

June 14, 2010

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

RECEIVED

JUN 15 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 second information request in the above-mentioned case. At this time, Ridgelea would like to emphasize the following:

-Ridgelea does not intend to put the proposed surcharge into effect at the end of the suspension period on July 28, 2010.

-We recognize that our recordkeeping and documentation have been insufficient in the past; the Commission's Staff Report in our last rate case noted this fact. This problem was exacerbated when we moved our office location in early 2008.

-Due to our past recordkeeping issues, we've been unable to locate all the 2008 invoices requested by Staff, but have made several good-faith efforts to do so.

-Ridgelea is committed to improving its recordkeeping and documentation, and has begun to take steps to do so. Specifically, Ridgelea has retained the consultant who prepared this rate case to improve its recordkeeping, documentation, and financial reporting for the four Ridgelea plants.

-Ridgelea requested a surcharge in this case to pay for DOW regulatory mandates, and did not anticipate having to provide detailed 2008 information to support its request. Rather, Ridgelea had hoped the Commission would approve a surcharge to fund the required I&I study and the increased lab fees, with strict controls and oversight on how the proceeds were spent.

-Ridgelea with this response is withdrawing its previous request to recover those costs associated with the plant repairs done to address the complaint investigation in late 2008 and early 2009.

-If the Commission and its Staff find that a surcharge is inappropriate for whatever reason, Ridgelea requests that the Commission Staff so indicate in its forthcoming Staff Report.

-If the Staff clearly indicates that it intends to do a full rate review, Ridgelea is concerned that its lack of adequate documentation for 2008 could result in an adverse ruling. Such a ruling could worsen an already bad situation, as Ridgelea lacks adequate cash flow due to the legal fees and fines it has been forced to pay in recent years.

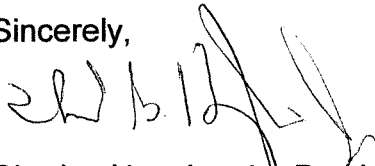
-The legal fees and fines are largely due to the infiltration problem which Ridgelea has been unable to control due to lack of funds available to fix the problem.

-Further evidence of the lack of adequate cash flow is the mounting accounts payable balance owed to Perfectawaste for repairs and maintenance.

-If Staff intends to do a full rate review rather than a surcharge, Ridgelea would propose to amend its filing to use a 2009 test year.

Ridgelea is ready, willing, and available to discuss these issues in an informal conference if that would help to process this case. If you have any questions, please contact me at (513) 851-8886 or (513) 284-6116.

Sincerely,

A handwritten signature in black ink, appearing to read "CHUNGLER, JR.", with a stylized flourish at the end.

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



## Ridgelea CN 2009-00500 2<sup>nd</sup> Data Request Responses

Question 1. Refer to Ridgelea's Response to the Commission Staff's First Information Request, Item 7.  
 (a) For each account listed below, provide a schedule that lists each item recorded in the account...

**Answer:** Please refer to the following schedule. Please note that the invoices attached in response to (1b) include the date the service was provided, the invoice date, the invoice number, the date the service was provided, the date the invoice was paid, the check number, the vendor name, a brief description of the service provided, and the amount billed.

