

March 31, 2010

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

RECEIVED

MAR 31 2010

PUBLIC SERVICE  
COMMISSION

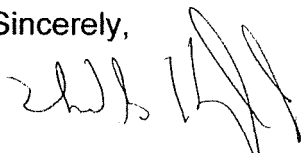
Re: Ridgelea Investments, Inc. 2009-00500 Rate Case Filing

Dear Sirs:

Attached is Ridgelea's response to the Commission Staff's first information request in the above-mentioned case. Please note that due to severe workload demands and other issues, Ridgelea was unable to provide all the needed information at this time (see for example, item 16), but will do so as soon as possible.

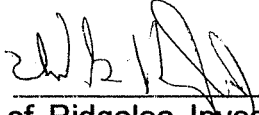
In addition, Ridgelea continues to believe, as it stated in the cover letter of its application, that an informal conference would be beneficial to all parties to avoid unnecessary delays and costly legal fees. We therefore reiterate our request for an informal conference to discuss our situation with Commission Staff. Since I am in Frankfort on a weekly basis every Monday and Thursday, it would be preferable to meet on one of those days if possible.

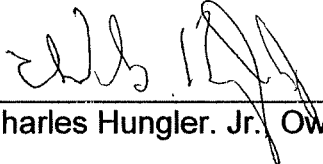
Sincerely,



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

**Written Statement of Verification**

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

  
Charles Hungler, Jr. Owner

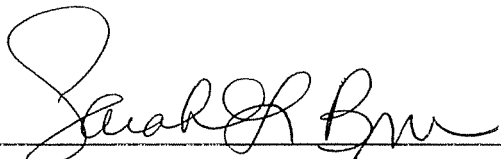
3-27-10  
Date

Subscribed and sworn to before me by Charles Hungler, Jr., Owner of Ridgelea Investments, Inc. on this March 27<sup>th</sup>, 2010

My Commission Expires Sept 10, 2013



**SARAH L. BROWN**  
Notary Public, State of Ohio  
My Commission Expires  
September 10, 2013

  
Notary Public  
In and for said County and State



Ridgelea CN 2009-00500 1<sup>st</sup> Data Request Responses

*Question 1. Refer to Exhibit 1 of the Application, Adjustment C, Owner/Manager Fee. Ridgelea states that the Owner/Manager Fee was adjusted to \$9,055 to reflect the fees that were allowed in its 2008 rate case. However, as reported in the 2008 Annual Report, Charles Hungler, Jr., Ridgelea's President, was paid \$2,050 to manage the day-to-day operations of Ridgelea's system. a. Provide a detailed list of the management duties being performed by Mr. Hungler.*

**Answer:** First, it should be noted that Mr. Hungler was paid only \$2,050 in 2008 because of limited funds, and this was prior to the final decision in the 2008 rate case in December 2008 – and prior to the realization of any additional revenues resulting from that case. Mr. Hungler provides management and supervisory activities for Ridgelea, including supervising office and plant operations, making two trips per week to the Franklin County plants to monitor the plants' operations and perform hands-on routine and non-routine maintenance, and corresponding with all regulatory agencies including the PSC and the Division of Water. He also interacts with contractors to resolve any operational issues.

*b. Does Mr. Hungler track the amount of hours he spends performing the daily management of Ridgelea? (1) If yes, provide documentation to support the number of hours Mr. Hungler devotes to the management of Ridgelea. (2) If no, given that this is a less-than-arms-length transaction, provide documentation to show that Mr. Hungler's annual salary of \$9,055 is reasonable.*

**Answer:** Mr. Hungler does not track the hours he spends performing the daily management of Ridgelea, and tracking the hours devoted to each of the four sewage treatment plants would be cumbersome when a great deal of time is devoted to operational issues – as opposed to unnecessary paperwork and timekeeping – for these aging plants. Ridgelea believes an annual salary of \$9,055 for Mr. Hungler is reasonable in view of his 32 years of experience in sewer plant operations, his technical expertise, the services he provides on a continual basis, and the fact that this particular sewer utility is comprised of four sewage treatment plants in two counties in Kentucky. Four separate plants entail four separate sets of responsibilities, four potential environmental liabilities, four separate customer bases, four separate operations without economies of scale, and four separate sets of assets requiring planning, routine and emergency maintenance and specialized knowledge.

Ridgelea is aware of instances in Kentucky where other sewer utility owners own and manage multiple sewage treatment plants. (See, for instance, Airview Utilities, Brocklyn Utilities, Bullitt Utilities, Coolbrook Utilities, Farmdale Development, Fox Run Utilities, and Lake Columbia Utilities, which share some or all of the same ownership and/or management) The key difference between them and Ridgelea is that they own and account for the plants under separate legal entities, and the Commission treats them separately for ratemaking, tariffs, and other administrative purposes. **In addition, the Commission awards each of those utilities a separate owner/manager fee.**

Ridgelea should not be penalized for its streamlined ownership structure which combines the four plants into one corporate entity.

In summary, the Commission's decision in Ridgelea's prior rate case in 2008 to award Mr. Hungler \$9,055 for ownership and management of the four sewage treatment plants was reasonable in that case; no party objected to that decision; and nothing has changed to warrant revisiting that decision.

**Witness: Charles Hungler, Jr.**



*Question 2. In its report in Case No. 2008-00364, Staff states that “the owner often responds in person to frequent emergency situations associated with the Franklin County sewers despite his location in Cincinnati, Ohio.” Provide a copy of the vehicle log documenting the number of trips Mr. Hungler made to the Franklin County treatment plants during calendar year 2008. For each documented trip, state the purpose of the visit and identify the treatment facility that was visited.*

**Answer:** Mr. Hungler does not keep a mileage log for his visits to the plants, as he has never charged Ridgelea for mileage or vehicle usage expenses. His normal schedule calls for visits to the Franklin County plants every Monday and Thursday, and he performs routine and non-routine maintenance at the plants for about 5 hours each day. Mr. Hungler does not keep paperwork recording the purpose of each visit to the plants. Instead, Mr. Hungler visits these plants on a twice-weekly basis because they are aging and need constant attention.

**Witness: Charles Hungler, Jr.**

*Question 3. Given that Mr. Hungler’s residence is in Cincinnati, Ohio and Ridgelea is located in Kentucky, quantify any benefits that the ratepayers of Ridgelea receive from this arrangement.*

**Answer:** It is difficult to specifically quantify the benefits Ridgelea’s ratepayers receive from Mr. Hungler’s ownership of the utility. However, the ratepayers receive numerous intangible benefits from the stable operation of a sewage treatment plant, including specialized expertise and safe, reliable and adequate service.

In Case No. 2003-00184, the Kentucky PSC approved the transfer of the three sewage treatment plants formerly owned by Mulberry Enterprises to Ridgelea. These plants were aging and needed significant repairs. The Commission’s Order at page 3 noted that Ridgelea was located in Cincinnati, Ohio and that Mr. Hungler was a licensed operator of wastewater treatment facilities. The Order at page 4 found that Ridgelea “has the financial, technical and managerial abilities to provide reasonable wastewater treatment facilities service” and further found that the transfer was consistent with the public interest. Ridgelea owned and operated the Franklin County plants from until late 2008 without a rate increase.

Ridgelea is aware of other instances in Kentucky where the ownership and management of sewer utilities is in question. See for instance, Case No. 2009-00378 involving an investigation of the operations of the Woodland Acres and Big Valley sewage treatment plants. Sewer utilities generally are not viewed as desirable assets, making it difficult or impossible to obtain financing for needed repairs and replacements. In this case, Ridgelea is asking for the funds needed to operate its plant in an environmentally responsible manner, as required by the Agreed Order with the Energy and Environment Cabinet.

**Witness: Charles Hungler, Jr.**





*Question 4 – Provide a calendar year 2008 general ledger showing account number, subaccount number, account title, subaccount title, and all entries to each account...*

**Answer:** Ridgelea does not maintain any kind of general ledger. Ridgelea's owner spends most of his time with operations rather than paperwork, and Ridgelea writes a limited number of checks per year, as detailed in response to question 5 below. The 2008 Commission Staff Report in Case No. 2008-00364 (at Explanatory Note B) noted that "Ridgelea is generally unfamiliar with PSC practices [and] its documentation for various expenses was less than desirable." Its documentation basically consists of a checkbook, expense invoices, and a year-end compilation by a CPA with which it contracts.

**Witness: Charles Hungler, Jr.**

*Question 5 – For each cash account used by Ridgelea during the calendar year 2008, provide a cash disbursements ledger that lists all checks in chronological order and details the date paid, check number, vendor, and amount. The 2008 cash disbursements ledger should be provided on a computer disk in Microsoft Office Excel format.*

**Answer:** Ridgelea does not maintain computerized financial records. Attached is a copy of the actual checkbook pages and an Exhibit showing all checks and dates paid, payee and amount.

