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2007 AUG 30 AM 10:45

T.R.A. DOCKET ROOM

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August 30, 2007

Via Hand Delivery

Aaron Rochelle, Counsel
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Petition of Lynwood Utility Corporation To Change and Increase Rates and
Charges
Docket No. 07-00007

Dear Mr. Rochelle:

This letter is in response to the telephone conversation between Tyler Ring, President of Lynwood Utility Corporation, and Ron Graham on August 22, 2007, regarding information and documentation requested by Mr. Graham related to the odor complaints about the Lynwood system and your follow up letter dated August 23, 2007. Lynwood responds as follows:

(1) Any studies and recommendations by outside companies.

Lynwood has been attempting to solve new odor issues in 2007 which it has not experienced in the past. Lynwood began working to solve these issues in the spring of 2007 by initially trying to define the odor problem. In order to define the problem, Lynwood contacted two well know vendors for assistance, Southern Sales Co. and American Development Corp. Southern Sales flew representatives from Siemens Corp. into Nashville to meet with Mr. Ring at the Lynwood plant. American Development Corp. flew a representative to Nashville from Carus Corp. to meet with Lynwood. After meeting with these company representatives and their experts and having several follow up phone conversations, Lynwood learned that the odor problem could be coming from several different places in the Lynwood system:

- (1) raw sewer turning septic in pump stations and then being pumped to the gravity sewer located near the plant;
- (2) the gravity sewer from the Cottonwood Subdivision which creates odor when it is first pumped into the treatment facility;

- (3) the biological make up of the activated sludge could have changed to produce new odors;
- (4) old sludge from an issue with Waste Management Corporation which had instituted new standards for the disposal of sludge making Lynwood unable to meet Waste Management's landfill permit; and
- (5) the dewatering containers which contain the gravity thickened sludge.

(2) Copies of all complaints received by the company.

I have enclosed as Exhibit 1 a log of all of Lynwood's complaints from the last four months along with our responses. These complaints were made by telephone, and the responses were by telephone.

(3) A report of the corrective action that Lynwood has taken or proposes to take.

In its meetings with Southern Sales/Siemens and American Development Corp./Carus Corp. and follow up discussions, Lynwood obtained estimated costs of alternatives to address the odor problems with its system. These estimates were not obtained until after the rate case was filed, but Lynwood shared these estimates with the Consumer Advocate and the Authority in response to the Consumer Advocate's discovery requests.

Southern Sales/Siemens estimated that the installation of odor control units at six locations within the Lynwood system would cost approximately \$25,000.00 each and that Lynwood would incur approximately \$10,000.00 per year in annual chemical costs per location. Based upon this estimate Lynwood is looking at \$150,000.00 to install these odor control units and \$60,000.00 in annual chemical costs for such units. I have enclosed with this response as Exhibit 2 the Siemens estimate which Lynwood received in March of 2007. This estimate does not include the installation costs of an odor control unit.

American Development Corp./Carus Corp. estimated installation costs of its odor control units at less than \$5,000.00 per location and annual chemical costs equal to or less than Siemens estimate. After numerous discussions Lynwood has determined that the American Development Corp. proposal is the right choice for two reasons: (1) installation is significantly cheaper and (2) in Lynwood's opinion the potassium permanganate used by Carus has a greater chance of using less chemical making the annual chemical costs a little cheaper than Siemens. Correspondence with American Development Corp./Carus Corp. has been in person or by phone.

Lynwood has now created the following plan to address odor in its system:

IMMEDIATE: Lynwood has installed odor control units to 3 of 6 locations within its system including one site at the sewer treatment plant. Lynwood expects that installation of

these first three units will cost less than \$5,000 per site and that the cost of the potassium permanganate could be \$10,000 per site per year. According to Carus Corp., small changes in the chemical dosage could have a dramatic effect on the annual price of the chemical; therefore, an accurate estimate of the annual chemical costs is difficult at this time. Lynwood is already using double the amount of chemicals at these three locations which was originally suggested by Carus Corp. to address odor at these locations. Lynwood is also working with First Response to remove existing sludge from an old digester which removal should be completed by September 30, 2007, provided Lynwood can find a waste company with the necessary permit from a landfill operator to accept the existing sludge. The cost will be approximately \$10,000.