Service Date	Amount	Check #	Paid	Description of Service Provided
<b>a. Maint.</b>	<b>\$34,712</b>			<b>Perfectawaste charges</b>
1/1/08	\$1,089.34	1876	1/7/08	\$650 RMF, \$439.34 other
5/31/07	\$500.00	1882	1/14/08	Payment on \$7,000 sludge hauling 2007
2/1/08	\$1,040.00	1891	2/6/08	\$650 RMF, \$390 testing
2/1/08	\$300.00	1899	3/3/08	Sludge hauling
3/1/08	\$1,215.00	1902	3/6/08	\$650 RMF, \$425 testing, \$140 dechlor. tablets
4/1/08	\$150.00	1914	4/6/08	Dechlor. Tablets.
4/1/08	\$1,100.00	1913	4/6/08	\$650 RMF, \$450 testing
5/1/08	\$1,100.00	1927	5/7/08	\$650 RMF, \$450 testing
9/17/07	\$381.72	1934	5/26/08	Materials
6/1/08	\$1,175.00	1941	6/9/08	\$650 RMF, \$375 testing, \$150 dechlor. tablets
7/1/08	\$1,325.00	1905	7/5/08	\$675 RMF, \$375 testing, \$275 tablets
8/1/08	\$1,050.00	1917	8/6/08	\$675 RMF, \$375 testing
5/31/07	\$300.00	1923	8/15/08	Payment on \$7,000 sludge hauling 2007
9/3/08	\$1,275.00	1932	9/8/08	\$675 RMF, \$450 testing, \$150 tablets
9/8/08	\$500.00	1940	10/1/08	Gas, labor, jetter charge to clean line
10/1/08	\$1,325.00	1951	10/11/08	\$675 RMF, \$375 testing, \$275 tablets
11/1/08	\$1,125.00	1960	11/7/08	\$675 RMF, \$450 testing
11/25/08	\$1,000.00	1965	12/3/08	Augered out and repaired sewer line
12/1/08	\$1,614.16	1972	12/10/08	\$675 RMF, \$375 testing, \$564.16 material
12/16/08	\$600.00	1979	12/22/08	Water jetted sewer lines-Farmgate and Edgewood
	<b>\$18,165.22</b>			
<b>Materials</b>				
4/15/08	\$217.74	1946	6/13/08	Universal Silencer material
5/14/08	\$265.00	1948	6/13/08	Whitehead-Hancock Plumbing – Cabled 10" line to unstop; removed roots from the line
8/5/08	\$403.95	1934	9/8/08	USA Blue Book - Pump
10/14/08	\$278.00	1977	12/15/08	Sullivan Electric - Motor
cash	\$67.57	1888	Various	Lowe's, Staples, Kroger
3/7/08	\$141.00		3/7/08	Detroit Pump -2 kits
	\$124.14		8/08	3 receipts-Lynn Imaging, USPS, Family Dollar
" – 6/7/08	\$68.00	1931	9/8/08	Home Depot, Myers Farm Supply (Ck. #1931)
11/24/08	\$87.31		11/24	Edmondson plumbing
<b>Total matls.</b>	<b>\$1,652.71</b>			
10/2008	\$850.00		11/3/08	CH \$300 admin, \$300 grasscuts, \$250 line cleaning
11/24/08	\$800.00	1968	12/4/08	Thacker Environmental - 12 licensed visits
<b>Other</b>	<b>\$1,650.00</b>			
<b>Subtotal</b>	<b>\$21,467.93</b>			

**Unpaid Perfectawaste Bills (Accounts Receivable)** – In 2008, \$12,400 of Perfectawaste unpaid bills for service provided to Mulberry were recorded as expenses. Available invoices totaling \$7,650 have been provided, as follows:

Service Date		Check #	Paid	Description
<b>1/29/08</b>	<b>\$400.00</b>	<b>NA</b>	<b>NA</b>	<b>Work ticket – Edgewood Aerator; chlorine pump</b>
2/29/08	\$680.00	NA	NA	Jetted lines at Farmgate, Edgewood
4/18/08	\$400.00	"	"	Installed storage boxes at all 3 plants
4/29/08	\$850.00	"	"	Replaced silencer at edgewood
4/29/08	\$350.00	"	"	Pumped, cleaned Farmgate plant
4/29/08	\$300.00	"	"	Hauled sludge from Edgewood
4/29/08	\$300.00	"	"	Hauled sludge from Meadowbrook
6/19/08	\$650.00	"	"	Jetted Farmgate line clogs
<b>7/16/08</b>	<b>\$300.00</b>	<b>"</b>	<b>"</b>	<b>Hauled sludge</b>
<b>7/16/08</b>	<b>\$300.00</b>	<b>"</b>	<b>"</b>	<b>Hauled sludge</b>
7/16/08	\$400.00	"	"	Pumped, cleaned Farmgate creek and plant
9/9/08	\$450.00	"	"	Jetted Edgewood line to unclog debris
10/9/09	\$395.00	"	"	Mount steel plate on Farmgate tank
10/14/08	\$400.00	"	"	Pumped, cleaned sludge from Meadowbrook stream
11/19/08	\$700.00	"	"	Hauled sludge from Farmgate, Meadowbrook
<b>11/21/08</b>	<b>\$450.00</b>	<b>"</b>	<b>"</b>	<b>Jetted out sewer main</b>
12/8/08	\$325.00	"	"	Repaired Edgewood manhole
	<b>\$7650.00</b>			

<b>b. Sludge Hauling</b>	<b>\$1,715</b>	<b>Check #</b>	<b>Date Paid</b>	
<b>Unavailable</b>	<b>\$500.00</b>	<b>1882</b>	<b>1/14/08</b>	<b>Perfectawaste – sludge hauling</b>
10/8/07	\$175.00	1884	1/14/08	Perry's Septic-sludge hauling
11/7/2007	\$65.00	1883	1/14/08	Frankfort-Dump fee
4/29/08	\$185.00	1947	6/13/08	Frankfort-Dump fee
7/16-7/19/08	\$245.00	1933	9/8/08	Frankfort-Dump fee
10/6/08	\$175.00	1943	10/6/08	Perry's Septic-sludge hauling
9/23/08	\$125.00	1957	11/6/08	Frankfort-Dump fee
10/29/08	\$245.00	1978	12/15/08	Frankfort-Dump fee
	<b>\$1,715.00</b>			
<b>c. Taxes</b>	<b>\$1,336</b>			
12/8/08	\$1,275.05	1981	1/4/09	Franklin County 2008 Property Tax

<b>d. Legal Fees</b>				
	\$1,000.00	1879	1/11/08	Bingham, McHale
	\$1,021.84	1893	2/10	"
	\$821.89	1904	3/6	"
	\$807.52	1919	4/16	"
	\$1,000.00	1931	5/19	"
	\$800.00	1943	6/9	"
	\$600.00	1902	7/4	"
	\$800.00	1914	8/2	"
	\$1,000.00	1926	9/3	"
	\$600.00	1948	10/11	"
	\$871.82	1961	11/?	"
	\$535.00	1971	12/8	"
<b>Unavailable</b>	<b>\$1,200.00</b>	<b>1880</b>	<b>1/11/08</b>	<b>Hazelrigg &amp; Cox</b>
<b>Unavailable</b>	<b>\$1,000.00</b>	<b>1892</b>	<b>2/7</b>	<b>"</b>
	\$1,000.00	1905	3/17	"
<b>Unavailable</b>	<b>\$1,000.00</b>	<b>1916</b>	<b>4/9</b>	<b>"</b>
	\$1,100.00	1930	5/19	"
	\$1,000.00	1942	6/9	"
	\$1,500.00	1915	8/2	"
	\$1,500.00	1930	9/8	"
	\$1,300.00	1949	10/11	"
	\$1,200.00	1962	11/17	"
	\$1,000.00	1967	12/4	"
	\$5,793.82	1980	12/28	"
<b>Total</b>	<b>\$28,451.89</b>			

<b>e. Permits and Assessments</b>	<b>\$900.00</b>			<b>County Health Permits per 2008 AR</b>
10/24/08	\$450.00	1976	12/15/08	Franklin County Health Department
<b>Unavailable</b>	<b>\$450.00</b>			
<b>f. Miscellan.</b>	<b>\$122</b>			<b>Invoice Unavailable</b>

g. Accounts Payable of \$54,740 – The accounts payable in question relate to the Franklin County treatment plants (not the Grantland plants, which also have years of past-due accounts payable. All accounts payable are for work done by Perfectawaste that Ridgelea was unable to pay because of inadequate cash flow. Most of the 2008 and 2007 charges are supported by work orders, some listing labor and travel hours. A summary of accounts payable with available invoices by year is as follows:

Franklin County A/P for work done by Perfectawaste	
2008	\$7,550.00
2007	\$7,725.00
2006	\$9,869.00
2005	\$11,674.05
2004	\$2,763.20
2003	\$2,709.00
<b>Total of available invoices</b>	<b>\$42,290.25</b>

2008		Description
1/29/08	\$400.00	10/5/09 invoice PW-
2/29/08	\$680.00	"
4/18/08	\$400.00	"
4/29/08	\$850.00	" – Removed/replaced old silencer at Edgewood.(\$500 labor, \$350 matl)
4/29/08	\$300.00	"- Hauled 1 load of Meadowbrook sludge
4/29/08	\$300.00	"- Hauled 1 load of Edgewood sludge
4/29/08	\$350.00	"- Pumped creek & Michael Blvd. WWTP.
6/19/08	\$650.00	"-water jet 8" main at Michael Blvd.
7/16/08	\$300.00	"-Hauled 1 load of Edgewood sludge
7/16/08	\$400.00	"-Hauled 1 load of Michael blvd. sludge & pumped creek
7/16/08	\$300.00	"-Hauled 1 load of Meadowbrook sludge
9/9/08	\$450.00	"-water jet 6" main from plant to manhole
10/9/08	\$395.00	"-Farmgate-mount steel plate to fix leak
10/14/08	\$400.00	"-pumped creek and Meadowbrook plant
11/19/08	\$600.00	"-cleaned creek and hauled sludge from Meadowbrook and Michael Blvd.
11/21/08	\$450.00	"-jetted out Edgewood sewer main
12/8/08	\$325.00	"-patch, cement and coat manhole at Edgewood.
	<b>\$7550.00</b>	

2007		Description
3/7/07	\$350.00	-hauled 1 load of sludge from Meadowbrook
3/22/07	\$600.00	-jetted Farmgate lines to unclog debris
3/22/07	\$600.00	-jetted Michael Blvd. line at manhole
4/21/07	\$900.00	-hauled sludge from the 3 plants
5/24/07	\$300.00	-jetted Edgewood from manhole to plant.
6/9/07	\$950.00	-hauled sludge, cleaned Farmgate creek; hauled Meadowbrook sludge.
7/7/07	\$950.00	- hauled sludge from the 3 plants
7/11/07	\$1,500.00	-2 men repaired 8" main sewer line (4 hrs. travel, 5.5 hrs labor for each)
10/13/07	\$900.00	-hauled sludge from the 3 plants
11/9/07	\$675.00	-hauled sludge from Farmgate; cleaned Meadowbrook creek.
	<b>\$7,725.00</b>	

<b>2006</b>		
12/14/06	\$1,270.00	-dug up and replaced sewer main section
12/13/06	\$989.50	-installed new skimmer line
12/12/06	\$900.00	-hailed sludge from the plants
12/1/06	\$630.00	-hailed sludge from the plants
10/24/06	\$152.00	-chlorine and materials for the plants
10/18/06	\$990.00	-hailed sludge from the plants
9/8/06	\$202.50	-repaired post aeration line
8/30/06	\$450.00	-pumped Michael Blvd. creek and plant
6/20/06	\$325.00	-installed repaired lagoon aerator; work on chlorine pumps
6/13/06	\$1,080.00	-hailed sludge from the plants
5/15/06	\$900.00	-hailed sludge from the plants
5/12/06	\$900.00	-hailed sludge from the plants
3/30/06	\$1,080.00	-hailed sludge from the plants
	<b>\$9,869.00</b>	

