

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MOUNTAIN WATER DISTRICT )  
FOR AN ADJUSTMENT OF WATER AND SEWER ) CASE NO. 2014-00342  
RATES )

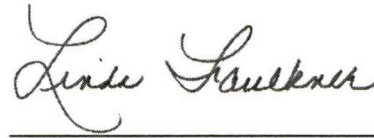
NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on May 20, 2015 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on May 20, 2015 in this proceeding;
- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on May 20, 2015.

A copy of this Notice, the certification of the digital video record, hearing log, and exhibits have been electronically served upon all persons listed at the end of this Notice. Parties desiring an electronic copy of the digital video recording of the hearing in Windows Media format may download a copy at: [http://psc.ky.gov/av\\_broadcast/2014-00342/2014-00342\\_20May15\\_Inter.aspx](http://psc.ky.gov/av_broadcast/2014-00342/2014-00342_20May15_Inter.aspx). Parties wishing an annotated digital video recording may submit a written request by electronic mail to [pscfilings@ky.gov](mailto:pscfilings@ky.gov). A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 27<sup>th</sup> day of May 2015.

A handwritten signature in cursive script that reads "Linda Faulkner". The signature is written in black ink and is positioned above a horizontal line.

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Public Service Commission of Kentucky

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COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

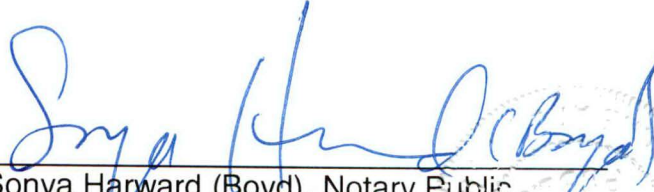
APPLICATION OF MOUNTAIN WATER )  
DISTRICT FOR AN ADJUSTMENT OF WATER ) CASE NO. 2014-00342  
AND SEWER RATES )

CERTIFICATE

I, Sonya Harward, hereby certify that:

1. The attached DVD contains a digital recording of the Hearing conducted in the above-styled proceeding on May 20, 2015. Hearing Log, Exhibit, Exhibit List, and Witness List are included with the recording on May 20, 2015.
2. I am responsible for the preparation of the digital recording.
3. The digital recording accurately and correctly depicts the Hearing of May 20, 2015.
4. The "Exhibit List" attached to this Certificate correctly lists the Exhibit introduced at the Hearing of May 20, 2015.
5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the Hearing of May 20, 2015 and the time at which each occurred.

Given this 22<sup>nd</sup> day of May, 2015.

  
Sonya Harward (Boyd), Notary Public  
State at Large  
My commission expires: August 27, 2017







Date:	Type:	Location:	Department:
5/20/2015	General Rates	Public Service Commission	Hearing Room 1 (HR 1)

Judge: David Armstrong; Jim Gardner; Dan Logsdon  
 Witness: Kevin Howard - for Mountain Water District; Bob Meyer - for Mountain Water District; Grondall Potter - for Mountain Water District; Roy Sawyers - Mountain Water District; Michael Spears - for Mountain Water District  
 Clerk: Sonya Harward

Event Time	Log Event
9:48:18 AM	Session Started
9:48:24 AM	Session Paused
10:01:59 AM	Session Resumed
10:02:08 AM	Chairman David Armstrong Preliminary Remarks Note: Harward, Sonya Introduces Vice Chairman Jim Gardner and Commissioner Dan Logsdon.
10:02:30 AM	Attys. Jack Hughes and Dan Stratton for Mountain Water District ("MWD")
10:02:39 AM	Attys. Angela Goad, Stephanie Kingsley, and Jennifer Black Hans for the Attorney General ("AG")
10:02:52 AM	Atty. Jonathan Beyers, David Spendard, and Ann Ramser for the Commission
10:03:02 AM	Public Notice given and filed into the record.
10:03:19 AM	Outstanding Motions - None
10:03:31 AM	Public Comment - No Public Comments
10:05:17 AM	Witness Roy Sawyers takes the stand and is sworn in. Note: Harward, Sonya District Administrator for Mountain Water District
10:06:11 AM	Atty. Hughes Direct Exam of Witness Sawyers Note: Harward, Sonya No changes to Witness's pre-filed Testimony.
10:06:26 AM	Atty. Goad Cross Exam of Witness Sawyers Note: Harward, Sonya Asking about Witness's job duties and what MWD is asking for in their application.
10:07:49 AM	Atty. Goad to Witness Sawyers Note: Harward, Sonya Asking about the contract with the Utility Management Group ("UMG") being one of the reasons that MWD needs a rate increase, referencing Witness's Testimony, p. 3, lines 16-21.
10:09:42 AM	Atty. Goad to Witness Sawyers Note: Harward, Sonya Referencing MWD's response to the AG's First Request for Information, Item 48.b., regarding the UMG contract.
10:12:53 AM	Atty. Goad to Witness Sawyers Note: Harward, Sonya Asking why MWD did not try to renegotiate the UMG contract or to take the services back in house or to competitively bid the contract.
10:14:40 AM	Atty. Goad to Witness Sawyers Note: Harward, Sonya Asking if various loans have been approved by the Commission.
10:15:13 AM	Atty. Hughes Interjection Note: Harward, Sonya Asks Atty. Goads to clarify which loans she is questioning the Witness about, and Atty. Hughes clarifies that there are not "various loans," just the \$500,000 loan.
10:16:20 AM	Atty. Hughes Provides Response to Atty. Goad's Question Note: Harward, Sonya Confirmed that the \$500,000 loan from UMG was not submitted to Commission for approval.
10:17:01 AM	Atty. Goad to Witness Sawyers Note: Harward, Sonya Asking about MWD having been denied the ability to audit UMG's financial books.

