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April 10, 2012

**VIA FEDEX**

Mr. Alva Lambert  
Executive Director  
State Health Planning and Development Agency  
100 N. Union Street, Suite 870  
Montgomery, Alabama 36104

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STATE HEALTH PLANNING  
AND DEVELOPMENT AGENCY

**RE: Project Number AL 2008-009, CON 2230-ESRD-MOD#1  
Second Request for Project Modification**

Dear Mr. Lambert:

This letter requests a second project modification to CON 2230-ESRD. The CON Review Board approved CON 2230-ESRD on June 5, 2008 to expand the capacity of NNA of Alabama, Inc. d/b/a RCG South (the "Clinic") from 12 to 16 hemodialysis stations at an estimated cost of \$252,655.92 (the "Project"). On May 4, 2011, SHPDA approved the first project modification request for CON 2230-ESRD to reflect an increase in the estimated construction costs for the Project from \$252,655.92 to \$302,655.92.

The Clinic now respectfully requests the issuance of a second project modification to CON 2230-ESRD to reflect an increase in estimated construction costs and an increase in estimated operating costs that will raise the total estimated Project cost for the station increase from \$302,655.92 to \$750,000.00 (see **Exhibit A**).

Increased costs identified by the contractor engaged to complete the Project have necessitated this project modification request. As described in the first Project modification request, the Clinic incurred additional costs to meet new Life Safety Code standards that were not factored in to the initial Project application. Since SHPDA granted the first Project modification request, the contractor has identified further necessary Life Safety Code upgrades, including ground work and associated expenditures required to install new sewer connections.

In addition, since the Clinic originally submitted its application for the Project in 2008, the underlying assumptions used to estimate the currently approved annual operating costs amount have proven to be inaccurate in the context of the actual operating costs the Clinic will incur in 2012 upon the completion of the Project. The Clinic's currently expected annual operating costs will be significantly higher than projected in 2008, and the currently approved operating expense component of the Project will not be sufficient to fund the Clinic's operations at the expanded station capacity level.

We note that the proposed cost increases will not exceed the current indexed cost threshold for any capital expenditure category set forth in CON Rules and Regulations Section 410-1-2-.07. CON 2230-ESRD-MOD#1 qualifies for a project modification pursuant to CON Rules and Regulations Section 410-1-10.-.03 (project modifications after issuance of CON). We believe that this project modification can be approved by the Executive Director because: (1) the requested modification does not exceed any CON cost thresholds; (2) there will be no change in location from that designated in the original CON; (3) no changes in services or new services are being proposed; (4) no change in station capacity is being proposed; and (5) no other modification is proposed that would otherwise exceed or trigger another CON threshold.

There was no opposition to the approved CON. As such, there are no parties of record in the underlying administrative proceeding that must be notified regarding this proposed project modification.

We have also enclosed a check in the amount of \$4,9733.44, which equals the difference between the amount that would have been required under CON Rules and Regulations Section 410-1-7-.06 had the Clinic initially estimated a cost of \$750,000.00 (\$7,500.00) fee and the fee the Clinic initially submitted with its CON application for the Project (\$2,526.56).

Thank you for your attention to this matter. If you have any questions or concerns, please contact me.

Sincerely,

  
Daniel F. Murphy

DFM/rl

Enclosures

**EXHIBIT A**

**Request for Second Project Modification to CON 2230-ESRD**

<b>Category of Expenditure</b>	<b>Estimated Costs under CON 2230-ESRD-MOD#1</b>	<b>Requested Costs under Second Project Modification</b>
<b>Construction</b>	<b>\$165,500.00</b>	<b>\$262,844.08</b>
<b>Equipment</b>	<b>\$22,845.92</b>	<b>\$22,845.92</b>
<b>Annual Operating Costs</b>	<b>\$114,310.00</b>	<b>\$464,310.00</b>
<b>TOTAL</b>	<b>\$302,655.92</b>	<b>\$750,000.00</b>