**Witness: Charles Hungler, Jr.**

Rodriguez Investments  
2008 Mulberry

AD-Automatic Deposit • AP-Automatic Payment • ATM-Cash Withdrawal • DC-Debit Card • FT-Funds Transfer • SC-Service Charge • TD-Tax Deductible									
NUMBER OR CODE	DATE	TRANSACTION DESCRIPTION	PAYMENT, FEE, WITHDRAWAL (-)		✓	DEPOSIT, CREDIT (+)		\$4778 24	
1878	1/11	Btm Grass Energy Electric bill Mulberry	547	53	✓			547	53
								4230	71
1879	1/11	Brigham Mktal. LLP Legal Fees Mulberry	1000	00	✓			1000	00
								3230	71
1881	1/11	North s.k. Bnoll Loppa Pump Mulberry Plant.	563	50	✓			563	50
								2667	21
	1/14	Deposit Mulberry Plant.			✓	3470	45	3470	45
								6137	66
1880	1/14	Hazeltree & Cox LLP Legal Fees Mulberry	1200	00	✓			1200	00
								4937	66
1882	1/14	PERFECT A-LINK Loppa Pump Mulberry	500	00	✓			500	00
								4437	66
	1/28	GRANT Ltd Est.			✓	2896	84	2896	84
								7334	50
1883	1/14	CITY OF FARMER Sludge Fees Mulberry Plant	65	00	✓			65	00
								7269	50
1884	1/14	Perry's Supt. Service Sludge Handling Mulberry	175	00	✓			175	00
								7094	50
1885	1/14	Gordon's Towing Grant Ltd Est. Pump Installation	100	00	✓			100	00
								6994	50
1886	1/28	Charles G. Hargrave Sewerline charge 250 Mulberry	500	00	✓			500	00
			250	Grant Ltd				6494	50
1887	1/26	State Court Property Tax Mulberry Plant	1248	60	✓			1248	60
								5245	90
1888	2/1	Charles G. Hargrave Mulberry Plant	67	57	✓			67	57
								5178	33

AD - Automatic Deposit • AP - Automatic Payment • ATM - Cash Withdrawal • DC - Debit Card • FT - Funds Transfer • SC - Service Charge • TD - Tax Deductible

NUMBER OR CODE	DATE	TRANSACTION DESCRIPTION	PAYMENT FEE WITHDRAWAL (-)	✓	DEPOSIT CREDIT (+)	\$5178	33
1889	2/1	Franklin Water Dist Mulberry Water bill	41 60	✓		41	60
1890	2/2	Franklin Co. North Dist Mulberry P.L.S. Permit 2008	450 00			450	00
1891	2/6	Perfection - Water Mint Spring Mulberry	1040 00	✓		1040	00
1892	2/7	Nazareth & Cox L.P. Legal Fees Mulberry Plant	1000 00	✓		1000	00
	2/8	Deposit Mulberry Plant			✓ 3737 04	3737	04
1893	2/10	Bingham Michele LLP Partial Payment Surplus Mulberry	1021 84	✓		1021	84
1894	2/13	North Side Bank Loan Payment Mulberry Plant	750 00	✓		750	00
1895	2/13	Amco Energy Electric bill Grant L	632 64	✓		632	64
1896	2/13	Blue Grass Energy Electric bill Mulberry Plant	427 56	✓		427	56
1897	2/16	Ry. Stat. Tribunal Corporate Appeal Filing	15 00			15	00
	2/13	Deposit Grant L Est.			4146 84	4146	84
1898	2/3	Charles G. Hixson Jr. 300 " Share Inc. Chng Grant L	500 00			500	00
1899	2/3	Perfection - Water Slab Work Mulberry Plant	300 00			300	00
						6954	52
						6654	52

AD - Automatic Deposit • AP - Automatic Payment • ATM - Cash Withdrawal • DC - Debit Card • FT - Funds Transfer • SC - Service Charge • TD - Tax Deductible

NUMBER OR CODE	DATE	TRANSACTION DESCRIPTION	PAYMENT, FEE, WITHDRAWAL (-)	✓	DEPOSIT, CREDIT (+)	\$6654	52
1900	3/3	Parade Water Dist. Water bill Mulberry Plant	38 97			38	97
1901	3/3	Grant Co. Septic Service Sept Pump Grant LA	220 00			220	00
1902	3/6	Perfect A. Water Mulberry Plant - Maint.	1215 00			1215	00
1903	3/6	STRAFFER Pump & Supply Part. for Pump Grant LA	172 69			172	69
1904	3/6	Burghin McHale LLC Legal Fee Mulberry Plant	821 81			821	81
1905	3/6	Hazelrigg & Cox LLP Legal Fee Mulberry Plants	1000 00			1000	00
1906	3/7	Duke Energy Electric bills Grant LA	217 93			217	93
	3/17	Deposit Mulberry Plant			3650 01	3650	01
1907	3/17	Blue Grass Energy Electric Bill Mulberry	463 93			463	93
1908	3/21	Perfect A - Water Mulberry Maint 19838 Grant LA	441 72			441	72
1909	3/21	North side Bank Loan Payment Mulberry	436 98			436	98
	3/31	Deposit Grant LA E.T.			4416 10	4416	10
1970	3/29	Chick G. Hunt, Jr 250 Service Charge Mulberry	500 00			500	00
		250 Administration	250			250	00



				6162	82
			100 00	100	00
1921	5/21	Garland Town	100 00	6062	82
		Garland - Pump	61 81	61	87
1922	5/21	Garland		6006	95
		Garland	900 00	900	00
1923	5/1	Richard F. Sear	900 00	5100	95
		Richard F. Sear		3433	60
	5/2	Garland		9134	55
		Garland	800 00	800	00
1924	5/2	Garland	800 00	8334	55
		Garland	300 00	1000	00
1925	5/2	Garland	1000 00	7334	55
		Garland		104	00
1926	5/1	Garland	104 00	7130	55
		Garland		100	00
1927	5/1	Garland	1100 00	6130	55
		Garland		3599	24
	5/19	Garland		9729	79
1928	5/19	Garland	511 52	511	53
		Garland		9218	27
1929	5/19	Garland	38 39	38	39
		Garland		9179	88
1930	5/19	Garland	1100 00	1100	00
		Garland		8079	88
1931	5/19	Garland	1000 00	1000	00
		Garland		7079	88
1932	5/19	Garland	430 12	430	12
		Garland		6649	76
1933	5/19	Garland	462 33	462	33
		Garland		6194	72
1934	5/26	Garland	381 72	381	72
		Garland	135 34	5805	71

					5805 71
1935	5/26	Perfect A. Wash	539 00	✓	539 00
		500 <sup>00</sup> T <sup>00</sup> 39 <sup>00</sup> material	Grant		5266 71
1936	5/26	Charl. G. Hough S.	133 33	✓	133 33
		material Mulberry Plant			5133 38
	6/2	Report		✓	3750 95
		Grant			3750 95
1937	6/2	Charl. G. Hough S.	600 00	✓	600 00
		100 <sup>00</sup> Grant	300 <sup>00</sup> material	Grant	82 87 33
1938	6/4	Frost CPA Group PSC.	820 00	✓	820 00
		200 <sup>00</sup> End of Year Work			7464 33
1939	6/6	Furniture Water Bill	311 13	✓	311 13
		Mulberry Water Bill			7425 20
	6/9	Report		✓	3672 21
		Mulberry Plant			11099 41
1940	6/9	Perfect A. Wash	300 00	✓	300 00
		material - T <sup>00</sup> Grant			10799 41
1941	6/9	Perfect A. Wash	1175 00	✓	1175 00
		Maintenance & Testing	Mulberry		9624 41
1942	6/9	Wardlaw & Co LLP	1000 00	✓	1000 00
		Legal Fee Mulberry Plant			8624 41
1943	6/9	Bryant & Metch LLP	800 00	✓	800 00
		Legal Fees			7824 41
1944	6/13	DNR. Express	36 80	✓	36 80
		Electric Bill	Grant		7787 61
1945	6/13	Blue Grass Express	538 69	✓	538 69
					7249 92
1946	6/13	Winning Silene LLC	217 74	✓	217 74
		Ducting Silene Mulberry Plant			7031 18
1947	6/13	CITY OF FRANKF.	185 00	✓	185 00
		Slack Handling Mulberry Plant			6846 18
1948	6/13	architectural - Hancock Inc	265 00	✓	265 00
		Screen line Cleaning Mulberry			6581 18

1949	4/23	North Side Bank Loan Payment	571 32	✓	6581 18 571 32
1950	4/23	D-12 Everco Electric Bill	345 91	✓	6089 86 345 91
1900	4/30	Bank of Hampton Gen'l Ledger	900 00		5663 85 900 00
1901	4/4	Gen'l Ledger 125 State Treasurer	163 60	✓	4763 85 163 60
1902	4/4	PSC Assessment Bingham Mchnt. LLP	600 00	✓	4600 25 600 00
	7/5	Legal Fee		✓	4000 25 3900 96
1903	7/5	Gen'l Ledger Furniture	107 72	✓	3900 96 7901 21 107 72
1904	7/5	with Bill	353 83	✓	7793 49 353 83
1905	7/5	Permit - Waste Maintenance	1325 00	✓	7439 66 1325 00 6114 66
1906	7/5	Permit - Waste Maintenance	140 00	✓	140 00 5974 66
1907	7/5	ETHEL Hampton Loan Payment	1000 00	✓	1000 00 4974 66
1908	7/5	Hampton Co. Traffic Clerk Traffic Ticket	104 00	✓	104 00 4870 66
1909	7/25	Blue Grass Energy Electric Bill	659 00	✓	659 00 4211 53
	7/28	Dupont Members P/nt		✓	3654 55 3654 55 7876 08
1910	7/28	North Side Bank Loan Payment	536 80	✓	536 80 7339 88
1911	7/26	Easy Access Acct. Service	410 00	✓	410 00 6929 28