10:18:54 AM	Atty. Goad to Witness Sawyers Note: Harward, Sonya	Referencing MWD's response to the AG's Clarification, Items 9 and 10, regarding payments/purchase orders to UMG.
10:20:27 AM	Atty. Goad to Witness Sawyers Note: Harward, Sonya	Referencing MWD's response to the AG's Supplemental Request for Information, Item 2.a., last sentence, regarding MWD's satisfaction with the UMG contract.
10:22:29 AM	Atty. Goad to Witness Sawyers Note: Harward, Sonya	Asking why MWD has not tried to renegotiate the UMG contract or bid out the contract since 2005, when doing so could save ratepayers money.
10:23:06 AM	Atty. Hughes - Objection Note: Harward, Sonya	Witness has stated that he was not with the district in 2005.
10:24:58 AM	Atty. Goad to Witness Sawyers Note: Harward, Sonya	Asking questions regarding Witness's salary, raises, and car allowance he receives from MWD.
10:26:38 AM	Atty. Goad to Witness Sawyers Note: Harward, Sonya	Asking about MWD not raising insurance premiums for MWD's employees in order to keep cost of insurance down.
10:27:30 AM	Atty. Goad to Witness Sawyers Note: Harward, Sonya	Asking Witness about other employees' salaries and if MWD has considered not giving raises to employees.
10:29:02 AM	Atty. Goad to Witness Sawyers Note: Harward, Sonya	Asking if MWD has ever conducted a study or survey regarding the comparison of MWD employee's standard benefits and raises with those of people in Pike County.
10:29:47 AM	AG - Exhibit 1 Note: Harward, Sonya	Pike County QuickFacts from the US Census Bureau, accessed on 5/15/15 at <a href="http://quickfacts.census.gov/qfd/states/21/21195.html">http://quickfacts.census.gov/qfd/states/21/21195.html</a> .
10:30:14 AM	Atty. Goad to Witness Sawyers Note: Harward, Sonya	Asking Witness questions about AG - Exhibit 1 to this Hearing.
10:32:39 AM	Atty. Goad to Witness Sawyers Note: Harward, Sonya	Asking if MWD would consider not giving raises to its employees due to customers' financial situations.
10:32:59 AM	Atty. Goad to Witness Sawyers Note: Harward, Sonya	Asking Witness about having an anti-nepotism policy and if he'd suggest to the board that they have such a policy.
10:34:11 AM	Atty. Goad to Witness Sawyers Note: Harward, Sonya	Asking Witness about average bills and the effect of a rate increase.
10:35:25 AM	AG - Exhibit 2 Note: Harward, Sonya	Letter filed in the record in this case to the Commission from Chris Harris, State Representative, 93rd District, dated March 30, 2015.
10:36:26 AM	Atty. Goad to Witness Sawyers Note: Harward, Sonya	Asks Witness to read from p. 2 of AG - Exhibit 2 to this Hearing, regarding eastern Kentucky residents' financial situations.
10:38:32 AM	Atty. Beyer Cross Exam of Witness Sawyers Note: Harward, Sonya	Asking about the water loss program that MWD has, MWD's current water loss, and if Witness can quantify the benefit of this program.
10:39:40 AM	Atty. Beyer to Witness Sawyers Note: Harward, Sonya	Referencing MWD's response to the Commission Staff's Third Request for Information, Item 15, regarding reducing water loss and if the goals are obtainable.



10:41:29 AM	Atty. Beyer to Witness Sawyers Note: Harward, Sonya	Referencing MWD's response to the Commission Staff's Third Request for Information, Item 15, regarding UMG's responsibilities and incentives they have to reduce water loss.
10:43:46 AM	Atty. Beyer to Witness Sawyers Note: Harward, Sonya	Asking Witness about his knowledge of the Commission only allowing recovery for 15 percent of water loss.
10:44:45 AM	Atty. Beyer to Witness Sawyers Note: Harward, Sonya	Referencing MWD's response to the AG's Supplemental Request for Information, Item 98, regarding the increase in the budget for maintenance and repairs.
10:47:54 AM	Atty. Beyer to Witness Sawyers Note: Harward, Sonya	Asking Witness about UMG and costs reimbursed for maintenance.
10:49:46 AM	Atty. Beyer to Witness Sawyers Note: Harward, Sonya	Asking if there are provisions in the contract with UMG to dispute maintenance and repair charges.
10:50:15 AM	Vice Chairman Gardner - Clarifying Questions Note: Harward, Sonya	Asking which UMG contract is being discussed, and where the provisions for repair and maintenance are found in the contract.
10:53:33 AM	Atty. Stratton Provides Response to Vice Chairman Gardner's Question Note: Harward, Sonya	Provides the location in the UMG contract where the repair and maintenance expense budget is listed.
10:55:12 AM	Atty. Beyer to Witness Sawyers Note: Harward, Sonya	Referencing MWD's response to Commission Staff's Second Request for Information, Item 21.e., attachment, regarding 2013-2014 reports that list field maintenance costs of \$2 million and \$2.4 million and the funding sources used for these projects.
10:59:15 AM	Atty. Beyer to Witness Sawyers Note: Harward, Sonya	Referencing MWD's Application, Exhibit B, Appendix G, Water Tank Management Agreement, and asking Witness to point out the requirement for MWD to pay Southern Corrosion about \$345,000 per year.
11:02:38 AM	Atty. Beyer to Witness Sawyers Note: Harward, Sonya	Asking why UMG does not provide the service that Southern Corrosion provides for MWD.
11:03:08 AM	Atty. Beyer to Witness Sawyers Note: Harward, Sonya	Referencing Second, Item 20.a., regarding an amendment to the contract with Southern Corrosion that suspended it.
11:03:59 AM	Atty. Beyer to Witness Sawyers Note: Harward, Sonya	Asking Witness for an update on the contract with Southern Corrosion.
11:04:29 AM	POST HEARING DATA REQUEST by Atty. Beyer Note: Harward, Sonya	Provide a copy of the current contract with Southern Corrosion.
11:05:46 AM	Atty. Beyer to Witness Sawyers Note: Harward, Sonya	Asking Witness about MWD taking precautions to inspect the storage tanks on their system since the tank in Waddy, KY collapsed.
11:07:33 AM	Atty. Beyer to Witness Sawyers Note: Harward, Sonya	Asking Witness about the 2008 contract negotiations with UMG regarding the \$500,000 loan being approved by the Commission
11:08:15 AM	Atty. Beyer to Witness Sawyers Note: Harward, Sonya	Asking if MWD will be renewing the contract with UMG when it expires in 2016 or will there be an RFP.
11:09:30 AM	Atty. Beyer to Witness Sawyers Note: Harward, Sonya	Asking Witness if he would make sure UMG is not involved in writing the RFP to replace UMG's contractual duties.