<b>2005</b>		
12/12/05	\$1,547.50	-repaired EW line; replaced MB SRL; replaced Michael Blvd. skimmers
12/12/05	\$900.00	-hailed sludge from the plants
10/14/05	\$1,080.00	-hailed sludge from the plants
10/28/05	\$1,080.00	-hailed sludge from the plants
9/12/05	\$965.00	-hailed sludge from the plants
7/29/05	\$249.55	-fab up Michael Blvd. blower cabinet for chlorine pump and light kit
7/14/05	\$269.00	-install new Edgewood chlorine pump cabinet
7/13/05	\$360.00	-fab up Edgewood blower cabinet for chlorine pump and light
6/23/05	\$1,425.00	\$1,125 sludge hauling, \$300 dump fee
5/19/05	\$900.00	-hailed sludge from the plants
5/13, 5/14	\$1,173.00	-Dug up yard at 113 Lynwood to repair sewer main
5/2/05	\$276.00	-installed new lagoon aerator
4/29/05	\$729.00	-Installed electric and post for a new lagoon aerator
1/5/05	\$720.00	-located manhole and unclogged
	<b>\$11,674.05</b>	

<b>2004</b>		<b>Description</b>
8/30/04	\$450.00	-pumped creek; hauled sludge from digester
8/3/04	\$374.50	-installed new flow meter on chlorine tank
5/7/04	\$375.00	-install Edgewood chlorine cabinet
5/6/04	\$202.50	-clean up chlorine cabinet, prep for installation, install new channel
3/30/04	\$1,214.25	-pump down Edgewd. Pit. to install new baffle, skimmer, chlorine tube
3/22/04	\$146.95	-rework control panel; replace pump hose in stenner pump unit.
	<b>\$2,763.20</b>	
<b>2003</b>		
12/30, 12/31	\$1,463.00	-locate sewer main clog, replace pipe
8/20/03	\$308.00	-replaced Michael blvd. motor, pumped creek, repaired STP wall
8/18/03	\$938.00	-pump down Edgewood plant, repair sludge return lines
	<b>\$2,709.00</b>	





*Question 2. Refer to Ridgelea's Response to the Commission Staff's First Information Request, Item 10(b). Explain why the contract dated 8/30/09 with Mr. Greg Mayeux does not include the operator fee of \$500 per month.*

**Answer:** To address the Commission Staff's concern, attached is a new contract with Mr. Mayeux that includes the operator fee, which has now increased to \$600 per month effective in April 2010. Mr. Mayeux requested the \$100 increase, and Ridgelea agreed. As stated in response to the first data request, Mr. Mayeux had been operating on a handshake agreement for \$500 per month, and both parties honored that agreement, but this new contract is attached to clarify the agreement.

**Witness: Charles Hungler, Jr.**

*Question 3. Refer to Ridgelea's Response to the Commission Staff's First Information Request, Item 10(d). Provide documentation to support Ridgelea's statement that Mr. Mayeux visits each of the three Franklin County treatment plants four days a week.*

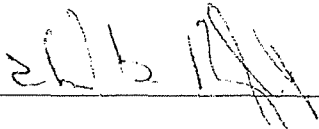
**Answer:** The new contract includes language to clarify the fact that Mr. Mayeux is responsible for visiting each of the plants 4 days per week, and is on call as needed for emergencies as well.

**Witness: Charles Hungler, Jr.**

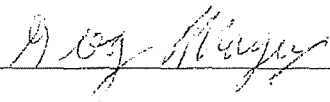
**Operator Contract**

I, Greg Mayeux have agreed with Charles G.Hungler, Jr. Owner, Ridgelea Investments, Inc., to be the licensed contact operator of the wastewater treatment facilities at Edgewood, Farmgate, and Meadowbrook Subdivisions in Franklin County, Kentucky. My start date was August 30, 2009, and I was paid \$500 per month. I have requested a new rate of \$600 per month – and Mr. Hungler has agreed – effective April 1, 2010. I have visited, and will continue to visit, each site four days per week. In addition, I will be on call to visit the plants when necessary, in addition to the minimum four days per week, to respond to events as needed. I will work closely with the Owner to keep the plants in compliance with the KPDES permits to the best of my ability.