						6929	28
	8/4	Dep't Grantld Est.	✓	3482 38	3482	38	38
					10411	66	66
1912	8/2	Charles G. Hough, Jr. 800.00 ✓			800	00	00
		300 mulberry 200 Grantld Green City 300 on 72nd			9611	66	66
1913	8/2	Grantld Water Dist 58 59 ✓			58	59	59
		Mulberry water Dist			9553	07	07
1914	8/2	Bryson Michael, Ltd 800.00 ✓			800	00	00
		Loyal Fess Mulberry			8753	07	07
1915	8/2	R. Nazirung & Cox LLP 1500.00 ✓			1500	00	00
		Loyal Fess Mulberry			9253	07	07
1916	8/4	Family Water Dist 100.00 ✓			100	00	00
		Administrative Dist			9753	07	07
1917	8/1	Perfect A. Water 1050.00 ✓			1050	00	00
		Maintenance bill 08.695			6163	07	07
	8/10	Dep't Mulberry Plant ✓		3657 30	3657	38	38
					4720	45	45
1918	8/11	Charles G. Hough, Jr. 760.00 ✓			760	00	00
		Trees Removal Fungus Mulberry Plant			9000	75	75
1919	8/11	Star Electrical Repair 299.00 ✓			299	00	00
		Air conditioning Grantld			8701	75	75
1920	8/11	DNR Energy 548.89 ✓			548	89	89
		Electrical bill Grantld			8752	86	86
1921	8/15	Perfect A. Water 140.00 ✓			140	00	00
		Grantld Tint			8012	86	86
1922	8/15	Blue Grass Energy 631.59 ✓			631	59	59
		Electrical bill Mulberry Phn.			7391	27	27
1923	8/15	Perfect A. Water 300.00 ✓			300	00	00
		Lagoon cleaning Mulberry			5081	27	27
	8/30	Dep't ✓		4205 09	4205	09	09
		Grantld Est.			11286	36	36
1924	8/30	North Side Bank 536.04 ✓			536	04	04
		Loan Payment Mulberry Phn			10750	32	32

Year	Date	Description	Amount	Check	Balance
1925	8/30	Charles G. Hays		✓	10750 32
		400.00	140 00	✓	10610 32
1926	9/5	Perfect A.W.T.		✓	9610 32
		1000 00		✓	1000 00
1927	9/13	B. William Melton	1000 00	✓	9610 32
		Legal Fees	49 90	✓	49 90
1928	9/13	W. T. H. W. Mulberry	44 90	✓	856 00
		W. T. H. W. Mulberry	273 90	✓	243 70
1929	9/5	Ry Dept. of Revenue	273 90	✓	8286 72
		Property Tax	1500 00	✓	1500 00
1930	9/5	Harvey & Co	1500 00	✓	6786 72
		Legal Fees		✓	3620 09
	9/8	Deposit		✓	10466 81
				✓	68 00
1931	9/8	Charles G. Hays	68 00	✓	10398 81
		Trust		✓	
1932	9/8	Perfect A.W.T.	1245 00	✓	1245 00
		Maintenance		✓	9063 81
1933	9/8	City of Frankfort	245 00	✓	245 00
		Shade Fee		✓	8818 81
1934	9/2	W. B. Blue Book	403 95	✓	403 95
		Chlorine		✓	8414 86
1935	9/8	Bank	31 12	✓	31 12
		Electric bill		✓	8383 74
1936	9/12	Blue Grass Energy	681 86	✓	681 86
		Maintenance		✓	9901 88
1937	9/12	Bank	507 28	✓	507 28
		Electric bill		✓	7194 60
1938	9/24	E. H. W. Hays	500 00	✓	500 00
		Loan		✓	6694 60
1939	9/24	N. W. S. B. B. B.	548 87	✓	548 87
		Loan		✓	6145 73

				6145	43
1940	10/10	Perfect-A-Water	450.00	450	00
		Service Charge Mulberry Edgmont		5695	73
1941	10/1/08	Perfect-R-Water	500.00	500	00
		Gravel Lift Station Repair		5145	73
	10/4	Deposit		3242	89
		Gravel Ent		8438	62
1942	10/2	Chas. E. Hayward	850.00	850	00
		200 Gals. City Mulberry, 100 Gals. 300 Bl. ...		7588	62
1943	10/6	Paint Supt. Pumping	175.00	175	00
		Mulberry Mulberry		7413	62
1944	10/1	Garden Tower	50.00	50	00
		Gravel Pump Station		7363	62
1945	10/6	Furnace Water	56.78	56	78
		Water for Mulberry Plant		7306	84
1946	10/1	Sullivan El. Co. Equip. 200	500.00	500	00
		Paint on Pumps on Pumphouse		6806	84
	10/10	Deposit		3607	89
		Mulberry Plant		3604	99
1947	10/10	D-120 Evers	513.96	513	96
		Electrical Gravel		9900	75
1948	10/11	Bingham Mulberry Ltd	600.00	600	00
		Legal Fee Mulberry		9300	45
1949	10/11	Nazarety & Cox Dep	1300.00	1300	00
		Legal Fee Mulberry Plant		8000	45
1950	10/11	Perfect A-Water	290.00	290	00
		Gravel Ent Material		7710	75
1951	10/11	Perfect A-Water	1325.00	1325	00
		275' material, loose maint. Mulberry		6385	45
1952	10/20	Blue Grass Evers	596.45	596	45
		Electrical Mulberry		5789	30
1953	10/24	Northside Bank	509.27	509	27
		Loan Payment Mulberry Plant		5280	03

						5280	93
				✓	3701 99	3701	99
						8988	62
						850	00
1954	11/3	Garrett's	850	✓		8138	02
		24-hour Co. Haysville				551	09
		See Oct. bill				7586	48
1955	11/6	Bank Energy	551 09	✓		551	09
		Electron. bill				7586	48
1956	11/4	Garrett's	55 60	✓		55	60
		Franklin Electric				7531	18
		Water Hill Mulberry Pla				125	00
1957	11/1	City of Franklin	125	✓		7406	18
		State-Dump Fee Mulberry Pla				490	00
1958	11/1	S. Hill Electric Co.	490	✓		6916	18
		Perf. Repair - Garrett's				140	00
1959	11/7	Perfect-A-Write	140	✓		6067	30
		Maintenance ball Garrett's				1125	00
1960	11/11	Perfect-A-Write	1125	✓		5542	30
		Maintenance Mulberry Pla					
1961	11/10	Bingham McNeil LLP	871	✓		871	62
		Legal Fee Mulberry Pla				4670	48
	11/10	Report			✓	3006	73
						8277	21
1962	11/19	Hazleton & Cox LLP	1200	✓		1200	00
		Legal Fee Mulberry Pla				7077	21
1963	11/19	Blue Grass Energy	620 50	✓		620	50
		Electron. bill Mulberry				6456	41
1964	11/22	Northside Bank	522 83	✓		522	83
		Loan Payment Mulberry				5933	88
1965	12/3	Perfect-A-Write	1000	✓		1000	00
		Sewer line repair Mulberry - Edgemoor				4933	88
1966	12/3	Perfect-A-Write	140	✓		140	00
		Garrett's Testing				4793	88
1967	12/4	Hazleton & Cox LLP	1000	✓		1000	00
		Payment on amt legal fees Mulberry				3793	88

1968	12/11	Thompson County	800	✓	3793	88
1969	12/5	Openway Mulberry Plant			2943	88
	12/8	Franklin Water Plant	171	✓	41	79
	12/8	Mulberry water bill			2946	89
		Deposit		✓	3114	82
1970	12/1	2nd. G. H. H. 2.	800	✓	6110	65
1971	12/8	300 Mulberry Branching 300 rd. water bill		✓	5310	65
		Bingham Mulberry Unit	530	✓		65
		Highway Mulberry			4810	30
1972	12/8	Percept. A-Water	1000	✓	1615	11
	12/13	1st-Town Mulberry Plant			3196	14
		Deposit		✓	3533	61
1973	12/13	Mulberry Plant			6529	75
		Northside Branch	530	✓	520	10
		Loop Branch Mulberry			6209	65
1974	12/13	D.R. Energy	562	✓	562	31
1975	12/15	Clinton Hill Grantld Ent			5647	34
		Blue Grass Energy	504	✓	504	54
1976	12/15	Clinton Hill Mulberry Plant			5192	80
		Franklin C. H. H. 1st	450	✓	450	00
1977	12/15	Mulberry Plant 2nd Percept. Fee			4692	30
		Sullivan Clinton Group	278	✓	278	00
1978	12/15	Motor repair Mulberry Plant			4414	80
	12/20	City of Franklin	245	✓	245	00
		Station Energy Fee Mulberry			4169	80
		Deposit		✓	6000	00
1979	12/22	Lease			10169	80
	12/27	Percept. A-Water	600	✓	600	00
		Scenic View Clony. Mulberry Plant			4569	80
		Deposit		✓	3408	22
		Grantld Ent.			3408	22
					12978	02