11:11:33 AM	Atty. Beyer to Witness Sawyers Note: Harward, Sonya	Asking Witness about his daily duties as the liason with UMG, and how his duties would change if MWD operated without a contractor.
11:13:20 AM	Atty. Beyer to Witness Sawyers Note: Harward, Sonya	Asking about various duties being taken on by current MWD employees if they operated without a contractor.
11:14:02 AM	Atty. Beyer to Witness Sawyers Note: Harward, Sonya	Referencing the most recent Informal Conference Clarification, Item 3, the second page of the chart of the expenses, regarding depreciation of vehicles.
11:17:33 AM	Vice Chairman Gardner Cross Exam of Witness Sawyers Note: Harward, Sonya	Asking Witness for the rate structure of a current customer bill.
11:18:42 AM	Vice Chairman Gardner to Witness Sawyers Note: Harward, Sonya	Asking Witness if MWD has approached local banks for specific loans and why it has not been done.
11:19:20 AM	Vice Chairman Gardner to Witness Sawyers Note: Harward, Sonya	Asking if UMG has people that handle customer complaints.
11:21:24 AM	Vice Chairman Gardner to Witness Sawyers Note: Harward, Sonya	Asking Witness about the audit done in 2011 at MWD by Crit Llewellyn, the recommendations in the report, and if MWD has followed the recommendations.
11:23:22 AM	Vice Chairman Gardner to Witness Sawyers Note: Harward, Sonya	Asking Witness if Commission Staff has recieved all information requested of MWD for this case.
11:25:33 AM	Vice Chairman Gardner to Witness Sawyers Note: Harward, Sonya	Referencing the Auditor's Report, pp. 44-45, Recommendation 2, regarding a 70/30 split of excess revenue.
11:28:12 AM	POST HEARING DATA REQUEST by Vice Chairman Gardner Note: Harward, Sonya	Provide a copy of the asurety bond.
11:28:45 AM	Vice Chairman Gardner to Witness Sawyers Note: Harward, Sonya	Asking if there are finance and operation committees for MWD.
11:29:52 AM	POST HEARING DATA REQUEST by Vice Chairman Gardner Note: Harward, Sonya	Provide a copy of any minutes that mention a conflict of interest policy being adopted by MWD.
11:31:11 AM	Vice Chairman Gardner to Witness Sawyers Note: Harward, Sonya	Asking Witness about entering into contracts that exceed \$20,000.
11:31:40 AM	Atty. Dan Stratton Provides Response to Vice Chairman Gardner's Question Note: Harward, Sonya	Confirms that contracts that exceed \$20,000 are competitively bid.
11:32:43 AM	Vice Chairman Gardner to Witness Sawyers Note: Harward, Sonya	Asking Witness about water loss and how MWD will accomplish decreasing its water loss.
11:34:09 AM	Chairman Armstrong Cross Exam of Witness Sawyers Note: Harward, Sonya	Asking Witness about his salary.
11:34:28 AM	POST HEARING DATA REQUEST by Chairman Armstrong Note: Harward, Sonya	Provide a copy of Mr. Sawyers' paycheck.
11:35:18 AM	Chairman Armstrong to Witness Sawyers Note: Harward, Sonya	Asking Witness about anyone being given free water.
11:36:19 AM	Commissioner Logsdon Cross Exam of Witness Sawyers Note: Harward, Sonya	Referencing a provision in the contract about monthly reports of water loss and MWD's response to Commission Staff's Second Request for Information, Item 21.e. Asking Witness about the foregoing of providing the monthly water loss reports.
11:40:06 AM	POST HEARING DATA REQUEST by Commissioner Logsdon Note: Harward, Sonya	Provide copies of MWD's monthly reports of water loss (later decided that the last six months of reports should be provided.)



11:41:24 AM	Commissioner Logsdon to Witness Sawyers Note: Harward, Sonya	Referencing MWD's response to the AG's First Request for Information, Item 48.b., regarding repair and maintenance expenses being over budget so much in 2012 and 2013, and Item 48.a., regarding estimating the repair and maintenance expenses.
11:46:57 AM	Atty. Hughes Re-Direct Exam of Witness Sawyers Note: Harward, Sonya	Asking follow-up questions about Witness's salary being comparable to other persons with positions similar to his at other utilities in Pike County.
11:48:03 AM	Atty. Hughes to Witness Sawyers Note: Harward, Sonya	Asking about MWD's ability to question purchases/invoices.
11:48:31 AM	Atty. Hughes to Witness Sawyers Note: Harward, Sonya	Asking about priority of tank inspection.
11:49:26 AM	Atty. Hughes to Witness Sawyers Note: Harward, Sonya	Asking about the fluctuation from year to year in the repair and maintenance expenses.
11:50:37 AM	Atty. Goad Re-Cross Exam of Witness Sawyer Note: Harward, Sonya	Asking about Witness's salary and his comparison and if he used the KRWA salary study.
11:51:30 AM	Atty. Goad to Witness Sawyers Note: Harward, Sonya	Asking about consolidating jobs if a contractor is not used, and any evidence that MWD employees could not handle the workload.
11:52:17 AM	Atty. Beyer Re-Cross Exam of Witness Sawyers Note: Harward, Sonya	Asking about Witness's prior experience in water or utility operation.
11:53:23 AM	Atty. Beyer to Witness Sawyers Note: Harward, Sonya	Asking about Mr. Spears and if he provides representation for MWD.
11:54:35 AM	Atty. Beyer to Witness Sawyers Note: Harward, Sonya	Asking about Ms. Hatfield's prior employment.
11:55:18 AM	Vice Chairman Gardner Re-Cross Exam of Witness Sawyers Note: Harward, Sonya	Asking Witness about how the money flows and who he receives his paycheck from.
11:56:07 AM	Witness Sawyers dismissed from the stand.	
11:56:23 AM	Break for Lunch	
11:56:37 AM	Session Paused	
1:14:34 PM	Session Resumed	
1:14:37 PM	Witness Michael Spears takes the stand and is sworn in.	
	Note: Harward, Sonya	Self-Employed C.P. A. and provides services for MWD
1:15:31 PM	Chairman Armstrong to Witness Spears Note: Harward, Sonya	Asking questions about Witness's duties and salary/pay checks of MWD's employees.
1:19:36 PM	Atty. Hughes Direct Exam of Witness Spears Note: Harward, Sonya	No change to Witness's pre-filed Testimony.
1:19:54 PM	Atty. Kingsley Cross Exam of Witness Spears Note: Harward, Sonya	Asking about his duties with MWD.
1:21:21 PM	Atty. Kingsley to Witness Spears Note: Harward, Sonya	Asking details about the \$500,000 loan given in 2009.
1:23:30 PM	Atty. Kingsley to Witness Spears Note: Harward, Sonya	Asking when changes occurred regarding UMG directly paying for items for MWD.
1:25:06 PM	Atty. Kingsley to Witness Spears Note: Harward, Sonya	Asking Witness about his experience with working on cost-of-study services.
1:26:03 PM	Atty. Kingsley to Witness Spears Note: Harward, Sonya	Asking Witness about financials used in cost-of-service study.