SHORT TERM (3 to 6 months): Lynwood will install an odor control unit at a fourth location. Lynwood will be monitoring the three locations where the odor control units have been installed and the fourth location to be installed to find the proper dosing of chemicals to reduce the odor in these locations. Lynwood may add odor control units to the other two locations based upon the performance of the first four locations.

LONG TERM: Because of the existing problems in Lynwood's current sludge haul off system, it will continue searching for better ways to handle the sludge that leaves the Lynwood plant. If Lynwood continues to have the same problems with its current disposal procedure, it will need a new, complete sludge handling overhaul. A new, complete sludge handling system should address the odor issues have arisen for Lynwood to the extent the odor control units do not fully address the odor problems. Due to some of the problems with sludge and odor from this year, Lynwood has already contacted companies about a complete overhaul and the preliminary estimated cost is approximately \$250,000.00.

In the event Lynwood determines that a new, complete sludge handling system must be put in place to address odor problems in its system, such a new system should fully address the problems which Lynwood is experiencing with Waste Management and the requirements of its landfill permit in the removal of sludge from the treatment plant. Lynwood will not, however, be able to completely eliminate all odors in the operation of its sewer treatment plant. Any sewer treatment plant will have some odor associated with its operation because of the nature of the plant. Lynwood is committed to reducing odors in the operation of its system to the best of its ability.

I have enclosed as Exhibit 3 the anticipated accounting treatment of the costs of the immediate, short term and long term actions to address the odor issues.

Aaron Rochelle, Counsel
August 30, 2007
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(4) Copies of correspondence that informs Lynwood's customers who complained of odor problems and the Authority of the date by which the problems will be resolved.

Response: No correspondence has been sent to Lynwood customers setting forth a date by which odor problems would be resolved.

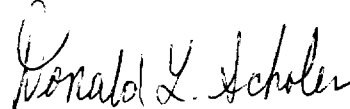
(5) A report on proposed future monitoring and notice to the Authority regarding odor problems.

Response: Lynwood shall notify the Authority in writing when the actions set forth in its Response to #3 have occurred. Lynwood will mail to the Authority a copy of any written complaints it receives about odor from customers and of Lynwood's written response. Lynwood will submit quarterly a call log similar to the enclosed Exhibit 1 for any calls about odor for the remainder of 2007 and 2008.

Mr. Ring, Mr. Ford and I are available to meet with you and any member of the Authority staff in follow up to this response.

I will file fourteen copies of this letter to you with the Authority in Docket No. 07-00007.

Sincerely yours,



DONALD L. SCHOLES

Counsel for Lynwood Utility Corporation

Enclosures

c: Ron Graham
Ryan McGehee
Tyler Ring
Jim Ford

EXHIBIT 1 CALL LOG

Odor complaints from 4/18/07 thru 8/17/07

Date: 4/18/07 9:00am

Mr. Fleming called Matt & said he was out walking. He smelled an odor around Lynwood Sewer Plant. Matt went and checked.

4/18/07

Tyler called Mr. Fleming back but no answer. Left message.

Date: 5/2/07 2:00pm

Martin Coyne – 591-1403

514 Arbor Dr, Cottonwood

He had talked with people who were complaining about the odor coming from the Sewer Plant.

He wanted to know where our offices were located and he also wanted to know more about our Company (Lynwood).

Date: 5/2/07 2:20 pm

I returned his call & left a message for him to call me back.

Date: 5/7/07 3:00 pm

Martin Coyne called again.

Date: 5/7/07 3:05pm

I returned his call but no answer. I left a message and I received no call back since.

Date: 6/12/07 3:45pm

Gillian Tucker 615/595-2265

174 Cottonwood (right behind the Sewer Plant)

Odor coming from the Sewer Plant. The smell has been ongoing the last several weeks, (Saturday (6/9/07), Sunday (6/10/07), Monday (6/11/07) & Tuesday (6/12/07).

From early morning to mid-day. She is keeping a log (dates & times). She has six (6) children and is concerned about the smell.

I spoke with Tyler on this and he asked that I call her and let her know we were working on the problem.