1980	12/30	Hazulriss & Cox LLP	5793 80	✓	12998 08
		Legal Fee Mulberry Pk			5793 82
1981	1/4/89	Steve Clark	1275 00	✓	7184 26
		Property Tax Mulberry Pk			1275 05
1982	1/4	City of Franklin	245 00	✓	5909 21
		Subj. to Fee Mulberry Pk			245 00
1983	1/4	Sutton Electric Group	450 00	✓	5664 21
		Pump Repair Gravelled Est			450 00
1984	1/4	Goodwin Towing	50 00	✓	5214 21
		Pump Removal Gravelled Est			50 00
	1/10	Dupont		✓	3529 00
		Mulberry Pk			3529 00
1985	1/2	Charles G. Higgins	400 00	✓	8693 26
		300' Administration 100' Sewer Lin. Clng Mulberry			400 00
1986	1/10/89	Blm Grass Erosion	104 76	✓	8293 26
		Edmond - Mulberry			104 76
					8198 50
1987	1/10	Franklin Water Dist	105 57	✓	105 57
1988	1/12/89	Permit A - Water	1275 00	✓	8082 93
		Maintenance Mulberry Pk			1275 00
1989	1/12/89	Permit A - Water	161 25	✓	9807 93
		Gravelled Mant. & Tur			161 25
1990	1/12/89	Duke Everage	860 24	✓	7646 73
		Elect. bill Gravelled			860 24
1991	1/12/89	Jim Thacker	800 00	✓	6986 49
		Mulberry Pk. Consulting			800 00
1992	1/15/89	Blm Grass Erosion	666 38	✓	6186 49
		Elect. bill Mulberry Pk			666 38
1993	1/15/89	Permit Supt. Serv	405 00	✓	5526 11
		Subj. to Fee Mulberry Pk			405 00
1994	1/15/89	Bryson & Prud'homme	500 00	✓	5115 11
		Legal Fee Mulberry Pk			500 00
					4615 11

### Ridgelea Checks Written 2008

#	Date	To	Amount
1878	1/11	Bluegrass Energy	\$547.53
1879	1/11	Bingham McHale LLC – Mulberry Legal Fees	\$1,000.00
1880	1/11	Hazelrigg & Cox – Mulberry Legal Fees	\$1,200.00
1881	1/14	Northside Bank – Mulberry Loan Payment	\$563.50
1882	1/14	Perfectawaste – Lagoon Pumping Mulberry	\$500.00
1883	1/14	Frankfort – Sludge fee for Mulberry	\$65.00
1884	1/14	Perry's Septic Service – Mulberry Sludge Hauling	\$175.00
1885	1/14	Gordon towing –Grantland Pump Installation	\$100.00
1886	1/28	Charles Hungler – Two Sewer line cleanings	\$500.00
1887	1/28	Property tax Payment Mulberry	\$1,248.60
1888	2/1	Charles Hungler – Mulberry Materials	\$67.57
1889	2/2	Farmdale WD – Water bill	\$41.60
1890	2/2	Franklin Co. Health Dept. – Mulberry permit	\$450.00
1891	2/6	Perfectawaste – Mulberry maintenance	\$1,040.00
1892	2/7	Hazelrigg & Cox – Mulberry legal fees	\$1,000.00
1893	2/10	Bingham McHale LLC – Mulberry Legal Fees	\$1,021.84
1894	2/13	Northside Bank - Mulberry Loan Payment	\$750.00
1895	2/13	Duke Energy – Grantland Electricity	\$632.64
1896	2/13	Bluegrass Energy	\$427.56
1897	2/16	Ky. State Treasurer – Filing fee	\$15.00
1898	3/3	Charles Hungler – \$300 Grantland cleaning, \$200 admin	\$500.00
1899	3/3	Perfectawaste – Mulberry sludge hauling	\$300.00
1900	3/3	Farmdale WD	\$38.97
1901	3/3	Grant Co. Septic – Grantland sludge hauling	\$220.00
1902	3/6	Perfectawaste – Mulberry plant maintenance	\$1,215.00
1903	3/6	Straeffer Pump – Grantland pump parts	\$172.69
1904	3/6	Bingham McHale – Mulberry Legal Fees	\$821.81
1905	3/17	Hazelrigg & Cox – Mulberry Legal Fees	\$1,000.00
1906	3/17	Duke Energy	\$217.43
1907	3/17	Bluegrass Energy	\$463.93
1908	3/21	Perfectawaste – Grantland and Mulberry	\$441.72
1909	3/21	Northside Bank – Mulberry loan payment	\$436.98
1910	3/29	Charles Hungler - \$250 Mulberry, \$250 Admin.	\$500.00
1911	4/2	KY Revenue Department – State Tax	\$175.00
1912	4/6	Farmdale WD	\$33.55
1913	4/6	Perfectawaste – Mulberry maintenance	\$1,100.00
1914	4/6	Perfectawaste – Mulberry chemicals	\$150.00
1915	4/6	Perfectawaste – Mulberry \$150 chemicals, \$125 Grantland testing	\$275.00
1916	4/9	Hazelrigg & Cox – Mulberry Legal Fees	
1917	4/14	Duke Energy	\$447.95
1918	4/14	Bluegrass Energy	\$475.98

1919	4/16	Bingham McHale – Mulberry Legal Fees	\$807.52
1920	4/21	Northside Bank – Mulberry loan	\$545.97
1921	4/21	Gordon's Towing – Grantland pump removal	\$100.00
1922	4/21	Granger- Grantland parts	\$61.87
1923	5/1	Robert Faesy CPA – Taxes & Reports	\$900.00
1924	5/2	Charles Hungler-Grasscutting \$300 Mulberry, \$200 Grantland, \$300 Administration	\$800.00
1925	5/2	Ethel Hungler – Grantland Loan Payment	\$1,000.00
1926	5/7	?	\$104.00
1927	5/7	Perfectawaste – Mulberry maintenance	\$1,100.00
1928	5/19	Northside Bank – Mulberry loan payment	\$511.52
1929	5/19	Farmdale WD	\$38.39
1930	5/19	Hazelrigg & Cox – Mulberry Legal Fees	\$1,100.00
1931	5/19	Bingham McHale – Mulberry Legal Fees	\$1,000.00
1932	5/19	Duke Energy	\$430.12
1933	5/19	Bluegrass Energy	\$462.33
1934	5/26	Perfectawaste – Material \$246.38 Mulberry, Grantland \$135.34	\$381.72
1935	5/26	Perfectawaste	\$539.00
1936	5/26	Charles Hungler-Mulberry Material	\$133.33
1937	6/2	Charles Hungler- \$100 Grantland & \$300 Mulberry grasscutting, \$200 Administration	\$600.00
1938	6/9	Robert Faesy CPA – 2007 end of year work	\$820.00
1939	6/6	Farmdale WD	\$37.13
1940	6/9	Perfectawaste-Grantland Material & Testing	\$300.00
1941	6/9	Perfectawaste-Mulberry maintenance and testing	\$1,175.00
1942	6/9	Hazelrigg & Cox – Mulberry Legal Fees	\$1,000.00
1943	6/9	Bingham McHale Legal Fees	\$800.00
1944	6/13	Duke Energy	\$36.80
1945	6/13	Bluegrass Energy	\$538.69
1946	6/13	Universal Silencer, LLC - Mulberry	\$217.74
1947	6/13	Frankfort – Sludge hauling	\$185.00
1948	6/13	Whitehead-Hancock – Mulberry cleaning	\$265.00
1949	6/23	Northside Bank – Mulberry loan	\$571.32
1950	6/23	Duke Energy	\$345.91
1900	6/30	Charles Hungler-Grasscutting \$400 Mulberry & \$300 Grantland, \$200 Administration	\$900.00
1901	7/4	KY State Treasurer-PSC Assessment	\$163.60
1902	7/4	Bingham McHale Legal Fees	\$600.00
1903	7/5	Farmdale WD	\$107.72
1904	7/5	Duke Energy	\$353.83
1905	7/5	Perfectawaste	\$1,325.00
1906	7/5	Perfectawaste	\$140.00
1907	7/5	Ethel Hungler	\$1,000.00
1908	7/5	Hamilton Co. Traffic Clerk	\$104.00



1909	7/25	Bluegrass Energy	\$659.02
1910	7/28	Northside Bank – Mulberry loan payment	\$536.80
1911	7/28	Faesy Accounting Services	\$410.00
1912	8/2	Charles Hungler	\$800.00
1913	8/2	Farmdale WD	\$58.59
1914	8/2	Bingham McHale Legal Fees	\$800.00
1915	8/2	Hazelrigg & Cox – Legal Fees	\$1,500.00
1916	8/4	Farmdale WD	\$100.00
1917	8/?	Perfectawaste	\$1,050.00
1918	8/11	Charles Hungler	\$760.00
1919	8/11	Star Electrical Repair-Grantland Aerator Repair	\$299.00
1920	8/11	Duke Energy	\$548.89
1921	8/15	Perfectawaste	\$140.00
1922	8/15	Bluegrass Energy	\$631.59
1923	8/15	Perfectawaste	\$300.00
1924	8/30	Northside Bank – Mulberry loan payment	\$536.04
1925	8/30	Charles Hungler	\$1,000.00
1926	9/3	Bingham McHale Legal Fees	\$1,000.00
1927	9/5	Perfectawaste	\$140.00
1928	9/5	Farmdale WD	\$49.90
1929	9/5	KY Department of Revenue	\$273.90
1930	9/5	Hazelrigg & Cox – Legal Fees	\$1,500.00
1931	9/8	Charles Hungler	\$68.00
1932	9/8	Perfectawaste	\$1,275.00
1933	9/8	Frankfort	\$245.00
1934	9/8	USA Blue book	\$403.95
1935	9/8	Duke Energy	\$31.12
1936	9/12	Bluegrass Energy	\$681.86
1937	9/12	Duke Energy	\$507.28
1938	9/21	Ethel Hungler	\$500.00
1939	9/29	Northside Bank – Mulberry loan payment	\$548.87
1940	10/1	Perfectawaste	\$500.00
1941	10/1	Perfectawaste	\$450.00
1942	10/6	Charles Hungler	\$850.00
1943	10/6	Perry Septic	\$175.00
1944	10/6	Gordon's Towing	\$50.00
1945	10/6	Farmdale WD	\$56.78
1946	10/6	Sullivan Electric	\$500.00
1947	10/11	Duke Energy	\$513.96
1948	10/11	Bingham McHale Legal Fees	\$600.00
1949	10/11	Hazelrigg & Cox – Legal Fees	\$1,300.00
1950	10/11	Perfectawaste	\$290.00
1951	10/11	Perfectawaste	\$1,325.00
1952	10/20	Bluegrass Energy	\$596.45
1953	10/24	Northside Bank – Mulberry loan payment	\$509.27