1:27:24 PM	Atty. Kingsley to Witness Spears Note: Harward, Sonya	Referencing MWD's Application, Exhibit F, regarding financial information listed there being given to Mr. Howard for the cost-of-service study.
1:29:43 PM	Atty. Kingsley to Witness Spears Note: Harward, Sonya	Asking Witness about requesting audited statements from UMG.
1:31:11 PM	Atty. Kingsley to Witness Spears Note: Harward, Sonya	Asking Witness about corrections made to information given in this case, and if adjustments were still being provided up to just one week before this Hearing.
1:34:41 PM	Atty. Kingsley to Witness Spears Note: Harward, Sonya	Referencing IC Clarifications, Item 4, regarding staffing levels and those being consolidated or eliminated if MWD took the services back inhouse.
1:37:27 PM	Atty. Kingsley to Witness Spears Note: Harward, Sonya	Referencing MSD's response to PSC Clarification Data Request, Item 6.b.(3), that compares KRWA salary range to those paid by UMG, and the document distributed as AG - Exhibit 3 to this Hearing, which lists UMG's payroll for 2014.
1:39:54 PM	AG - Exhibit 3 Note: Harward, Sonya	Utility Management Group, Payroll Information, Mountain Water District and Shared Employees, Calendar Year 2014
1:44:50 PM	Atty. Kingsley to Witness Spears Note: Harward, Sonya	Asking Witness if there is anywhere that he can show that MWD did not pay UMG for expenses billed.
1:50:47 PM	Atty. Kingsley to Witness Spears Note: Harward, Sonya	Asking Witness about information provided regarding vehicle notes.
1:51:37 PM	Atty. Kingsley to Witness Spears Note: Harward, Sonya	Asking Witness about his knowledge of KRS 278.300, regarding utilities having to receive authorization to assume notes.
1:52:19 PM	Atty. Kingsley to Witness Spears Note: Harward, Sonya	Asking Witness what changed to allow notes in question to be in compliance.
1:53:25 PM	Atty. Kingsley to Witness Spears Note: Harward, Sonya	Asking Witness about his duties as coal severance administrator.
1:56:00 PM	Atty. Kingsley to Witness Spears Note: Harward, Sonya	Asking Witness how many coal severance projects are being funded.
1:58:58 PM	Atty. Kingsley to Witness Spears Note: Harward, Sonya	Continuing to ask about funding applied for from the Fiscal Court.
2:00:25 PM	Atty. Kingsley to Witness Spears Note: Harward, Sonya	Asking about the Dept. of Local Government ("DLG") having auditing requirements.
2:01:35 PM	POST HEARING DATA REQUEST by Atty. Kingsley Note: Harward, Sonya	Provide a list of the coal severance grants MWD has obtained and the projects funded by these grants.
2:04:06 PM	Atty. Kingsley to Witness Spears Note: Harward, Sonya	Asking Witness about MWD receiving \$5 million in coal severance grants yearly and if the funds can be used for replacing aging infrastructure.
2:05:59 PM	POST HEARING DATA REQUEST by Atty. Kingsley Note: Harward, Sonya	Provide the most recent date of MWD's full coal severance application.
2:06:28 PM	Atty. Spenard Cross Exam of Witness Spears Note: Harward, Sonya	Asking Witness about his role in preparing statements for MWD.



2:07:45 PM	POST HEARING DATA REQUEST by Atty. Spenard Note: Harward, Sonya	Provide a copy of the most recent engagement letter for Mr. Spears' CPA services for MWD.
2:09:19 PM	Atty. Spenard to Witness Spears Note: Harward, Sonya	Asking for his role in regards to DLG and GOLD.
2:10:54 PM	Atty. Spenard to Witness Spears Note: Harward, Sonya	Asking Witness if MWD provided a depreciation schedule with its Application.
2:11:35 PM	Atty. Spenard to Witness Spears Note: Harward, Sonya	Referencing MWD's response to AG's Clarification Request, Item 14, regarding repairs and maintenance amount budgeted each month for water and sewer and the annual budget.
2:13:00 PM	Atty. Spenard to Witness Spears Note: Harward, Sonya	Referencing MWD's response to Commission Staff's First Request for Information, Item 3.c., UMG contract, regarding \$47,000 MWD is to budget for repairs and maintenance.
2:17:40 PM	Atty. Spenard to Witness Spears Note: Harward, Sonya	Referencing the UMG agreement, Section 2.27, p. 8, regarding UMG preparing the maintenance and capital budget and providing it to MWD by Oct. for the next year.
2:19:24 PM	POST HEARING DATA REQUEST by Atty. Spenard Note: Harward, Sonya	Provide information regarding the preparation of a repair and maintenance budget for the last fiscal year.
2:20:44 PM	Atty. Spenard to Witness Spears Note: Harward, Sonya	Referencing MWD's response to AG's Second Request for Information, Item 98, regarding the repair and maintenance expense budget for 2014 and the actual expenses.
2:23:50 PM	Atty. Spenard to Witness Spears Note: Harward, Sonya	Referencing MWD's Application, Exhibit F, Pro Forma Report, p. 4, Statement of Income, and asks Witness about several line items on this report.
2:27:17 PM	Atty. Spenard to Witness Spears Note: Harward, Sonya	Referencing MWD's response to AG's Second Request for Information, Item 98, regarding why the test-year repair and maintenance expenses exceed the actual amount for previous years, and also asking how repair and maintenance expenses are accounted for.
2:30:36 PM	POST HEARING DATA REQUEST by Atty. Spenard Note: Harward, Sonya	Provide a schedule that lists and briefly describes any expenditures in excess of \$5,000 that is included in the \$737,112 test-year amount, and note if it was for water or sewer.
2:32:41 PM	Atty. Spenard to Witness Spears Note: Harward, Sonya	Asking where in the March 27, 2014 Contract the requirement listed in Exhibit F of the Application, Pro Forma Financial Statement, p. 5, note 1, at the third bullet point, is found.
2:35:11 PM	Atty. Spenard to Witness Spears Note: Harward, Sonya	Asking where in the March 27, 2014 Contract the requirement listed in Exhibit F of the Application, Pro Forma Financial Statement, p. 5, second bullet point, is found.
2:36:46 PM	POST HEARING DATA REQUEST by Atty. Spenard Note: Harward, Sonya	Provide the location in the contract where requirements being discussed are found.
2:37:12 PM	Atty. Spenard to Witness Spears Note: Harward, Sonya	Referencing MWD's Application, Exhibit F, Pro Forma Report, p. 4, Statement of Income, and asking Witness about operating expenses assumed by UMG.

2:40:23 PM POST HEARING DATA REQUEST by Atty. Spenard  
Note: Harward, Sonya Provide updated rate case expense information, including invoices.

2:41:13 PM Atty. Spenard to Witness Spears  
Note: Harward, Sonya Referencing MWD's response to Commission Staff's IC Clarification, Item 3, regarding MWD reporting depreciation for its vehicles and how many vehicles are included.

2:44:26 PM Vice Chairman Gardner Cross Exam of Witness Spears  
Note: Harward, Sonya Asking Witness about attending board meetings, if he's worked for UMG, and amount of time spent on MWD work.

2:45:18 PM Vice Chairman Gardner to Witness Spears  
Note: Harward, Sonya Referencing Witness's Testimony, p. 1, question 4, and asking who the independent auditors are and when the last audit was done.

2:47:46 PM Vice Chairman Gardner to Witness Spears  
Note: Harward, Sonya Referencing finding 7 from Crit Llewellyn's audit report, and asking Witness if it had been done.

2:49:13 PM Vice Chairman Gardner to Witness Spears  
Note: Harward, Sonya Asking Witness who negotiates the repair and maintenance budget on behalf of MWD.

2:50:41 PM Vice Chairman Gardner to Witness Spears  
Note: Harward, Sonya Referencing MWD's response to AG's Second Request for Information, Item 98, and asking which years MWD did not pay additional fees for repairs and maintenance expenses.

2:51:43 PM POST HEARING DATA REQUEST by Vice Chairman Gardner  
Note: Harward, Sonya From the report in MWD's response to AG's Second Request for Information, Item 98, provide the years in which MWD did not pay additional fees for repairs and maintenance expenses.

2:52:24 PM Commissioner Logsdon Cross Exam of Witness Spears  
Note: Harward, Sonya Asking Witness to walk through the process of how repair and maintenance expenses are processed, and how this reflects on the overages.

2:56:11 PM Commissioner Logsdon to Witness Spears  
Note: Harward, Sonya Confirming his understanding about there being no other outstanding notes.