Operator License # and Class II . 8529

  
\_\_\_\_\_

Charles G. Hungler, Jr., Owner  
Owner, Ridgelea Investments, Inc.

  
\_\_\_\_\_

Greg Mayeux  
Contract Operator



*Question 4 Refer to Ridgelea's Response to the Commission Staff's First Information Request, Item 10(c).*

*(a) Explain why Ridgelea contacted Hall Consultants, rather than the DOW, to confirm that Hall Consultants meets the requirements of the Agreed Order.*

Ridgelea contacted Hall, rather than DOW, because it is very difficult to get such a letter from a state agency. Ridgelea has asked Mr. Shafiq Anawi (Phone number 502-564-4961) of the DOW to provide such a letter, but it has not been forthcoming.

*(b) Provide documentation from the Division of Water to show that Hall Consultants is an acceptable contractor.*

See the above response.

*(c) Ridgelea states that it did an Internet search and asked various parties about potential contractors for this work." Explain how this approach would satisfy the DOW's requirement that the contractor be approved by the Division.*

Ridgelea has made its best efforts to interest contractors in the I&I study, and Hall is the only contractor that has indicated an interest. If DOW finds Hall to be unacceptable for some reason, Ridgelea will make additional efforts to find a contractor suitable to DOW. In addition, as stated below, Ridgelea is meeting with at least two other contractors in an attempt to get additional bids.

*(d) Provide copies of any other bids that were received.*

Ridgelea has been unable to locate the prior quote by Leak Eliminators of \$65,000, and has tried unsuccessfully to get this family-owned business to provide a duplicate quote. Ridgelea will keep trying to get the quote, and will provide it as soon as it becomes available.

In addition, given the Commission's concerns about competitive bidding, Ridgelea has recently met with Pipe Eyes and provided them with a set of line maps in late May, and intends to meet with Martin's Pipeline to give them maps, in an attempt to generate additional quotes. If they follow through with actual quotes, Ridgelea will provide them as soon as they become available.

# HALL ENVIRONMENTAL CONSULTANTS, LLC

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May 17, 2010

Chuck Hungler  
Perfect-A-Waste  
2106 West North Bend Road  
Cincinnati, OH 45224

Re: Sanitary Sewer Evaluation Survey (SSES)

Dear Mr. Hungler:

This letter is to provide cost estimates for completing an SSES in support of requirements for investigating Inflow and Infiltration at your three Franklin County Sewer plants. The costs reflect 2 miles of sewer line with average manhole spacing of 100'.

<u>Item</u>	<u>Cost (not to exceed)</u>
Mapping of System	\$4500.00
Flow Measurements	\$4500.00
Smoke Testing of System	\$5000.00
Camera Work (may not be needed)	\$8000.00
Final Report with Recommendations	\$4000.00

We appreciate the opportunity to make this offer and look forward to hearing from you. If you have any questions please call me at 859-873-3331.

Sincerely,

Tab Farthing  
Sr. Project Manager

# **HALL ENVIRONMENTAL CONSULTANTS, LLC**

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June 9, 2010

Chuck Hungler  
Perfect-A-Waste  
2106 West North Bend Road  
Cincinnati, OH 45224

Re: Sanitary Sewer Evaluation Survey (SSES)

Dear Mr. Hungler:

This letter is in regard to questions the PSC has put forth regarding approval that our firm may possess to perform Sanitary Sewer Evaluation Surveys (SSES). As you recall I pointed out to you that the Division of Water (DOW) of the Kentucky Department for Environmental Protection does not have such an approval process or maintain a list of preferred engineering firms for the work. While the DOW may review final SSES reports they do not dictate which firms may perform the work. For details regarding this issue we suggest you or the PSC contact Mr. Gary Levy of the DOW at 502-564-3410.