1954	11/3	Charles Hungler	\$850.00
1955	11/6	Duke Energy	\$551.29
1956	11/8	Farmdale WD	\$55.60
1957	11/?	Frankfort	\$125.00
1958	11/?	Sullivan Electric	\$490.00
1959	11/7	Perfectawaste	\$145.80
1960	11/7	Perfectawaste	\$1,125.00
1961	11/?	Bingham McHale Legal Fees	\$871.82
1962	11/17	Hazelrigg & Cox – Legal Fees	\$1,200.00
1963	11/19	Bluegrass Energy	\$620.50
1964	11/22	Northside Bank	\$522.83
1965	12/3	Perfectawaste	\$1,000.00
1966	12/3	Perfectawaste	\$140.00
1967	12/4	Hazelrigg & Cox – Mulberry Legal Fees	\$1,000.00
1968	12/4	? – Mulberry Plant	\$800.00
1969	12/5	Farmdale WD	\$47.79
1970	12/8	Charles Hungler	\$800.00
1971	12/8	Bingham McHale Legal Fees	\$500.00
1972	12/8	Perfectawaste	\$1,619.11
1973	12/13	Northside Bank – Mulberry loan payment	\$520.10
1974	12/13	Duke Energy	\$562.31
1975	12/15	Bluegrass Energy	\$509.59
1976	12/15	Franklin Co. Health Dept.	\$450.00
1977	12/15	Sullivan Electric Group – Mulberry Motor Repair	\$278.00
1978	12/15	Frankfort-Mulberry sludge dumping	\$245.00
1979	12/20	Perfectawaste	\$600.00
1980	12/28	Hazelrigg & Cox – Legal Fees Mulberry	\$5,793.82
		(End of 2008 checks)	



*Question 6. - Provide a copy of the audited financial statements for the 12-month period ending December 31, 2008. Include a copy of all audit adjustments made to the financial statements. If those audited financial statements are not currently available, give an estimated date that this information will be submitted to the Commission.*

**Answer:** Ridgelea is a small utility which does not undergo an annual financial audit. Instead, it contracts with a CPA to do an annual compilation, the most recent of which is attached.

**Witness: Charles Hungler, Jr.**

*Question 7. Refer to Exhibit 1 of the application, Pro Forma Income Statement. Ridgelea operates wastewater facilities located in Franklin County and in Grantland, Kentucky. Provide a separate income statement for each operation for the calendar year 2008. For each operating revenue or expense account that is allocated between the two facilities, state the allocation factor used and give the reason for using each allocation factor.*

**Answer:** See the attached year-end compilation by the CPA. Please note that because Ridgelea's bookkeeping needs improving, the compilation does not provide a full accounting of Ridgelea's true expenses. For instance, most significant repairs and replacements over the years have been expensed, so depreciation expense is low for these aging plants. Also please note the significant accounts payable at the bottom of the page for both the Grantland plant and the Franklin County plants. These are repairs done by Perfect-a-waste which the utility was unable to pay. It should also be noted that the 2008 compilation includes a total management fee of \$2,050, whereas the Commission approved an owner/manager fee of \$9,055 for the three Franklin County plants alone in 2008. Finally, please note that Ridgelea is due to file a plan of action with Mr. Jeff Malsi at the Division of Water by April 15, 2010 to explain how it will accomplish a major lagoon cleaning at Grantland. This is currently estimated to cost anywhere from \$20,000 to \$50,000.

Copy

RIDGELEA INVESTMENTS, INC. 2008  
PUBLIC SERVICE COMMISSION REPORT  
SUPPLEMENTAL STATEMENT

	Grantland Plant	Mulberry Plant	TOTAL
<b>INCOME</b>			
Sewer Revenue Fees	48,956	51,390	100,346
<b>EXPENSES</b>			
Collection Fees	3,984	7,916	11,900
Maintenance Repairs	11,337	34,712	46,049
Electric	5,583	6,610	12,193
Water Bill	0	629	629
Grass Cutting	1,500	2,000	3,500
Sludge Hauling	220	1,715	1,935
Taxes	361	1,336	1,697
Management Fee	1,025	1,025	2,050
Legal Fees	0	25,652	25,652
Accounting Fees	1,000	1,130	2,130
Permits & Assessments	164	900	1,064
Miscellaneous	122	122	244
Interest Expense		466	466
Interest Income		-21	-21
Depreciation	2,003	397	2,400
Amortization		815	815
<b>TOTAL EXPENSE</b>	<b>27,299</b>	<b>85,404</b>	<b>112,703</b>
<b>NET INCOME/LOSS</b>	<b>21,657</b>	<b>-34,014</b>	<b>-12,357</b>
Memo: Accounts Payable for Repairs & Main- tenance at end of year.	26,454	54,740	81,194

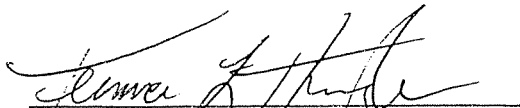



*Question 8. Attached to the Application is an Agreed Order...Provide a signed copy of the Agreed Order.*


**Answer:** Attached.

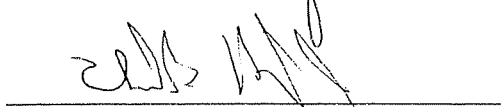
**Witness:** Charles Hungler, Jr.

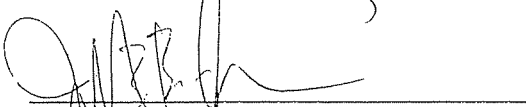
**AGREED TO BY:**

  
\_\_\_\_\_  
Terrance Hungler Date 8-1-09


  
\_\_\_\_\_  
Charles G. Hungler III Date 8-1-09

  
\_\_\_\_\_  
Charles G. Hungler, Jr. Date 8-1-09

  
\_\_\_\_\_  
Ridgelea Investments, Inc. Date 8-1-09

  
\_\_\_\_\_  
John B. Baughman, Attorney for Defendants  
Hazelrigg & Cox, LLP  
P.O. Box 676  
415 West Main Street  
Frankfort, Kentucky 40601 Date 8-1-09

**APPROVAL RECOMMENDED BY:**

  
\_\_\_\_\_  
Jeff Cummins, Acting Director  
Division of Enforcement Date 9/10/09

  
\_\_\_\_\_  
Peter Goodmann, Acting Director  
Division of Water Date 9/21/2009

  
\_\_\_\_\_  
John West, Attorney  
Office of General Counsel Date 9/8/09





*Question 9. When it has been determined that an owner/manager of a utility has neglected his duties and responsibilities, the Commission has found that the owner/manager is not entitled to any level of compensation. Given this past Commission determination, the Notices of Violations that were issued against Ridgelea, and the Agreed Order, explain why Mr. Hungler should be entitled to any level of compensation.*

**Answer:** Ridgelea has found and reviewed the Mallard Point precedent from 2003, and responds as follows:

-The Final PSC Order dated May 27, 2004 in Case No. 2003-00284 contains no discussion of this very important issue, which essentially involves requiring an owner/manager to work and assume ownership responsibility without compensation. Rather, the only discussion appears in less than one page of the Staff Report issued on November 21, 2003, wherein Staff noted that Mallard Point's owner did not do monthly bank reconciliations, maintain vendor invoices, or keep a formal receipts and disbursements journal. In addition, Staff noted that the owner commingled his personal funds with those of the utility, and stated its belief that Mallard Point failed to establish a record to support the rate increase requested.

-The Final Order in Mallard Point's next rate case (Case No. 2005-00235) at page 9 and 10 noted that Mallard Point's routine maintenance, administrative services, and system maintenance were all performed by outside contractors for the fees of \$12,000, \$10,800, and \$29,830 respectively – a total of \$52,630. Nevertheless, the Commission reversed its decision from less than two years before and allowed Mallard Point's owner a \$3,600 owner/manager fee.

-Ridgelea's operation is entirely different than Mallard Point's. Ridgelea's owner is immersed in the day-to-day operation of the Franklin County plants, and does not delegate or contract away his responsibilities, as noted in the 2008 Staff Report at Adjustment B. Moreover, the utility's operations are not commingled with the owner's personal funds.