2:57:10 PM Break  
2:57:16 PM Session Paused  
3:11:38 PM Session Resumed

3:11:41 PM Atty. Kingsley Re-Cross Exam of Witness Spears  
Note: Harward, Sonya Asking about expenses being paid through the district because there is a cost savings regarding sales tax.

3:12:12 PM Atty. Spenard Re-Cross Exam of Witness Spears  
Note: Harward, Sonya Referencing MWD's response to Commission Staff's First Request for Information, Item 3.c., March 27, 2014 contract, p. 4, item 2.7, regarding preventive maintenance being part of the \$47,000/mo. repair and maintenance amount.

3:14:29 PM POST HEARING DATA REQUEST by Atty. Spenard  
Note: Harward, Sonya Confirm if the preventive maintenance under 2.7 of the March 24, 2014 contract is accounted for under the \$47,000 amount for repairs and maintenance expenses.

3:15:38 PM Witness Spears dismissed from the stand.  
3:15:43 PM Witness Grondall Potter takes the stand and is sworn in.  
Note: Harward, Sonya Utility Management Group, Project Manager for MWD

3:16:43 PM Atty. Hughes Direct Exam of Witness Potter  
Note: Harward, Sonya No changes to Witness's pre-filed responses.



3:17:09 PM	Atty. Kingsley Cross Exam of Witness Potter Note: Harward, Sonya	Asking Witness about his supervision of the water loss program, and the goals regarding water loss.
3:19:12 PM	Atty. Kingsley to Witness Potter Note: Harward, Sonya	Referencing MWD's response to Commission Staff's Third Request, and a letter to Mr. Potter provided in that response.
3:19:57 PM	AG - Exhibit 4 Note: Harward, Sonya	Letter to Grondall Potter from Russel Neal, dated Dec. 11, 2013, RE: AI: 3672, PWSID: KY0980575, Drinking Water Sanitary Survey
3:22:43 PM	Atty. Kingsley to Witness Potter Note: Harward, Sonya	Asking Witness about no-grant-money funded operations being paid to or through UMG.
3:23:54 PM	Atty. Kingsley to Witness Potter Note: Harward, Sonya	Asking Witness if the UMG contract has anything about amount of funds to be directed to infrastructure.
3:25:03 PM	Atty. Ramser to Witness Potter Note: Harward, Sonya	Asking Witness about his time with UMG and who owns UMG.
3:25:42 PM	Atty. Ramser to Witness Potter Note: Harward, Sonya	Asking Witness, on average, if water usage is higher in January or June.
3:27:27 PM	Atty. Ramser to Witness Potter Note: Harward, Sonya	Clarifying question about why water usage is higher from Christmas to February.
3:29:19 PM	Atty. Ramser to Witness Potter Note: Harward, Sonya	Referencing MWD's response to Commission Staff's Second Request for Information, Item 21.c., regarding Jan. 2014 monthly water loss.
3:35:38 PM	Atty. Ramser to Witness Potter Note: Harward, Sonya	Continuing to discuss water loss due to customer leaks and where that water loss is tracked.
3:37:02 PM	Atty. Ramser to Witness Potter Note: Harward, Sonya	Asking Witness about dramatic swing in water loss in the water loss reports.
3:38:58 PM	Atty. Ramser to Witness Potter Note: Harward, Sonya	Referencing MWD's response to Commission Staff's Second Request for Information, Item 21.b., regarding the customer account consumption analysis.
3:43:35 PM	Atty. Ramser to Witness Potter Note: Harward, Sonya	Asking Witness to describe the leak detection process.
3:47:37 PM	Atty. Ramser to Witness Potter Note: Harward, Sonya	Asking what specialized leak detection equipment was purchased.
3:50:02 PM	PSC - Exhibit 1 Note: Harward, Sonya	MWD's response to the AG's First Data Request, Item 59. (two-sided document)
3:51:04 PM	Atty. Ramser to Witness Potter Note: Harward, Sonya	Referencing MWD's response to Commission Staff's Third Request for Information, Item 15.b., and PSC - Exhibit 1 to this Hearing, and asking about water loss percentages in past years and how they propose to reduce water loss it in the next five years.
3:54:20 PM	Atty. Ramser to Witness Potter Note: Harward, Sonya	Asking Witness if he can document any decrease in water loss.
3:55:15 PM	Atty. Ramser to Witness Potter Note: Harward, Sonya	Asking Witness what he has done to assist MWD in finding funding sources.

3:56:07 PM	POST HEARING DATA REQUEST by Atty. Ramser Note: Harward, Sonya	Provide documentation of any funding that has been applied for in the last five years.
3:56:47 PM	Atty. Ramser to Witness Potter Note: Harward, Sonya	Asking about UMG being the operator of MWD and its water loss still increasing.
3:57:53 PM	Atty. Ramser to Witness Potter Note: Harward, Sonya	Asking what incentive there is without an adjustment in the rate case for MWD or UMG to reduce water loss.
3:58:22 PM	Atty. Ramser to Witness Potter Note: Harward, Sonya	Referencing MWD's response to Commission Staff's Clarification Request, Item 14.c., Schedule 2, a statement at the bottom of 14.c.(3), and 14.c.(1), regarding reported usage of water by fire department.
4:03:15 PM	PSC - Exhibit 2 Note: Harward, Sonya	From MWD's Annual Report - 25605 Mountain Water District 01/01/2013 - 12/31/2013, Water Statistics (Ref Page: 30), 10/7/14, Page 61-71
4:03:56 PM	Atty. Ramser to Witness Potter Note: Harward, Sonya	Asking Witness about PSC - Exhibit 2 to this Hearing and MWD's response to Commission Staff's Clarification Request, Item 14.c., Attachment 2, regarding water loss reported on these documents.
4:09:17 PM	POST HEARING DATA REQUEST by Atty. Ramser Note: Harward, Sonya	Provide water loss on Schedule 2 from MWD's response to Commission Staff's Clarification Request, Item 14.c.
4:10:05 PM	Atty. Ramser to Witness Potter Note: Harward, Sonya	Referencing MWD's response to Commission Staff's Third Request for Information, Item 2, Report 2.b., p. 2, regarding electric expenses and the cost of chemicals being for water, sewer, or both.
4:12:09 PM	Atty. Ramser to Witness Potter Note: Harward, Sonya	Referencing MWD's Application, Exhibit B, Schedule WB at p. 3, regarding purchased power.
4:13:08 PM	Atty. Ramser to Witness Potter Note: Harward, Sonya	Referencing MWD's response to Commission Staff's Second Request for Information, Item 21.e., regarding total reported for field maintenance for 2014 and if they are included in the capital projects.
4:14:42 PM	Atty. Ramser to Witness Potter Note: Harward, Sonya	Referencing MWD's response to Commission Staff's Second Request for Information, Items 21.e. and 21.f., regarding no longer providing narrative statements regarding repair and maintenance reports.
4:18:03 PM	Atty. Ramser to Witness Potter Note: Harward, Sonya	Referencing MWD's response to Commission Staff's Second Request for Information, Item 20.j., regarding MWD's office location in reference to UMG's offices.
4:19:26 PM	Atty. Ramser to Witness Potter Note: Harward, Sonya	Asking where minutes are maintained.
4:20:06 PM	Atty. Ramser to Witness Potter Note: Harward, Sonya	Asking if UMG employees are going to prepare the board resolution regarding UMG's contract not being renewed.
4:22:09 PM	POST HEARING DATA REQUEST by Atty. Ramser Note: Harward, Sonya	Provide glass line stand pipe inspection reports, both visually and internally for the last 5 years.
4:22:34 PM	Atty. Ramser to Witness Potter Note: Harward, Sonya	Asking how many UMG employees are in the same building as MWD employees.