For references for our firm on SSES and related projects such as sewer mapping we provide the following contacts.

Donna K. Hayes, Mayor  
City of Wurtland  
500 Wurtland Avenue  
Wurtland, Kentucky 41144  
Phone 606-836-9166

John O. Thomas, City Administrator  
City of Lebanon  
PO Box 840  
Lebanon, Kentucky 40033  
Phone 270-692-6272

We appreciate the opportunity to work with you and look forward to hearing from you. If you have any questions please call me at 859-873-3331.

Sincerely,



Tab Farthing  
Sr. Project Manager





*Question 5 – Refer to Ridgelea’s response to the Commission Staff’s First Information Request Item 12. In Case No. 2007-00436, the Commission placed Farmdale on notice that in any future rate proceeding it will be required to demonstrate the reasonableness of its agency collection fee expense and to show that it has undertaken reasonable efforts to develop an alternative to its present collection methods, including the conducting of its own billing and collection.” Explain how Ridgelea’s proposal to “recover the increased regulatory mandates in this case through a surcharge,” Ridgelea’s failure to explore the possibility of performing its own billing, or its failure to perform a cost/benefit analysis shows that it has undertaken reasonable efforts to develop an alternative billing and collection method.*

**Answer:** Most importantly, it should be stressed that Farmdale Development, not Ridgelea Investments, was put on notice in the above-referenced case that it would need to develop alternatives including the conducting of its own billing and collecting. Ridgelea in both its rate application and its response to the Commission Staff’s First Data Request Item 12 has recognized the Commission’s concerns regarding the Farmdale Water District’s 15% billing and collection charge. However, Farmdale Development and Ridgelea are two distinctly different utilities, with different owners and dramatically different operating circumstances. The above question suggests that the Commission Staff wants to somehow penalize Ridgelea despite its vast differences versus Farmdale Development, including the following:

-Most importantly, Farmdale currently enjoys the proceeds of a 5-year surcharge which will generate \$146,307 in revenues to pay for repairs. In stark contrast, in this particular case and at this particular time, Ridgelea is caught between “two rocks and a hard place” – the Commission and the Attorney General are disputing surcharges in the Kentucky Supreme Court, while Ridgelea is compelled by the Agreed Order with the Division of Water to do an I&I study and seek a surcharge or rate increase to pay for it. To resolve this dilemma, Ridgelea is asking the Staff to fully recognize the severity of its situation in its Staff Report recommendations.

-Ridgelea has previously stated that it shares the Commission’s concerns about the amount of the 15% charge once it reaches a certain level; Farmdale Development has consistently opposed any disallowances of this expense. Ridgelea did not propose a pro forma increase to this expense in this case; Farmdale’s last rate case application proposed a significant pro forma increase in this expense.

-Ridgelea did not contest the Commission’s 2008 rate case decision which limited it to \$7,916 in billing and collection expenses; Farmdale contested the Commission’s decision in a rehearing request.

-Ridgelea only became aware of this regulatory issue in its first rate case in 2008; Farmdale Development has been aware of the issue for decades.

-Ridgelea is consumed by the following major issues; Farmdale is not:

1. Ridgelea must respond to the Agreed Order with DOW to address I&I issues at its Franklin County plants.
2. Ridgelea faces a potential bill of \$20,000 to \$50,000 for sludge hauling at its Grantland plant.
3. Ridgelea has huge legal bills due to operational problems at the Franklin County plants, which Ridgelea inherited when it bought the systems around 2003.
4. Ridgelea has extremely poor cash flow due to all of the above, which Ridgelea began to address in 2007 and 2008 by requesting PSC Staff assistance to file a rate case.
5. Ridgelea has poor recordkeeping and documentation, due in part to its past unfamiliarity with the need to document everything for regulatory purposes. Ridgelea is committed to correcting this problem, and has recently hired a contractor to improve bookkeeping and documentation.