-In its 2008 rate case, Ridgelea received Commission Staff rate case assistance and provided adequate proof of the need for an increase, and no parties objected to the ultimate determination of a \$30 rate for the Franklin County operations. In this case, Ridgelea is only seeking to recover through a surcharge those costs needed to comply with regulatory mandates, and is not seeking to increase its profit margins.

-The 2008 rate case included the disallowance of a substantial amount of legal fees. Ridgelea is not proposing to reargue that decision because it believes the final result was fair, just and reasonable. However, the payment of substantial legal bills is a cash drain on the utility, and diverts funds from being spent to maintain and repair the plant.

-In this matter, Ridgelea has proposed a relatively simple surcharge to fund regulatory mandates and the rate case required by the Agreed Order. Ridgelea did not include

proposed legal expenses in its rate case request, and Ridgelea asked for an Informal Conference in the cover letter of its rate application to discuss the merits of its proposal, to simplify this proceeding, to avoid miscommunication, and to attempt to avoid legal fees. Ridgelea in this case did not envision having to revisit Commission decisions made in its prior rate case less than two years ago, and would like to avoid the expense of additional legal fees to defend this case if at all possible. **Therefore, and in lieu of an Informal Conference, Ridgelea is hereby requesting Staff assistance to process this case, and to avoid incurring estimated legal fees of \$10,000 (e.g, 50 hours of fees at \$200 per hour) or more that would ultimately be borne by its ratepayers.**

-The Agreed Order represents Ridgelea's attempt to resolve technical issues related to the operation of the Franklin County plants, and includes the requirement to file a rate case to fund the required mandates. If anything, the Notice of Violations, the Agreed Order, and time spent on this required rate case make the owner/manager's job even more demanding, and it would be grossly unfair to penalize the owner for having filed this required rate case by take away all compensation. Ridgelea would like to focus on the operation of these plants rather than extended legal proceedings with government agencies. Commission approval of the surcharge is the most fair, just and reasonable way to resolve these matters and to allow the owner/manager to meet his responsibilities.

**Witness: Charles Hungler, Jr.**



*Question 10. According to the Agreed Order, Mr. Hungler surrendered his wastewater treatment plant certification. The Agreed Order also requires that the "Waste Water Treatment Plants in Franklin County, Kentucky shall be operated by an independent, properly certified operator." A. Identify Ridgelea's current licensed operator and state the distance the licensed operator lives from the Franklin County treatment facilities.*

**Response:** Ridgelea's current licensed operator is Greg Mayeux, a Class 2 operator living in the Frankfort area (2100 Autumnview Lane) who has been the licensed operator since August 2009. Ridgelea is unsure of the exact distance between Mr. Mayeux's residence and the plants, but it appears to be less than 10 miles because Autumnview Lane is located near Duckers Lake (east Frankfort) and the Franklin County treatment plants are located on the southwest side of Frankfort.

*B. Provide a signed copy of the contract between Ridgelea and the licensed operator.*

**Response:** Attached is a signed copy of the new agreement between Ridgelea and Greg Mayeux, a Class 2 operator living in the Frankfort area who has been the licensed operator since August 2009. Prior to the signing of this contract, Mr Mayeux had been operating on a handshake agreement rather than a written contract.

*C. Compare the current monthly operator fee that was paid by Ridgelea in 2008. Also, identify the operator that Ridgelea used in 2008, identify the expense account in which the monthly fee was recorded, and state the total fee that was paid to the operator in 2008.*

**Response:** Perfect-a-waste was the operator for the first 9 months of 2008, and billed Ridgelea \$650 per month for routine maintenance at all three plants. For the last three months of 2008, Ridgelea employed two brothers who received \$800 a month on a handshake agreement. This would total \$8,250 for routine maintenance fees alone for 2008. The routine maintenance fees are normally recorded in the Miscellaneous Treatment & Disposal expense account of the PSC Annual Report.

*D. Provide a copy of the most recent invoice received from the operator that documents the monthly fee.*

**Response:** Mr. Mayeux is paid \$500 per month to be the licensed operator for all three plants, but does not bill monthly since he receives a flat fee. As noted in other parts of this response, Mr. Mayeux has been operating on a handshake rather than a written agreement. He visits the plants 4 days a week for routine maintenance, including making sure the pumps are running and the tanks are filled, hosing down the plant, and filling in the log book.

**Witness: Charles Hungler, Jr.**

## Operator Contract

I, Greg Mayeux have agreed with Charles G. Hungler , JR. owner, Ridgelea Investments, to be the listed contract operator of the wastewater treatment facilities as shown below. Start date was August 30, 2009. I will be on site of each plant daily weekdays. I will work closely with owner to keep plants in compliance with KPDES permit to the best of my ability.

Edgewood Sub'd

KPDES # KY0074977

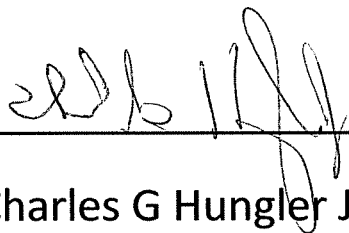
Farmgate Sub'd

KPDES # KY0074969


Meadow Brook Sub'd

KPDES # KY 0074951

Operator License # and class # 11-85-29

  
Charles G Hungler Jr.

Owner, Ridgela Investments

  
Greg Mayeux

Contract Operator



*Question 11. The Agreed Order states that “[w]ithin sixty (60) days from the entry of this order Ridgelea Investments, inc. shall initiate an infiltration and inflow (I&I) study from Leak Eliminators, LLC or any other experienced person or entity approved by the Division of Water.” Ridgelea is using Hall Environmental Consultants to perform the I&I study. Attached to the application is an April 20, 2009 letter from Hall Consultants stating that the estimated cost of the study is \$26,000. A. Explain in detail the process Ridgelea used in choosing Hall Consultants to perform the study.*

**Answer:** Ridgelea did an Internet search and asked various parties about potential contractors for this work. The only contractors it came up with were Leak Eliminators and Hall Environmental Consultants.

*B. Provide a list of the companies that Ridgelea contacted regarding the I&I Study and provide copies of any bids that were received.*

**Answer:** In addition to the Hall Environmental quote, Leak Eliminators provided a quote of \$65,000, which Ridgelea will furnish when it is able to locate this paperwork. No other quotes were available, as Ridgelea was unsuccessful in getting more quotes.

*C. Provide documentation to show that Hall Consultants is an entity that is approved by the Division of Water.*

**Answer:** Ridgelea has no such documentation. Hall Consultants was contacted, and they state that DOW does not issue such certifications. However, Tab Farthing of Hall Consultants stated that they have a good working relationship with DOW, and he can be reached at (859) 873-3331 to discuss this issue if needed.

*D. Ridgelea proposes to use an 18-month surcharge to recover the cost of its I&I study. Provide documentation to support Ridgelea’s proposed 18-month surcharge period.*

**Answer:** As stated in its application at Exhibit 2, Ridgelea proposed an 18-month surcharge rather than a shorter collection period to reduce the burden upon its customers. Because of the Agreed Order, Ridgelea feels some sense of urgency is needed to comply with this regulatory mandate. Ridgelea does not have available cash to pay for the study, nor does it have sufficient financial strength to borrow funds or to absorb the study’s cost. Ridgelea’s intent is to begin collecting surcharge funds as soon as possible, and to begin paying for the study once sufficient funds have accumulated.

**Witness: Charles Hungler, Jr.**





*Question 12. Refer to Exhibit 1 of the application, Agency Collection Fee. Ridgelea states that it is aware of the Commission's concerns...a. Provide a detailed analysis and supporting documentation to show that the 15% billing and collection fee Ridgelea is paying to the Farmdale Water District is reasonable.*

**Answer:** Relative to billing and collection expense, it is important to distinguish between the expense incurred and the expense recovered. Ridgelea was advised prior to filing this case that the Commission has concerns with Farmdale Water District's 15% collection fee, and as emphasized in Explanation D of the application, **Ridgelea's proposed surcharge does not recover any increased billing and collection costs that might be borne by Ridgelea.** Instead, the pro forma cost of \$14,730 at Explanation D shows the current billing and collection charges from Farmdale Water District (for the Franklin County plants) and Bullock Pen Water District (for the Grantland plant) based on Ridgelea's \$30 sewer rate.

In Ridgelea's 2008 rate case, the Farmdale agency collection fees of \$7,916 were not adjusted, and Staff noted that these fees would in fact increase if the \$30 proposed rate was approved. Since the \$30 sewer rate was approved for Franklin County operations, the 15% charge results in an actual expense of \$10,746 from Farmdale, which means that Ridgelea is currently absorbing the difference of \$2,830. On a per customer basis, the \$7,916 allowed for billing and collecting in the 2008 case results in a charge of \$3.31 per customer. On a percentage basis, the \$3.31 per customer divided by the \$30 rate per customer results in 11% effectively being recovered in current rates – even though Farmdale Water District is charging 15%.

*B. Provide a detailed explanation of the direct correlation between the rate billed and the cost incurred to provide the billing and collection services.*

**Answer:** Ridgelea shares the Commission's concern that the 15% charge without regard to the cost of billing and collection services is problematic, and is attempting to address this problem by filing a surcharge proposal rather than an increase in base rates.