4:24:05 PM Vice Chairman Gardner Cross Exam of Witness Potter  
Note: Harward, Sonya Asked Atty. Hughes if Witness provided any testimony.

4:25:05 PM Vice Chairman Gardner to Witness Potter  
Note: Harward, Sonya Asking Witness about his position.

4:25:40 PM Commissioner Logsdon Cross Exam of Witness Potter  
Note: Harward, Sonya Asking Witness why he thinks the board has not replaced infrastructure per his suggestion.

4:26:34 PM Chairman Armstrong Cross Exam of Witness Potter  
Note: Harward, Sonya Asking for MWD's owners' names and their occupations, and their longevity in their work.

4:27:44 PM Atty. Kingsley Re-Cross Exam of Witness Potter  
Note: Harward, Sonya Asking who customer's go to in order to request leak adjustments.

4:29:04 PM Atty. Kingsley to Witness Potter  
Note: Harward, Sonya Asking who pays the electricity at the shared office building.

4:29:55 PM Witness Potter dismissed from the stand.

4:30:07 PM Witness Bob Meyer takes the stand and is sworn in.  
Note: Harward, Sonya CFO for UMG

4:31:25 PM Chairman Armstrong to Witness Meyer  
Note: Harward, Sonya Asking Witness if he has any ownership in UMG and if there are stock options when an employee reaches a certain level in the company.

4:32:07 PM Atty. Hughes Direct Exam of Witness Meyer  
Note: Harward, Sonya No change to Witness's pre-filed responses.

4:32:29 PM Atty. Goad Cross Exam of Witness Meyer  
Note: Harward, Sonya Asking about the shared office building and who pays the utilities and other expenses at this building.

4:35:20 PM Atty. Goad to Witness Meyer  
Note: Harward, Sonya Asking about the expenses that UMG pays for and it actually being the ratepayers paying for these items.

4:36:03 PM Atty. Goad to Witness Meyer  
Note: Harward, Sonya Asking about the \$300,000 corporate fee that UMG charges MWD, and if this is a profit.

4:37:36 PM Atty. Goad to Witness Meyer  
Note: Harward, Sonya Asking about UMG charging MWD for the corporate overhead, and it being allocated to their clients based on total contract fees.

4:41:18 PM Atty. Goad to Witness Meyer  
Note: Harward, Sonya Continuing to ask Witness about the different methodologies used to assign corporate fees to their clients and the UMG companies.

4:45:15 PM Atty. Goad to Witness Meyer  
Note: Harward, Sonya Asking Witness about bonuses given to UMG employees for safety, at Christmas and Thanksgiving, and for dedication and job performance.

4:46:55 PM POST HEARING DATA REQUEST by Atty. Goad  
Note: Harward, Sonya Asking for the amount of the dedication and excellence incentive and how many have been given in the last five years.

4:47:33 PM Atty. Goad to Witness Meyer  
Note: Harward, Sonya Asking if bonuses have been included in the rate case increase, and if he's aware that bonuses are usually removed for ratemaking purposes.

4:48:59 PM Atty. Goad to Witness Meyer  
Note: Harward, Sonya Asking Witness about UMG salaries and raises.

4:49:18 PM	Atty. Goad to Witness Meyer Note: Harward, Sonya	Referencing MWD's response to Commission Staff's Clarification Request, Exhibit 6.b.(3), regarding numerous UMG employees exceeding the KRWA salary ranges, and also asks who prepared the document and if there is an error in one of the job descriptions.
4:52:23 PM	Atty. Goad to Witness Meyer Note: Harward, Sonya	Referencing AG - Exhibit 3 to this Hearing, regarding UMG employees gross pay for particular job titles.
4:54:48 PM	Atty. Spenard Cross Exam of Witness Meyer Note: Harward, Sonya	Asking if Witness is an officer for UMG, and about the services he provides to MWD being financial services.
4:55:50 PM	Atty. Spenard to Witness Meyer Note: Harward, Sonya	Referencing MWD's response to Commission Staff's First Request for Information, Item 3.c., Agreement for Operations dated Mar. 27, 2014, p. 4, section 2.7, and p. 8, section 2.27, regarding repairs and maintenance budget and preventative maintenance.
5:02:36 PM	Atty. Spenard to Witness Meyer Note: Harward, Sonya	Referencing the 2014 Contract, p. 12, Section 7.4, regarding repair and maintenance expenditures being more or less than the budgeted amount and preventative maintenance being included in that amount.
5:04:09 PM	Atty. Spenard to Witness Meyer Note: Harward, Sonya	Referencing MWD's response to Commission Staff's First Request for Information, Item 3.c., Agreement for Operations dated Mar. 27, 2014, p. 4, section 2.7, regarding MWD-owned equipment and the impairment of the value of the equipment if the equipment is not maintained.
5:05:34 PM	Atty. Spenard to Witness Meyer Note: Harward, Sonya	Referencing MWD's response to Commission Staff's Third Request for Information, Item 2, Exhibit 2, p. 2, regarding expense labeled Electric and the amount listed for this item.
5:07:40 PM	POST HEARING DATA REQUEST by Atty. Spenard Note: Harward, Sonya	Provide a breakdown for the Electric expense listed in MWD's response to Commission Staff's Third Request for Information, Item 2, Exhibit 2, p. 2., between water and sewer operations. (Also for chemicals for water and sewer or note the location where it was previously provided.)
5:09:56 PM	Atty. Spenard to Witness Meyer Note: Harward, Sonya	Referencing Exhibit B, Cost-of-Service Study, WB, p. 3 of the schedule, Table 3, regarding the accounting for purchased power for the historic test year.
5:12:55 PM	Atty. Spenard to Witness Meyer Note: Harward, Sonya	Referencing MWD's response to the AG's Second Request for Information, Item 98, the exhibit, regarding various expenses and asking how the budget amount was determined.
5:15:26 PM	Atty. Spenard to Witness Meyer Note: Harward, Sonya	Referencing MWD's response to Commission Staff's Clarification Request, Item 6, Exhibit 6.b.(1), and asking if he is the witness responsible for the revised response and if he is in agreement with this exhibit.
5:18:24 PM	Vice Chairman Gardner Cross Exam of Witness Meyer Note: Harward, Sonya	Asking Witness if Mr. Potter reports to Mr. May.
5:19:24 PM	Vice Chairman Gardner to Witness Meyer Note: Harward, Sonya	Asking Witness how long he's worked for UMG and about his educational background.
5:19:45 PM	Break	



5:19:58 PM Session Paused

5:28:57 PM Session Resumed

5:29:03 PM Vice Chairman Comment  
Note: Harward, Sonya Chairman Armstrong had to attend to a prior engagement and is thus not returning today.

