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July 24, 2012

VIA E-MAIL & FEDERAL EXPRESS

Alva M. Lambert
Executive Director
State Health Planning & Development Agency
100 North Union Street, Suite 870
Montgomery, AL 36104

**Re: Project Modification Request
Flor Dialysis, LLC d/b/a Steel City Dialysis
Project No. AL 2009-050
CON 2304-ESRD-MOD 1**

Dear Mr. Lambert:

This Project Modification Request is in regards to CON 2304-ESRD-MOD 1 issued to Flor Dialysis, LLC d/b/a Steel City Dialysis ("Steel City Dialysis") on March 14, 2011, to establish and operate an end stage renal disease ("ESRD") facility consisting of seven (7) hemodialysis stations and one (1) isolation station in southwestern Jefferson County ("Project").

Pursuant to CON Rule 410-1-10-.03, Steel City Dialysis respectfully requests the issuance of a project modification by the Executive Director of the State Health Planning and Development Agency ("SHPDA") for an increase in estimated costs for this Project as set forth in the attached replacement CON Application pages. This Project Modification Request proposes only a change in Total Project Cost from \$3,243,081 to \$3,712,194 which is an increase of \$469,113.

This Request is necessary for the following reasons:

- As reported to SHPDA in a letter dated February 1, 2012, the actual cost of construction for Steel City Dialysis was \$1,357,636, which is \$707,786 more than projected in the CON Application, and the actual cost of equipment for Steel City Dialysis was \$483,535, which is \$43,882 more than projected in the CON Application.
- The proposed construction cost for Steel City Dialysis (\$649,850) was determined based on the anticipated cost of leasehold improvements to an existing building where the owner of the building agreed to bring the shell building up to the standards of Steel City Dialysis. Steel City Dialysis, however, was unable to find such a building in southwestern Jefferson County. Thus, Steel City Dialysis was required not only to complete the leasehold improvements on the building it ultimately chose in southwestern Jefferson County, but was also required to complete work on the shell building



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that generally falls to the building owner. Consequently, its actual cost of construction for Steel City Dialysis was much higher than projected.

- Although the construction cost for Steel City Dialysis was higher than projected, its lease cost was lower than projected. The actual lease cost for Steel City Dialysis was \$435,000, which is \$237,000 less than projected in the CON Application.
- The increase in equipment cost was due to requirements imposed by the City of Birmingham to provide a hospital grade UL Listed nurse call system and to provide independent third-party inspection and certification of the scales at Steel City Dialysis which required an expert to be flown in from North Carolina.

For these reasons, we request that the Estimated Cost in Section I(10) of CON 2304-ESRD-MOD 1 be modified from "\$3,243,081" to "\$3,712,194."

This Project Modification Request falls below the financial thresholds for review provided in CON Rule § 410-1-4-.01; does not involve a physical relocation of the facility to a location other than that generally designated in the CON (i.e., southwestern Jefferson County); and does not involve a change in bed capacity or the provision of new services. Thus, this Project Modification is due to be approved by the Executive Director of SHPDA.

As required, enclosed are the replacement CON Application pages impacted by this Project Modification Request including a new executed Signature Page. As there was no opposition to the approved CON, there are no parties of record in the underlying administrative proceeding that must be notified regarding this Project Modification Request.

As always, we appreciate your assistance and look forward to receiving a modified CON for Steel City Dialysis as set forth above. If you have any questions, please give me a call immediately.

Very truly yours,


Lenora W. Pate
FOR THE FIRM

LWP/lc
Enclosures

c: Brandon King
Kelli F. Robinson, Esq.

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II. COST

A. Construction (includes modernization expansion)

1. Predevelopment	\$ _____
2. Site Acquisition	\$ _____
3. Site Development	\$ _____
4. Construction	\$ <u>1,307,036</u>
5. Architect and Engineering Fees	\$ <u>50,600</u>
6. Renovation	\$ _____
7. Interest during time period of construction	\$ _____
8. Attorney and consultant fees	\$ _____
9. Bond Issuance Costs	\$ _____
10. Contingency	\$ _____
TOTAL COST OF CONSTRUCTION	\$ <u>1,357,636</u>

B. Purchase

1. Facility	\$ _____
2. Major Medical Equipment	\$ <u>270,778</u>
3. Other Equipment	\$ <u>212,757</u>
TOTAL COST OF PURCHASE	\$ <u>483,535</u>

C. Lease

1. Facility Cost Per Year <u>\$29,000</u> x <u>15</u> Years=	\$ <u>435,000</u>
2. Equipment Cost per Month _____ x _____ Months =	\$ _____
3. Land-only Lease Cost per Year _____ x _____ Years	\$ _____
TOTAL COST OF LEASE(s)	\$ <u>435,000</u>
(compute according to generally accepted accounting principles)	
Cost if Purchased	\$ _____

D. Services

1. <u> X </u> New Service	
2. _____ Expansion	
3. _____ Reduction or Termination	
4. _____ Other	
FIRST YEAR ANNUAL OPERATING COST	\$ <u>1,436,023</u>

E. Total Cost of this Project (Total A through D)
(should equal V-C on page A-4)

	\$ <u>3,712,194</u>
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IV. COST (continued)

F. Proposed Finance Charges		
1. Total Amount to Be Financed	\$	_____
2. Anticipated Interest Rates	\$	_____
3. Term of Loan	\$	_____
4. Method of Calculating Interest on Principal Payment	\$	_____

V. ANTICIPATED SOURCE OF FUNDING

A.	Federal	Amount	Source
1.	Grants	\$ _____	_____
2.	Loans	\$ _____	_____
B.	Non-Federal		
1.	Commercial Loan	\$ _____	_____
2.	Tax-exempt Revenue Bonds	\$ _____	_____
3.	General Obligation Bonds	\$ _____	_____
4.	New Earning and Revenues	\$ _____	_____
5.	Charitable Fund Raising	\$ _____	_____
6.	Cash on Hand	\$3,712,194	DaVita, Inc.
7.	Other	_____	_____
C.	TOTAL (should equal IV-E on page A-3)	\$3,712,194	_____

VI. TIMETABLE

A.	Projected Start/Purchase Date	<u>Upon award of CON</u>
B.	Projected Completion Date	<u>12 months following award of CON</u>

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I. CERTIFICATION

The information contained in this application is true and correct to the best of my knowledge and belief.

FLOR DIALYSIS, LLC D/B/A STEEL CITY
DIALYSIS ("APPLICANT")

By: Renal Treatment Centers, Inc.
Its: General Partner




By: Brandon King

Its: Regional Operations Director

DAVITA, INC.

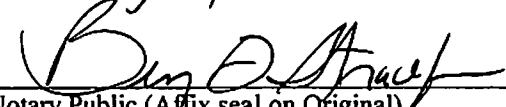
("PARENT COMPANY")



By: Brandon King

Its: Regional Operations Director

3^d day of July 2012



Notary Public (Affix seal on Original)

My commission expires 6/25/15

Author: Alva M. Lambert

Statutory Authority: § 22-21-267, 271, 275, Code of Alabama, 1975

History: Amended March 19, 1996 and July 25, 2002