Date: 6/12/07

I returned her call but no answer. I left a message that we were working on the problem. We were very sorry for the inconvenience & for her to call me back. I did not hear back from her until 6/15/07.

Date: 6/15/07 2:45 pm

Mrs. Tucker called to let us know that there was a chemical smell in the air on Wednesday, 6/13/07 and Thursday, 6/14/07. She said the smell went all the way up to the pool road.

Date: Monday, 6/18/07 11:10am

I returned her call and left a message.

Date: 6/28/07

Gillian Tucker called to tell us she was so happy as now there was no smell on June 26th or the 27th. She told me she had smelled an odor almost every day in June. She keeps a log.

April 2007

There has been an ongoing conversation between Tyler and Nancy Tuberty regarding the odor coming from the sewer plant. He asked that she call us and let us know when and where the smell is coming from.

Date: 6/11/07 10:45am

Nancy Tuberty – 615/794-0121

She called to let us know the smell coming from the pump house was smelling terrible right now. Also every night between 7:00 & 8:00pm the smell is terrible.

Date: 6/11/07 10:50 am

I called Tyler & told him and he is on his way over there right now.

Date: 6/11/07 11:00am

I called her back & she did not answer so I left her a message that Tyler Ring was on his way over to Lynwood to check it out right now.

Date: 6/13/07 7:00am

Nancy Tuberty called to tell us about the bad smell on Tuesday, 6/12/07. She was gone most of the day and did not notice anything the rest of the evening when she got home.

Date: 6/14/07 7:00am

Ms. Tuberty said there was the smell again. It was like a nitrogen smell. She said we didn't need to call her back. She was just checking in.

Date: 7/3/07 7:50am

Nancy Tuberty called this am to tell us that there is a bad odor most of the day yesterday (Monday, 7/2/07). Also last night the odor was bad. She stated that she had been busy with granddaughter visiting & has not had a chance to call in the last two weeks. Smell

has been on and off during that time. She also said it sometimes smelled like nitrogen and at other times it smelled like sulfur.

Ms. Tuberty said we did not need to call her back, she was just checking in.

Date: 7/8/07 4:41pm Sunday evening

Nancy Tuberty left a message that nitrogen smell again. She was just checking in with us and no need for us to call her back.

Date: 7/24/07 7:10pm

Nancy Tuberty called and left a message stating that the smell was so bad it stung her nose.

Date: 7/25/07 9:30am

I called her on Wednesday morning and let her know we were sorry and that we were trying to fix the problem.

Date: 8/13/07

Tyler asked me to call Ms. Tuberty and see what the smell was like she was smelling. She said it was a nitrogen smell. I asked if it was a chlorine smell and she said no. She said it always happens 1st thing in the morning then goes away for a while. Then it comes back mostly at evening and night.

Date: 6/12/07 9:07 pm

Charlie Babcock 615/595-2806
176 Cottonwood Dr

He called to tell us there was this terrible smell at the Sewer Plant.

Date: 6/13/07 8/30 am

I called Mr. Babcock back and regarding his call from the night before and left a message that we were working on the problem and if he could check in with us every time he smells the odor with the time that would be helpful in trying to fix the problem.

Date: 6/14/07 8:00am

Mr. Babcock called again to let us know the odor was back. His neighbor told him it was the nitrogen smell. He said that we did not have to call him back this time but was very appreciative that I called back the 1st time and let him know what was going on.

April 2007

There have been extended conversations between Tyler and Gary Pitcher regarding the odor at the sewer plant starting in April 2007. Tyler asked that Gary keep us informed of dates and time these odors occur and if they are at the front or back of his home.

Date: 7/9/07

Gary Pitcher Cell: 615/828-5310 work # 391-2668 home #791-1785
109 Gillette Dr. Cottonwood

He was gone all last week and both weekends so he can't tell us about that.

But coming home at 6:00pm on 7/8/07 from work he said the smell was not bad but really really bad.

Date: 7/15/07 7:30pm Sunday

Gary Pitcher called and just got home from Vacation and as soon as he opened his car door he smelled that bad smell. He called it a "stench".

Date: 7/16/07 3:00pm

Gary Pitcher called to let us know there was a heavy odor in front yard.