*C. Provide a detailed analysis and discussion of the steps Ridgelea has undertaken to control its billing and collection expense.*

**Answer:** The most significant step Ridgelea is taking is proposing to recover the increased regulatory mandates in this case through a surcharge rather than increased base rates. Ridgelea is aware that Farmdale Water District is not charging Farmdale Development for billing and collection of its sewer surcharge, and Ridgelea is trying to get the same treatment for any surcharge granted in this case.

*D. State whether Ridgelea has explored the possibility of conducting its own customer billing and collection. Provide a detailed analysis of the costs that would be incurred by Ridgelea if the customer billing and collection function were performed in-house.*

*Include copies of all workpapers, assumptions, and calculations used to develop Ridgelea's cost analysis.*

**Answer:** Ridgelea has not explored the possibility of doing its own billing and collecting, nor has it done any cost/benefit analysis. If the cost is reasonable, it is preferable to have the Farmdale Water District do the billing and collecting because it has all customer records and the ability to shut off the water for nonpayment of sewer bills. Ridgelea understands that a 15% charge for billing and collecting means higher sewer bills will result in higher billing charges that appear unreasonable once they reach a certain level.

*E. According to Ridgelea, the cost of its customer billing and collection at the Grantland treatment facility is \$2.00 per bill, or a 6.67-percent rate per monthly bill. Identify the entity that is performing the customer billing and collection at the Grantland facility and provide a copy of the current contract. Explain whether Ridgelea has contacted the entity that is performing the customer billing and collection at the Grantland treatment facility to see if it would provide the same service at the Franklin county facilities.*

**Answer:** Bullock Pen Water District does billing and collection for the Grantland plant. Ridgelea has asked them to provide billing and collecting at the Franklin County facilities, but they responded that they have no interest in doing billing and collection in Franklin County.

**Witness: Charles Hungler, Jr.**



*Question 13. Refer to Exhibit 1 of the application, Adjustment E, Outside Services Employed. According to Ridgelea, the Agreed Order requires that certain laboratories be used to collect and analyze all of the samples from the Franklin County treatment plants. The Agreed Order requires that the effluent testing be performed by either McCoy & McCoy Laboratories, Inc, Appalachian States Analytical, LLC or Fouser Environmental Services Consultants ("Fouser"). A. Explain in detail the process Ridgelea used in choosing Fouser to perform the effluent testing at the Franklin plants. Include copies of the cost estimates that Ridgelea received from each laboratory.*

**Response:** As part of the Agreed Order, Mr. Hungler suggested the three named laboratories as possibilities. Upon checking, he discovered that Appalachian States Analytical would not travel from its base of operations in Eastern Kentucky to Frankfort. He then hired McCoy & McCoy because it initially appeared to be cheaper than Fouser. After a brief working relationship with McCoy, Mr. Hungler found that this lab required constant retests and more time spent on the part of Mr. Hungler, and the working relationship between the two parties became unworkable. (Attached is a McCoy invoice dated 8/26/09.) Mr. Hungler then hired Fouser, and this working relationship has been a vast improvement.

*B. Explain in detail why the only retests are required at the Edgewood treatment plant.*

**Response:** Edgewood is the only one of the three Franklin County plants that has to be tested every week. Rain events require the treatment plants to be shut off, and sometimes after rain events, retests are necessary to meet the permitting requirements, because the treatment process has been shut off.

*C. Provide copies of the Fouser invoices that have been received in 2010.*

**Response:** Attached are available invoices.

*Question 14. The Agreed Order states that "[i]t is agreed McCoy & McCoy Laboratories, Inc. and Appalachian States Analytical, LLC and Fouser be retained to collect and analyze all samples...State the company that is responsible for effluent testing at the Grantland treatment plant and explain why the testing is not being performed by one of the three companies identified in the Agreed Order.*

**Answer:** Two independent contractors are jointly responsible for the effluent testing at Grantland; Kay's Enterprises takes the samples and delivers them to Pollution Associates for analysis. The testing isn't being done by the other three companies because Fouser and Appalachian States don't operate in the Grantland area, and McCoy refuses to work for Ridgelea because both Ridgelea and McCoy were unhappy with their brief working relationship.

**Witness: Charles Hungler**



**McCoy & McCoy Laboratories, Inc.**  
 P. O. Box 907  
 Madisonville, KY 42431  
 www.mccoylabs.com

Madisonville KY 270-821-7375    Lexington KY 859-299-7775    Louisville KY 502-961-0001    Paducah KY 270-444-6547    Pikeville KY 606-432-3104

E-mail s.crowley@mccoylabs.com

Perfect-A-Waste Sewage Equipment Co  
 Attn: Chuck Hingler  
 2106 W North Bend Road  
 Cincinnati OH 45224

Invoice: 289165  
 Date: 08/26/2009  
 Terms: Net 30  
 Cust ID: PE8369

09080892

Quote: 200806021

TTS

Analysis	Collected	Amount
AG88489      Effluent Edgewood Frankfort Wastewater Plant	08/11/2009	
Auto Sampler		75.00
Chlorine Residual Field		25.00
Dissolved Oxygen (field)		5.00
pH (Field)		7.00
Sampling Services Fee		15.00
Biochemical Oxygen Demand, 5 Day Lex		17.00
E-Coli Lex		32.00
Ammonia as N by electrode Lex		12.00
Tot. Suspended Solids Lex		9.00
	Sample Sub Total	<u>\$197.00</u>
	Pay this amount:	<u><u>\$197.00</u></u>

We appreciate your business and continued support. We remain committed to supplying you the highest quality analytical results. If you have any questions concerning this invoice, please contact us at 270-821-7375

*Pd  
 8/26/09 2146  
 11-16-09*

Please submit this stub with payment

Cust Id: PE8369      Invoice: 289165      Date: 8/26/2009      Invoice Amount \$197.00

REMIT TO:

P O BOX 907, MADISONVILLE, KY 42431

Terms - Net 30 Days

A finance charge of 1 1/2% per month will be charged on all balances over 30 days old. On a balance of \$33 or less, the minimum finance charge is 50¢

# Fouser Environmental Services

165 Camden Avenue  
Versailles, KY 40383

# INVOICE

DATE	INVOICE #
12/8/2009	27641

<b>BILL TO:</b>
Ridge Lea Investments 2106 West North Bend Road Cincinnati, OH 45224 Attn: Chuck Hungler

P.O. No.	TERMS
	Net 30

DESCRIPTION	QUANTITY	UNIT COST	AMOUNT
11-17-09 Analyses of Wastewater Discharge - Edgewood	1	175.00	175.00
<p><i>pd</i> <i>1-9-10</i> <i>CR # 2179</i></p>			

Please Include Invoice Number with Payment.  
Accounts Past 30 Days May Accrue a 1% Per Month Late Fee.  
For all billing questions please call (859) 552-2275.

<b>BALANCE DUE</b>	\$175.00
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# Fouser Environmental Services

165 Camden Avenue  
Versailles, KY 40383

# INVOICE

DATE	INVOICE #
1/6/2010	28012

BILL TO:
Ridge Lea Investments 2106 West North Bend Road Cincinnati, OH 45224 Attn: Chuck Hungler

P.O. No.	TERMS
	Net 30

DESCRIPTION	QUANTITY	UNIT COST	AMOUNT
12-23-09 Analyses of Wastewater Discharge - Meadowbrook	1	175.00	<del>-175.00</del>
	<i>NOTE</i>		<i>150.00</i>
	<i>DIDNT CHARGE CORRECTLY</i>		
	<i>NO E-COU SAMPLE</i>		
	<i>TAKEN</i>		

Please Include Invoice Number with Payment.  
Accounts Past 30 Days May Accrue a 1% Per Month Late Fee  
For all billing questions please call (859) 552-2275.

<b>BALANCE DUE</b>	<i>150.-</i> <del>\$175.00</del>
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*Question 15. – Refer to Exhibit 1 of the application, Adjustment F, Amortization Expense. Ridgelea is proposing to amortize the costs related to the reconditioning and painting of the three Franklin County treatment facilities over a three-year period...a. Given that this is a less-than-arm's length transaction, provide documentation to show that the costs incurred to recondition and paint the Franklin County treatment facilities are reasonable.*

**Answer:** Attached are the invoices totaling \$1,829.50 for paint purchased from an outside vendor. As for labor, Ridgelea tried to get bids for welding but was unable to obtain reliable contractors to show up. Ridgelea paid laborers \$20 per hour to paint, weld, and do other labor, and the \$20 is substantially below the rate normally charged by Perfect-a-waste for plant repairs. Ridgelea had a crew of two to four laborers work over the course of two weekends to meet the September 30, 2009 deadline agreed upon in order to resolve the PSC's complaint investigation.

*B. Ridgelea proposes to amortize the costs incurred to recondition and paint the facilities over three years. Provide documentation to support Ridgelea's proposed three-year amortization period.*

**Answer:** Ridgelea is a small utility with very limited cash reserves and poor cash flow. The painting and reconditioning of the facilities was required as the result of a complaint investigation resolved in 2009. The owner was required to spend these funds immediately, and before the rate relief granted in late 2008 had time to produce any meaningful improvements in cash flow. Recovery of these expenses through a three-year surcharge does not provide any profit to the owner/manager. In addition, Ridgelea estimates the painting and steel reconditioning should last approximately 3-5 years. Under these circumstances, Ridgelea believes a three-year recovery rather than a longer recovery period is appropriate.