6. Ridgelea has a huge issue with past-due accounts payable – in excess of \$30,000 - at Grantland, which doesn't cut off water service for nonpayment of sewer bills. Ridgelea's Grantland operations (166 customers at \$30 per month) should produce \$59,760 in annual gross revenues and \$55,776 in net revenues after the \$2 per customer per month billing charge. So net revenues should be \$4,648 per month, when in fact the receipts from Grantland for 2008 through 2010 have been as follows:

<b>Month</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Jan.	\$2,896.84	\$3,442.64	\$3,356.75
Feb.	\$4,146.84	\$3,888.64	\$3,721.89
March	\$4,416.10	\$3,889.64	\$4,902.31
April	\$3,933.60	\$3,418.64	\$4,053.13
May	\$3,750.95	\$2,996.64	
June	\$3,900.96	\$3,509.10	
July	\$3,482.38	\$3,811.45	
Aug.	\$4,205.09	\$5,077.18	
Sept	\$3,242.89	\$4,238.73	
Oct.	\$3,707.99	\$4,027.52	
Nov.	\$3,164.56	\$3,707.88	
Dec.	\$3,408.22	\$3,714.49	
<b>Total</b>	<b>\$46,264.42</b>	<b>\$45,722.55</b>	<b>YTD-\$16,034.08</b>
Normalized Net Revenue from 166 customers	\$55,776	\$55,776	\$18,592
<b>Undercollections each year</b>	<b>\$9,512</b>	<b>\$10,054</b>	<b>Annualized - \$7,674 (\$2,558 x 3)</b>

Given these major issues, it is totally impractical and even counterproductive for a utility in Ridgelea's situation – poor cash flow, recordkeeping and documentation difficulties, and a huge accounts payable problem at the one water utility which refuses to disconnect for nonpayment of sewer bills – to attempt at this particular moment in time to replicate this experience at the Franklin County systems, which suffer no such problems. Rather, it is more rational and cost effective for Ridgelea to absorb any minor disallowances related to the Farmdale WD billing and collection expense – and Ridgelea is currently absorbing such disallowances – while asking the Staff and the Commission not to exacerbate the problem by further disallowances below the \$7,916 approved in the 2008 rate case.



*Question 6. - Refer to Ridgelea's Response to the Commission Staff's First Information Request, Item 15, and to the Perfect-A-Waste Sewage invoices attached to the application... (Items a-g)*

**Answer:** Question 6 relates to documentation for the expenditures Ridgelea incurred to paint the Franklin County treatment plants. In its rate application, Ridgelea proposed to recover these costs totaling \$12,418 over a three-year period, or \$4,139.33 per year. **At this time, Ridgelea withdraws its request to recover the \$4,139.33 amortization expense in this case for the following reasons.**

First, Ridgelea has stated on several occasions that it needs to improve its recordkeeping and documentation. To address this issue, Ridgelea has recently retained the consultant who prepared this rate case to provide ongoing assistance in the following matters:

- preparation of monthly financial statements
- maintaining a complete set of books and records
- making recommendations for improved documentation
- addressing regulatory matters
- providing advice to improve overall financial management of the sewer systems.

Ridgelea believes this assistance will enable it to better document future regulatory filings.

Second, Ridgelea's overriding concern is to comply with the mandates of the Agreed Order with DOW, including the filing of this rate case to recover costs associated with the I&I study and the lab testing mandate. Ridgelea needs some type of rate recovery to comply with these mandates, and the costs related to the 2009 repairs – while not insignificant - may be diverting attention from the overriding issue of recovering the costs associated with DOW mandates.

**Witness: Charles Hungler, Jr.**