5:29:10 PM Commissioner Logsdon Cross Exam of Witness Meyer  
Note: Harward, Sonya Asking if Witness was UMG's lead negotiator on the contract.

5:29:49 PM Witness Meyer is dismissed from the stand.

5:29:57 PM Witness Kevin Howard takes the stand and is sworn in.  
Note: Harward, Sonya Civil Unit Leader of the Civil Division for Summitt Engineering, Inc.

5:30:31 PM Atty. Hughes Direct Exam of Witness Howard  
Note: Harward, Sonya No change to Witness's pre-filed Testimony.

5:30:42 PM Atty. Goad Cross Exam of Witness Howard  
Note: Harward, Sonya Asking about financials used in the Cost-of-Service Study.

5:31:38 PM AG - Exhibit 5  
Note: Harward, Sonya Schedule W-A, page 1 of 1, Table1, Summary of Pro Forma Revenues Under Present and Proposed Rates for the Test Year, July 1, 2013 through June 30, 2014.

5:33:38 PM Atty. Goad to Witness Howard  
Note: Harward, Sonya Asking about differences in the Alternates listed on AG - Exhibit 5 to this Hearing.

5:35:39 PM Atty. Goad to Witness Howard  
Note: Harward, Sonya Asking about AG - Exhibit 5 to this Hearing, Residential amounts in column 2 compared to column 4, regarding residential paying more than the cost to serve them.

5:38:59 PM Atty. Goad to Witness Howard  
Note: Harward, Sonya Continuing to ask about Wholesale amounts on AG - Exhibit 5 to this Hearing.

5:40:50 PM Commissioner Logsdon Cross Exam of Witness Howard  
Note: Harward, Sonya Asking about Witness's response about there not being a lot of support for Alternate 2.

5:42:15 PM Witness Howard dismissed from the stand.

5:42:28 PM Vice Chairman Gardner asks for reveiw of all Post Hearing Data Requests

5:45:33 PM Camera Lock Camera 8 Activated

5:46:04 PM Camera Lock Deactivated

5:46:32 PM Camera Lock Camera 8 Activated

5:46:49 PM Camera Lock Deactivated

5:47:02 PM Camera Lock Camera 1 Activated

5:47:27 PM Camera Lock Deactivated

5:47:46 PM Camera Lock Camera 1 Activated

5:47:54 PM Camera Lock Deactivated

5:47:56 PM POST HEARING DATA REQUESTS DUE June 1

5:49:08 PM BRIEFS DUE June 15

5:49:42 PM Hearing Adjourned

5:49:54 PM Session Paused

9:45:11 AM Session Ended



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<b>Name:</b>	<b>Description:</b>
AG - Exhibit 1	Pike County QuickFacts from the US Census Bureau, accessed on 5/15/15 at <a href="http://quickfacts.census.gov/qfd/states/21/21195.html">http://quickfacts.census.gov/qfd/states/21/21195.html</a> .
AG - Exhibit 2	Letter filed in the record in this case to the Commission from Chris Harris, State Representative, 93rd District, dated March 30, 2015.
AG - Exhibit 3	Utility Management Group, Payroll Information, Mountain Water District and Shared Employees, Calendar Year 2014
AG - Exhibit 4	Letter to Grondall Potter from Russel Neal, dated Dec. 11, 2013, RE: AI: 3672, PWSID: KY0980575, Drinking Water Sanitary Survey
AG - Exhibit 5	Schedule W-A, page 1 of 1, Table1, Summary of Pro Forma Revenues Under Present and Proposed Rates for the Test Year, July 1, 2013 through June 30, 2014.
PSC - Exhibit 1	MWD's response to the AG's First Data Request, Item 59. (two-sided document)
PSC - Exhibit 2	From MWD's Annual Report - 25605 Mountain Water District 01/01/2013 - 12/31/2013, Water Statistics (Ref Page: 30), 10/7/14, Page 61-71

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**Topics**  
Population, Economy

**Geography**  
Maps, Geographic Data

**Library**  
Infographics, Publications

**Data**  
Tools, Developers

**About the Bureau**  
Research, Surveys

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News, Events, Blogs

State & County QuickFacts

Try the today and tell us what you think!

## Pike County, Kentucky

People QuickFacts	Pike	
	County	Kentucky
Population, 2014 estimate	63,034	4,413,457
Population, 2013 estimate	63,902	4,399,583
Population, 2010 (April 1) estimates base	65,024	4,339,349
Population, percent change - April 1, 2010 to July 1, 2014	-3.1%	1.7%
Population, percent change - April 1, 2010 to July 1, 2013	-1.7%	1.4%
Population, 2010	65,024	4,339,367
Persons under 5 years, percent, 2013	5.6%	6.3%
Persons under 18 years, percent, 2013	21.3%	23.1%
Persons 65 years and over, percent, 2013	15.5%	14.4%
Female persons, percent, 2013	51.0%	50.8%
White alone, percent, 2013 (a)	98.0%	88.5%
Black or African American alone, percent, 2013 (a)	0.7%	8.2%
American Indian and Alaska Native alone, percent, 2013 (a)	0.1%	0.3%
Asian alone, percent, 2013 (a)	0.5%	1.3%
Native Hawaiian and Other Pacific Islander alone, percent, 2013 (a)	Z	0.1%
Two or More Races, percent, 2013	0.7%	1.7%
Hispanic or Latino, percent, 2013 (b)	0.8%	3.3%
White alone, not Hispanic or Latino, percent, 2013	97.3%	85.6%
Living in same house 1 year & over, percent, 2009-2013	87.7%	84.8%
Foreign born persons, percent, 2009-2013	0.7%	3.3%
Language other than English spoken at home, pct age 5+, 2009-2013	1.5%	5.0%
High school graduate or higher, percent of persons age 25+, 2009-2013	71.9%	83.0%
Bachelor's degree or higher, percent of persons age 25+, 2009-2013	12.5%	21.5%
Veterans, 2009-2013	3,083	312,365
Mean travel time to work (minutes), workers age 16+, 2009-2013	24.4	22.8
Housing units, 2013	30,064	1,936,565
Homeownership rate, 2009-2013	73.1%	68.4%
Housing units in multi-unit structures, percent, 2009-2013	8.6%	18.0%
Median value of owner-occupied housing units, 2009-2013	\$66,400	\$120,400
Households, 2009-2013	26,362	1,694,996
Persons per household, 2009-2013	2.41	2.50
Per capita money income in past 12 months (2013 dollars), 2009-2013	\$19,351	\$23,462
Median household income, 2009-2013	\$32,961	\$43,036
Persons below poverty level, percent, 2009-2013	23.4%	18.8%
Business QuickFacts	Pike	
	County	Kentucky
Private nonfarm establishments, 2013	1,354	90,675 <sup>1</sup>
Private nonfarm employment, 2013	19,720	1,507,375 <sup>1</sup>
Private nonfarm employment, percent change, 2012-2013	-5.5%	1.8% <sup>1</sup>
Nonemployer establishments, 2012	2,882	275,230
Total number of firms, 2007	3,975	337,600
Black-owned firms, percent, 2007	F	3.1%