*C. Provide the date the facilities were originally installed and the depreciation life used by Ridgelea.*

**Answer:** Ridgelea's current owner acquired the Franklin County plants in 2003, and is unaware of when they were originally installed and the depreciation lives used. However, Annual Reports on file with the PSC for the Mulberry sewer utility indicate the plant was originally installed in 1972. It should be noted that when Ridgelea purchased the plant from an Executor at a fraction of the asking price – due to its poor condition - there was no indication that any repairs or painting had been done in the past.

**Witness: Charles Hungler**



**TNEMEC Company, Inc.**  
 6800 Corporate Drive  
 Kansas City, MO 64120-1372  
 TEL: 816/483-3400  
 FAX: 816/483-3401

**ORIGINAL INVOICE**

**SHIP TO**

PERFECT-A-WASTE  
 2106 W. NORTH BEND ROAD  
 ATTN: TERRY HUNGLER  
 CINCINNATI OH 45240 0000

PERFECT-A-WASTE  
 2106 WEST NORTH BEND ROAD  
 CINCINNATI OH 45224

SPLIT REF#  
 000310683

*E. H. H. H.*



WE CERTIFY THAT THE MATERIALS COVERED BY THIS INVOICE WERE PRODUCED IN CONFORMITY WITH THE FAIR LABOR STANDARDS ACT OF 1938, AS AMENDED, AND THE REGULATIONS AND ORDERS OF THE UNITED STATES DEPARTMENT OF LABOR.

**REMIT TO:**

TNEMEC COMPANY, INC.  
 P.O. BOX 831518  
 KANSAS CITY, MO 64193-1518

Please reference the invoice number above on your remittance.

**Representative Order**

Customer Number 0-9902-7054	Customer PO No VERBAL/TERRY	RG A No	Terr 060	Invoice Date 9/11/09	Invoice No 0201866642
How Shipped LTL	FOB ORIGIN	Routing ARFW LTL - FEDEX FREIGHT	Shipped Date 9/11/09	Factory Order #	
St. County, City, Tax Code 36 061 0490	Job/Contract OEM	Quote NET 30 DAYS			Note: A 1% Per Month Finance Charge will be due after 30 days.

PACKAGES NO. SIZE	PRODUCT NUMBER	SERIES	PRODUCT DESCRIPTION	COLOR	QUANTITY	BILLING UNIT	UNIT PRICE	AMOUNT US DOLLARS
5 5G	F046-0465		COAL TAR CTG. H.B. TNEMEC		25.0000	GL	30.9000	772.50
			SUBTOTAL					772.50
			BA-LTL FREIGHT & HANDLING					65.00
			TOTAL TAX					
			TOTAL MISC.TAX					
			TOTAL ORDER AMT.					837.50

*Ripke*

*Pa. 11-21-09*  
*C12*  
*11-9-09*

ALL CLAIMS FOR DAMAGES IN TRANSIT OR SHORTAGE MUST BE FILED WITH THE CARRIER. TERMS AND CONDITIONS OF SALE ARE PRESENTED ON THE REVERSE SIDE HEREOF. ANY AND ALL ADDITIONAL OR DIFFERENT TERMS SHALL NOT BECOME PART OF THE CONTRACT BETWEEN TNEMEC AND YOU. YOUR ACCEPTANCE OF THE GOODS WILL BE CONSIDERED AN ACCEPTANCE AND ASSENT TO THE TERMS ON THE REVERSE SIDE HEREOF.

Thank You. We appreciate your order.

Visit our website at <http://www.tnemec.com>



**TNEMEC**  
**Company, Inc.**  
 6800 Corporate Drive  
 Kansas City, MO 64120-1372  
 TEL: 816/483-3400  
 FAX: 816/483-3401

**ORIGINAL INVOICE**

**SHIP TO**

PERFECT-A-WASTE  
 2106 WEST NORTH BEND ROAD  
 ATTN: TERRY HUNGLER  
 CINCINNATI OH 45224

**SOLD TO**

PERFECT-A-WASTE  
 2106 WEST NORTH BEND ROAD  
 CINCINNATI OH 45224

SPLIT REF#  
 000310899

**Please reference the  
 invoice number above  
 on your remittance.**



"WE CERTIFY THAT THE MATERIALS COVERED BY THIS INVOICE WERE PRODUCED IN CONFORMITY WITH THE FAIR LABOR STANDARDS ACT OF 1938, AS AMENDED, AND THE REGULATIONS AND ORDERS OF THE UNITED STATES DEPARTMENT OF LABOR."

**REMIT TO:**

TNEMEC COMPANY, INC.  
 P.O. BOX 931518  
 KANSAS CITY, MO 64193-1518

**Representative Order**

Customer Number 0-9902-7054	Customer PO No VERBAL/TERRY	FGA No	Terr 060	Invoice Date 9/14/09	Invoice No 020186708
How Shipped LTL	Routing ARFW LTL - FEDEX FREIGHT			Shipped Date 9/14/09	Factory Order
St. County, City, Tax Code 36 061 0490	Quote F... NET 30 DAYS				Note: A 1% Per Month Finance Charge will be due after 30 days.
Job/Contract OEM	Terms				

PACKAGES NO. SIZE	PRODUCT NUMBER	SERIES	PRODUCT DESCRIPTION	COLOR	QUANTITY	BILLING UNIT	UNIT PRICE	AMOUNT US DOLLARS
6 5G	F046-0465		COAL TAR CTG. H.B. TNEMEC		30.0000	GL	30.9000	927.00
			SUBTOTAL					927.00
			BA-LTL FREIGHT & HANDLING					65.00
			TOTAL TAX					
			TOTAL MISC.TAX					
			TOTAL ORDER AMT.					992.00

*Handwritten notes:*  
 Pd 1/1  
 C/P 2.15  
 12-3-09  
 (Signature)

ALL CLAIMS FOR DAMAGES IN TRANSIT OR SHORTAGE MUST BE FILED WITH THE CARRIER. TERMS AND CONDITIONS OF SALE ARE PRESENTED ON THE REVERSE SIDE HEREOF. ANY AND ALL ADDITIONAL OR DIFFERENT TERMS SHALL NOT BECOME PART OF THE CONTRACT BETWEEN TNEMEC AND YOU. YOUR ACCEPTANCE OF THE GOODS WILL BE CONSIDERED AN ACCEPTANCE AND ASSENT TO THE TERMS ON THE REVERSE SIDE HEREOF.

Thank You. We appreciate your order.

Visit our website at <http://www.tnemec.com>

**MATERIALS**

**Freight Bill Number:** 1792244510 R0 **TNBR Number:** \_\_\_\_\_  
**Consignee:** PERFECT A WASTE, 2106 W. NORTH BEND RD, CINCINNATI OH 45224 **US**  
**Trailer #** B60 **DATE:** 09/14/2009  
**Shipper:** TIVEMEC CO INC, 2300 EDgewater AVE, DUNDALK, BALTIMORE MD 21222-4019 **US**

PIECES	HTU	HM	DESCRIPTION	WG(TLBS)	NMFC	RFQ CLASS	RATE	TOTAL CHARGES
6		X	SAID TO CONTAIN 1-443-872-1600 STEEL DRUM, PAINT, 3, UN1263, PG111 SAME EMERGENCY CONTACT 8005355053 HAZARDOUS MATERIAL FUEL SURCHG LTL SHPT12.00% ** FAK RATES APPLIED **	416		055		
6	1		PREPAID - WILL INVOICE THIRD PARTY	416				

**Delv. Driver & #:** \_\_\_\_\_  
**Date:** \_\_\_\_\_  
**# of Skids:** \_\_\_\_\_ **Arrive:** \_\_\_\_\_ **Depart:** \_\_\_\_\_  
**# of Pcs:** \_\_\_\_\_ **OS&D #:** \_\_\_\_\_  
 Shipment received in apparent good order with wrap intact unless otherwise noted.  
 Over  Damage  Short  Wrap Broken  Exceptions: \_\_\_\_\_

**Bill of Lading Number:** 020186708-00  
**P.O. Number:** \_\_\_\_\_  
**FedEx Freight**  
 P.O. BOX 840 HARRISON, AR 72602-0840  
**fedex.com** 1.866.393.4585  
 NOW SERVING SPRINGFIELD, MO NEXT-DAY  
 Page 1 of 1

CONSIGNEE DELIVERY RECEIPT

\*\*\* Pro:1792244510R0 \*\*\* BILLED BY: WBS8436 TRAVELED BY:  
 \*\*\* HAZARDOUS MATERIAL \*\*\* HAZARDOUS MATERIAL \*\*\*  
 2009-09-14-20.00.10.434525



*Question 16 – Refer to Exhibit 1 of the application, the pro forma income statement. For each expense account listed in Table 1 below, provide a schedule listing each item recorded in this account and copies of the invoices to support each item.*

Expense Accounts	Amount
a. Fuel & Power	\$12,193
b. Sludge Hauling	\$1,935
c. Maintenance Treatment/Disposal Plant	\$46,049
d. Maintenance of Other Plant	\$3,500
e. Outside Services Employed	\$27,782

**Response:** Due to the work demands placed upon Ridgelea's owner, as well as his need to deal with his mother's health issues, Ridgelea has been unable to do the schedule and copy all the invoices required. We will prioritize this and respond with the schedule and invoices by April 23, 2010.

**Witness: Charles Hungler**