Date: 7/23/07 7:00pm

Smell in front yard very strong about 8:00. He noticed a little of the smell in back. It smelled like a dirty bathroom and someone sprayed a deodorizer in it. A chemical smell.

Date: 8/2/07 7:30pm (Wednesday, 8/1/07) smell was in back

Date: 8/15/07

Gary called and left us his work number and said it was ok to call him there.

Date: 8/16/07

I called Gary Pitcher at work and we spoke. He has been gone the last two (2) weekends but for the last week and ½ no smell that he noticed. With heat they have not been out much but it does seem to be better.

Date: 8/17/07 6:30 pm

Gary Pitcher called to let us know that the odor was coming from the back of his house.

Date: 7/19/07 12:45pm

Betty McIntyre 615/591-1226

103 Gillette Dr. Cottonwood

She smells this terrible smell every day for a week. She said she is going to get all of Cottonwood and River Landing and call the government.

She is really upset. She lives right behind the sewer plant.

Date: 7/19/07 12: 55pm

I called her back and she said the same thing that she left on the voice mail.

Tyler called her back and had an extended conversation with her, about 30 to 40 minutes regarding the sewer plant.

March 12, 2007

Mr. Tyler Ring
Lynwood Utility Corp
(615) 305-1033 cell
tylerlring@comcast.net

Subject: Odor Control Chemical Feed System
various Pump Stations
Lynwood Utility District, Franklin, Tennessee

Dear Mr. Ring:

Thank you for your interest in Siemens Water Technologies. **Please note that USFilter was acquired by Siemens in August 2004, as of August 2006 our company name officially changed from USFilter to Siemens Water Technologies.** Siemens Water Technologies would like to submit the attached proposal for our Bioxide® Chemical Feed and Storage System.

Major System Components

- | <u>Quantity</u> | <u>Item</u> |
|-----------------|---|
| 1- | 1,000 Nominal Gallon High Density Cross Linked Polyethylene Chemical Storage Tank, (5'4" Diameter, 7' Tall) |
| 1- | Complete UL Approved, Stainless Steel Control and Calibration Unit to Independently Control Two Feed Pumps. The Control Unit shall consist of: |
| 2- | 24-Hour Time Clocks |
| 1- | 316 SS Control Enclosure |
| 1- | 15 Amp Circuit Breaker, 115 volt |
| 1- | Ground Fault Convenience Receptacle |
| 5- | On/Off Switches with LED Indicator Lights |
| 1- | Calibration Cylinder with Flow Control Valves |
| 2- | Dry Contact to Receive Signal from Remote Source |
| 2- | M-15907-001 Siemens Water Technologies Bellows Pumps with an adjustable feed rate from 5 to 50 mL/min and a maximum discharge pressure of 40 psi. |
| 1- | Single Wall Piping Kit shall Consist of: |

- 40 ft 1/2" Schedule 80 PVC Pipe.
 - 1- 2" Stainless Steel Male Camlock
 - 1- 2" Plastic Female Camlock Cap.
 - 1- 2" Schedule 80 PVC Tank Fill Piping
-
- 1- Day of Startup Supervision
 - 1- Full Load of 1,000 Gallons of Bioxide®

System Price: \$ 21,730.00

Delivery Schedule:

***Submittals - 2-4 weeks after contract acceptance**

***Equipment- 3-4 weeks after receipt of approved submittals**

Please note - This quotation is based upon specifications that Siemens Water Technologies supplied to the engineer.

*Above delivery schedule is based on credit approval and receipt of approved contract and submittals.

Price is F.O.B. factory with freight allowed to jobsite. Installation services are available at additional cost.

These prices do not include any applicable taxes. Terms of payment are NET 30 days from date of invoice.

The attached terms and conditions are considered part of this proposal and binding.

Only those items specifically listed in this proposal are included all other items are specifically excluded.

Siemens Water Technologies warrants the Chemical Feed System complete for a period of twelve (12) months from acceptance or eighteen (18) months from shipment, whichever occurs first. In addition, the chemical storage tanks shall be warranted for a period of five (5) years from warranty start date.

Contractor to provide/perform all facets of system installation including, but not limited to, dewatering, concrete work, trenching, excavation, backfill, piping and electrical.

Contractor shall provide all equipment for site preparation and equipment off-loading.

