD, President of MIDDLETOWN WASTE DISPOSAL INC.



By: DONALD A LORENZ, Treasurer of MIDDLETOWN WASTE DISPOSAL INC.

X DONALD A LORENZ, Individually

X PAUL LICHTEFELD, Individually



BY: SPENCER COUNTY MARKET
CITIZENS UNION BANK



X Sammy Crafton, President, Spencer County Market



PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Ini
\$35,000.00	06-26-2008	06-26-2009	52164	4A / 819	M004302	JSC	

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Borrower: MIDDLETOWN WASTE DISPOSAL INC. (TIN: 61-0994425), PAUL LICHTFELD (SSN: 401-56-3170) and DONALD A LORENZ (SSN: 284-34-5543)
130 APPLE LANE
TAYLORSVILLE, KY 40071

Lender: Citizens Union Bank
Taylorsville Branch
853 Taylorsville Road
Taylorsville, KY 40071
(502) 633-4450

Principal Amount: \$35,000.00

Date of Note: June 26,

PROMISE TO PAY. MIDDLETOWN WASTE DISPOSAL INC., PAUL LICHTFELD and DONALD A LORENZ ("Borrower") jointly and severally promise to pay to Citizens Union Bank ("Lender"), or order, in lawful money of the United States of America, the principal amount of This Note and any interest thereon in the sum of Thirty-Five Thousand & 00/100 Dollars (\$35,000.00) or so much as may be outstanding, together with interest on the unpaid outstanding principal amount of each advance. Interest shall be calculated from the date of each advance until repayment of each advance.

PAYMENT. Borrower will pay this loan in accordance with the following payment schedule:

Interest only payments will be due quarterly beginning 9/26/2008 until maturity. Principal payments of \$250.00 will be due beginning 7/26/2008 until maturity.

Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any late charges; and then to any unpaid collection costs. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

VARIABLE INTEREST RATE. The interest rate on this Note is subject to change from time to time based on changes in an independent index which is the New York Prime rate as published in the Money Rates Section of the Eastern edition of the Wall Street Journal (the "Index"). The Index is not necessarily the lowest rate charged by Lender on its loans. If the Index becomes unavailable during the term of this loan, Lender may designate a substitute index after notifying Borrower. Lender will tell Borrower the current Index rate upon Borrower's request. Interest rate change will not occur more often than each day. Borrower understands that Lender may make loans based on other rates. The Index currently is 5.000% per annum. The interest rate to be applied to the unpaid principal balance of this Note will be calculated as described in the "INTEREST CALCULATION METHOD" paragraph using a rate of 1.000 percentage point over the Index, adjusted if necessary for any minimum and maximum rate limitations described below, resulting in an initial rate of 6.000% per annum based on a year of 360 days. NOTICE: Under no circumstances will the interest rate on this Note be less than 5.750% per annum or more than the maximum rate allowed by applicable law.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest for a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

PREPAYMENT; MINIMUM INTEREST CHARGE. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise provided by law. In any event, even upon full prepayment of this Note, Borrower understands that Lender is entitled to a minimum interest charge of \$10.00. Other than Borrower's obligation to pay any minimum interest charge, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments of accrued unpaid interest. Rather, early payments will reduce the principal balance due. Borrower agrees not to make payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept such payment without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes a "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount, shall be mailed or delivered to: Citizens Union Bank, P. O. Box 189, Shelbyville, KY 40066.

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged 5.000% of the unpaid portion of the regularly scheduled payment or \$75.00, whichever is greater.

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased by adding a 4.000 percentage point margin ("Default Rate Margin"). The Default Rate Margin shall also apply to each succeeding interest period until the debt is paid in full. However, in no event will the interest rate exceed the maximum interest rate permitted by applicable law.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's present or future ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Insolvency. The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout or reorganization, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, or any other proceeding, by or against Borrower.



PROMISSORY NOTE
(Continued)

Loan No: 52164

Page

JURY WAIVER. Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the Commonwealth of Kentucky without regard to its conflicts of law provisions. This Note has been accepted by Lender in the Commonwealth of Kentucky.

CHOICE OF VENUE. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of Spencer County, Commonwealth of Kentucky.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$25.00 if Borrower makes a payment on Borrower's loan and the check or authorized charge with which Borrower pays is later dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the debt against any and such accounts.

COLLATERAL. This loan is unsecured.

LINE OF CREDIT. This Note evidences a revolving line of credit. Advances under this Note may be requested orally by Borrower or as provided in this paragraph. All oral requests shall be confirmed in writing on the day of the request. All communications, instructions, or directions by telephone or otherwise to Lender are to be directed to Lender's office shown above. Borrower agrees to be liable for all sums either: (A) advanced in accordance with the instructions of an authorized person or (B) credited to any of Borrower's accounts with Lender. The unpaid principal balance owing on this Note at any time may be evidenced by endorsements on this Note or by Lender's internal records, including deposit computer print-outs. Lender will have no obligation to advance funds under this Note if: (A) Borrower or any guarantor is in default under the terms of this Note or any agreement that Borrower or any guarantor has with Lender, including any agreement made in connection with the signing of this Note; (B) Borrower or any guarantor ceases doing business or is insolvent; (C) any guarantor seeks, claims or otherwise attempts to limit, modify or revoke such guarantor's guarantee of this Note or any other loan with Lender; (D) Borrower has applied for credit provided pursuant to this Note for purposes other than those authorized by Lender; or (E) Lender in good faith believes itself insecure.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

NOTIFY US OF INACCURATE INFORMATION WE REPORT TO CONSUMER REPORTING AGENCIES. Please notify us if we report any inaccurate information about your account(s) to a consumer reporting agency. Your written notice describing the specific inaccuracy(ies) should be sent to us at the following address: Citizens Union Bank P. O. Box 189 Shelbyville, KY 40066.

GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Each Borrower understands and agrees that, with or without notice to Borrower, Lender may with respect to any other Borrower (a) make one or more additional secured or unsecured loans or otherwise extend additional credit; (b) alter, compromise, renew, extend, accelerate, or otherwise change one or more times the time for payment or other terms of any indebtedness, including increases and decreases of the rate of interest on the indebtedness; (c) exchange, enforce, waive, subordinate, modify or decide not to perfect, and release any security, with or without the substitution of new collateral; (d) apply such security and direct the order or manner of sale thereof, including without limitation, any non-judicial sale permitted by the terms of the controlling security agreement; (e) release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, guarantors, or other guarantors on any terms or in any manner Lender may choose; and (f) determine how, when and what application of payments and credits shall be made on any other indebtedness owing by such other Borrower. Borrower and any other person who signs this Note, or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. All obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, EACH BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. EACH BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

MIDDLETOWN WASTE DISPOSAL INC.

By: Paul Lichtefeld
PAUL LICHTEFELD, President of MIDDLETOWN WASTE DISPOSAL INC.

Paul Lichtefeld
PAUL LICHTEFELD, Individually

By: Donald A Lorenz
DONALD A LORENZ, Treasurer of MIDDLETOWN WASTE DISPOSAL INC.

X Donald A Lorenz
DONALD A LORENZ, Individually

LENDER:



DISBURSEMENT REQUEST AND AUTHORIZATION

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	In
\$35,000.00	06-26-2008	06-26-2009	52164	4A / 819	M004302	JSC	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.

Borrower: MIDDLETOWN WASTE DISPOSAL INC. (TIN: 61-0994425)
130 APPLE LANE
TAYLORSVILLE, KY 40071

Lender: Citizens Union Bank
Taylorsville Branch
853 Taylorsville Road
Taylorsville, KY 40071
(502) 633-4450

LOAN TYPE. This is a Variable Rate Nondischargeable Revolving Line of Credit Loan to a Corporation for \$35,000.00 due on June 26, 2009 reference rate (New York Prime rate as published in the Money Rates Section of the Eastern edition of the Wall Street Journal, with an rate floor of 5.750% currently 5.000%) is added to the margin of 1.000%, resulting in an initial rate of 6.000%.

PRIMARY PURPOSE OF LOAN. The primary purpose of this loan is for:

- Personal, Family, or Household Purposes or Personal Investment.
- Business (Including Real Estate Investment).

SPECIFIC PURPOSE. The specific purpose of this loan is: BUSINESS LINE OF CREDIT.

DISBURSEMENT INSTRUCTIONS. Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for ma loan have been satisfied. Please disburse the loan proceeds of \$35,000.00 as follows:

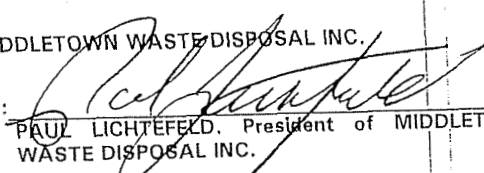
Amount paid on Borrower's account:	\$13,626.90
\$13,626.90 Payment on Loan # 44200	
Other Disbursements:	\$21,223.10
\$21,223.10 FUNDS TO DRAW	
Total Financed Prepaid Finance Charges:	\$150.00
\$150.00 Loan Processing Fee	
Note Principal:	\$35,000.00

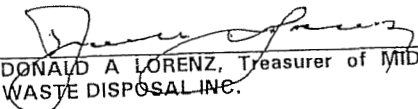
AUTOMATIC PAYMENTS. Borrower hereby authorizes Lender automatically to deduct from Borrower's Demand Deposit - Checking numbered 103438, the amount of any loan payment. If the funds in the account are insufficient to cover any payment, Lender sha obligated to advance funds to cover the payment. At any time and for any reason, Borrower or Lender may voluntarily terminate A Payments.

FINANCIAL CONDITION. BY SIGNING THIS AUTHORIZATION, BORROWER REPRESENTS AND WARRANTS TO LENDER TH INFORMATION PROVIDED ABOVE IS TRUE AND CORRECT AND THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN BORR FINANCIAL CONDITION AS DISCLOSED IN BORROWER'S MOST RECENT FINANCIAL STATEMENT TO LENDER. THIS AUTHORIZA DATED JUNE 26, 2008.

BORROWER:

MIDDLETOWN WASTE DISPOSAL INC.

By: 
PAUL LICHTEFELD, President of MIDDLETOWN WASTE DISPOSAL INC.

By: 
DONALD A LORENZ, Treasurer of MIDDLETOWN WASTE DISPOSAL INC.