120 VAC, 15 Amp Electrical Service Required For System Operation.

This quote will remain in effect for a period of ninety (90) days.

If you have any further questions please contact me at 800-345-3982 or 941-928-5093.

Sincerely,

SIEMENS WATER TECHNOLOGIES CORP.

Ed Guffee
Southern Sales Company, Inc. (TN Representative)
c/o Siemens Water Technologies

Siemens Water Technologies will process your order when we receive acceptance of this proposal by signing below and returning.

Accepted by: _____ (Contractor Name)

This ____ day of _____ 2007

By: _____

Title: _____

Company: _____

STANDARD TERMS OF SALE

1. Applicable Terms. These terms govern the purchase and sale of the equipment and related services, if any (collectively, "Equipment"), referred to in Seller's purchase order, quotation, proposal or acknowledgment, as the case may be ("Seller's Documentation"). Whether these terms are included in an offer or an acceptance by Seller, such offer or acceptance is conditioned on Buyer's assent to these terms. Seller rejects all additional or different terms in any of Buyer's forms or documents.
2. Payment. Buyer shall pay Seller the full purchase price as set forth in Seller's Documentation. Unless Seller's Documentation provides otherwise, freight, storage, insurance and all taxes, duties or other governmental charges relating to the Equipment shall be paid by Buyer. If Seller is required to pay any such charges, Buyer shall immediately reimburse Seller. All payments are due within 30 days after receipt of invoice. Buyer shall be charged the lower of 1 ½% interest per month or the maximum legal rate on all amounts not received by the due date and shall pay all of Seller's reasonable costs (including attorneys' fees) of collecting amounts due but unpaid. All orders are subject to credit approval.
3. Delivery. Delivery of the Equipment shall be in material compliance with the schedule in Seller's Documentation. Unless Seller's Documentation provides otherwise, Delivery terms are F.O.B. Seller's facility.
4. Ownership of Materials. All devices, designs (including drawings, plans and specifications), estimates, prices, notes, electronic data and other documents or information prepared or disclosed by Seller, and all related intellectual property rights, shall remain Seller's property. Seller grants Buyer a non-exclusive, non-transferable license to use any such material solely for Buyer's use of the Equipment. Buyer shall not disclose any such material to third parties without Seller's prior written consent.
5. Changes. Seller shall not implement any changes in the scope of work described in Seller's Documentation unless Buyer and Seller agree in writing to the details of the change and any resulting price, schedule or other contractual modifications. This includes any changes necessitated by a change in applicable law occurring after the effective date of any contract including these terms.
6. Warranty. Subject to the following sentence, Seller warrants to Buyer that the Equipment shall materially conform to the description in Seller's Documentation and shall be free from defects in material and workmanship. The foregoing warranty shall not apply to any Equipment that is specified or otherwise demanded by Buyer and is not manufactured or selected by Seller, as to which (i) Seller hereby assigns to Buyer, to the extent assignable, any warranties made to Seller and (ii) Seller shall have no other liability to Buyer under warranty, tort or any other legal theory. If Buyer gives Seller prompt written notice of breach of this warranty within 18 months from delivery or 1 year from acceptance, whichever occurs first (the "Warranty Period"), Seller shall, at its sole option and as Buyer's sole remedy, repair or replace the subject parts or refund the purchase price therefor. If Seller determines that any claimed breach is not, in fact, covered by this warranty, Buyer shall pay Seller its then customary charges for any repair or replacement made by Seller. Seller's warranty is conditioned on Buyer's (a) operating and maintaining the Equipment in accordance with Seller's instructions, (b) not making any unauthorized repairs or alterations, and (c) not being in default of any payment obligation to Seller. Seller's warranty does not cover damage caused by chemical action or abrasive material, misuse or improper installation (unless installed by Seller). THE WARRANTIES SET FORTH IN THIS SECTION ARE SELLER'S SOLE AND EXCLUSIVE WARRANTIES AND ARE SUBJECT TO SECTION 10 BELOW. SELLER MAKES NO OTHER WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR PURPOSE.
7. Indemnity. Seller shall indemnify, defend and hold Buyer harmless from any claim, cause of action or liability incurred by Buyer as a result of third party claims for personal injury, death or damage to tangible property, to the extent caused by Seller's negligence. Seller shall have the sole authority to direct the defense of and settle any indemnified claim. Seller's indemnification is conditioned on Buyer (a) promptly, within the Warranty Period, notifying Seller of any claim, and (b) providing reasonable cooperation in the defense of any claim.
8. Force Majeure. Neither Seller nor Buyer shall have any liability for any breach (except for breach of payment obligations) caused by extreme weather or other act of God, strike or other labor shortage or disturbance, fire, accident, war or civil disturbance, delay of carriers, failure of normal sources of supply, act of government or any other cause beyond such party's reasonable control.
9. Cancellation. If Buyer cancels or suspends its order for any reason other than Seller's breach, Buyer shall promptly pay Seller for work performed prior to cancellation or suspension and any other direct costs incurred by Seller as a result of such cancellation or suspension.
10. LIMITATION OF LIABILITY. NOTWITHSTANDING ANYTHING ELSE TO THE CONTRARY, SELLER SHALL NOT BE LIABLE FOR ANY CONSEQUENTIAL, INCIDENTAL, SPECIAL, PUNITIVE OR OTHER INDIRECT DAMAGES, AND SELLER'S TOTAL LIABILITY ARISING AT ANY TIME FROM THE SALE OR USE OF THE EQUIPMENT SHALL NOT EXCEED THE PURCHASE PRICE PAID FOR THE EQUIPMENT. THESE LIMITATIONS APPLY WHETHER THE LIABILITY IS BASED ON CONTRACT, TORT, STRICT LIABILITY OR ANY OTHER THEORY.
11. Miscellaneous. If these terms are issued in connection with a government contract, they shall be deemed to include those federal acquisition regulations that are required by law to be included. These terms, together with any quotation, purchase order or acknowledgement issued or signed by the Seller, comprise the complete and exclusive statement of the agreement between the parties (the "Agreement") and supersede any terms contained in Buyer's documents, unless separately signed by Seller. No part of the Agreement may be changed or cancelled except by a written document signed by Seller and Buyer. No course of dealing or performance, usage of trade or failure to enforce any term shall be used to modify the Agreement. If any of these terms is unenforceable, such term shall be limited only to the extent necessary to make it enforceable, and all other terms shall remain in full force and effect. Buyer may not assign or permit any other transfer of the Agreement without Seller's prior written consent. The Agreement shall be governed by the laws of the Commonwealth of Pennsylvania without regard to its conflict of laws provisions.
12. Import Duties. Purchaser acknowledges that the price payable to Supplier for the goods and services described in this Proposal is exclusive of any duties, fees, taxes or other charges imposed by the U.S. Government on the importation of activated carbon into the United States, including without limitation any anti-dumping duties established in response to the petition "Certain Activated Carbon From The Peoples Republic of China" presented by Calgon Carbon Corporation and Norit Americas Inc. to the International Trade Administration of the U.S. Department of Commerce and to the U.S. International Trade Commission (US ITC Investigation No.731-TA-1103 (Preliminary) (such duties, fees, taxes or charges being referred to collectively herein as "Import Duties"). Should Supplier be required at any time to pay any such Import Duties (either to the government or to Supplier's vendors) in connection with activated carbon delivered to Purchaser, Purchaser shall reimburse the full amount of such Import Duties to Supplier promptly upon Purchaser's receipt of Supplier's invoice for such Import Duties.

EXHIBIT 3

ACCOUNTING TREATMENT

IMMEDIATE: Old Sludge is in process of being removed and the cost will be charged to account 711 as period cost. The evaluation and study of odor problems and direct cost of the installation and annual chemical costs, along with related indirect cost, will be deferred in account 186 Deferred Debits for approval, and a rate recovery method to be approved by the Authority to recover these costs.

SHORT TERM: The evaluation and study of odor problems and direct cost of the installation and annual chemical costs, along with related indirect cost, will be deferred in account 186 Deferred Debits for approval, and a rate recovery method to be approved by the Authority to recover these costs.

LONG TERM – The actual cost along with any related indirect cost required to eliminate odor problems with a new, complete sludge handling overhaul system will be deferred in account 186 as a Deferred Debit, and a rate recovery method to be approved by the Authority to recover these costs.