AG – Exhibit 1



American Indian- and Alaska Native-owned firms, percent, 2007	F	0.3%
Asian-owned firms, percent, 2007	S	1.6%
Native Hawaiian and Other Pacific Islander-owned firms, percent, 2007	F	0.0%
Hispanic-owned firms, percent, 2007	F	1.1%
Women-owned firms, percent, 2007	30.7%	25.6%
<hr/>		
Manufacturers shipments, 2007 (\$1000)	D	119,105,421
Merchant wholesaler sales, 2007 (\$1000)	589,037	74,680,759
Retail sales, 2007 (\$1000)	894,872	50,405,925
Retail sales per capita, 2007	\$13,658	\$11,843
Accommodation and food services sales, 2007 (\$1000)	75,472	6,300,866
Building permits, 2013	22	8,955

Geography QuickFacts	Pike	
	County	Kentucky
Land area in square miles, 2010	786.83	39,486.34
Persons per square mile, 2010	82.6	109.9
FIPS Code	195	21
Metropolitan or Micropolitan Statistical Area	None	

1: Includes data not distributed by county.

(a) Includes persons reporting only one race.  
 (b) Hispanics may be of any race, so also are included in applicable race categories.

D: Suppressed to avoid disclosure of confidential information  
 F: Fewer than 25 firms  
 FN: Footnote on this item for this area in place of data  
 NA: Not available  
 S: Suppressed; does not meet publication standards  
 X: Not applicable  
 Z: Value greater than zero but less than half unit of measure shown

Source U.S. Census Bureau: State and County QuickFacts. Data derived from Population Estimates, American Community Survey, Census of Population and Housing, State and County Housing Unit Estimates, County Business Patterns, Nonemployer Statistics, Economic Census, Survey of Business Owners, Building Permits  
 Last Revised: Wednesday, 22-Apr-2015 08:57:10 EDT

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APR 1 2015

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COMMISSION

**COMMONWEALTH OF KENTUCKY**  
**HOUSE OF REPRESENTATIVES**

STATE REPRESENTATIVE  
93<sup>rd</sup> Legislative District  
719 Forest Hills Road  
Forest Hills, Kentucky 41527  
(606) 237-0055



Capitol Annex Room 329  
Frankfort, Kentucky 40601  
Office: (502) 564-8100, Ext.635  
Email: Chris.Harris@lrc.ky.gov  
Fax: (502) 564-2479

**REPRESENTATIVE CHRIS HARRIS**

**COUNTIES:**

**PIKE AND MARTIN COUNTIES**

March 30, 2015

Kentucky Public Service Commission  
Post Office Box 615  
Frankfort, Kentucky 40602

**Re: Mountain Water District Rate Increases- Case No. 2014-00342**

Dear Public Service Commission:

As a former Pike County Magistrate and current State Representative, I am writing to voice my strong objection to the proposed water and sewer rate increases requested by Mountain Water District. While any public utility may be expected to seek modest adjustments from time to time, the proposed 25 percent water and 159 percent sewage increases are simply unconscionable. Since contracting its operation out to a private company, Utility Management Group (UMG), Mountain Water District's financial stability has experienced a proverbial death spiral, leaving it without sufficient cash flow to meet its obligations. Although warned this would occur in 2011, the Mountain Water Board of Directors nonetheless refused to heed the pleas of several members of the Pike County Fiscal Court, its own attorney, and its CPA and renewed UMG's contract even after it was apparent the relationship was not in the best interests of the District's customers.

In addition to the obvious financial decline the District has seen since its operations were contracted out to UMG, the public has found itself in the dark and unable to look to the protections of Kentucky's Open Records Act for answers as UMG, a private company, claims it is not subject to Kentucky's open records laws. The customers of Mountain Water District are now victims in what amounts to a "shell game", with the substantive information that would allow a customer to determine if he or she were getting a fair service for a fair price, being hidden behind the corporate cloak of UMG, a private for-profit company.

Former Kentucky Auditor Crit Luallen openly criticized UMG in her 2011 audit of Mountain Water District for refusing to turn over documents that her office needed to complete its audit. Even without the information, her audit revealed a number of serious infractions, including violations of procurement laws, which were referred to the Attorney General's Office and the Legislative Ethics Commission for investigation.



While Mountain Water District has not applied to the PSC for a "rate" increase in recent years, it has substantially increased the fees and assessments it charges customers. I routinely field calls from disgruntled constituents who have been hit with hefty reconnect fees after having their water cut off for being only a couple of days late in paying their bill, usually due to illness or vacation. This can be a tremendous burden, particularly for the elderly or someone on a fixed income who may have just spent days or weeks caring for a loved one in the hospital.

Other negligent and misguided decisions by the Mountain Water District Board of Directors, such as the transfer of the profitable Mossy Bottom wastewater service area to the City of Pikeville in 2006, have also contributed to its current financial condition. The transfer resulted in not only the loss of a profitable service area, but also the dismantling and scrapping of a basically new, fully functional, taxpayer-funded, sewage treatment plant. The Board justified its decision to transfer the service area and dismantle the plant because the City of Pikeville had plenty of available capacity and could treat the wastewater cheaper and more efficiently, with no consideration being paid to the fact that the plant was profitable for the District. The City of Pikeville is now seeking public funding for expansion of its wastewater treatment facility due to operating over capacity.

Eastern Kentucky is currently experiencing the most challenging and troubling economic times many of us have ever seen, and its citizens can't afford excessive utility increases that will only serve to push them back to using wells and straight pipes. The once strong and vibrant Mountain Water District has become financially drained and nearly crippled by almost a decade of siphoning profits, insider control, and back room deals that have benefitted a select few at the expense of the public.

With many families simply living day to day, surviving on fixed incomes and looking for work, unreasonable public utility rate increases, like the ones requested by Mountain Water District, should be outright rejected. Additionally, all rate increases should be placed on hold until the records of Mountain Water District, together with its operating company, UMG, become subject to Kentucky's Open Records laws and are open, transparent, and accessible to the public for inspection and review. The public deserves no less.

I regret that I am unable to attend the public hearing on this matter scheduled for April 16<sup>th</sup>, but I stand available to discuss my position with you at any time and hope you will free to contact me with any questions or concerns you may have with the content of this letter. My email address is [chris.harris@lrc.ky.gov](mailto:chris.harris@lrc.ky.gov) and my legislative office telephone number is (502) 564-8100 Ext. 635.

Sincerely,



Chris Harris  
State Representative  
93<sup>rd</sup> District



**UTILITY MANAGEMENT GROUP  
Calendar Year 2014**

**PAYROLL INFORMATION  
Mountain Water District and Shared Employees**

	POSITION	Hourly rate or base pay	RATE	GROSS YEARLY	REG HOURS	OT HOURS	% Increase 2013 to 2014
<b>RECT PROJECT EMPLOYEES</b>							
150	Water Plant Operator	\$11.68	hourly	\$28,998.88	2,224.0	156.0	6.3%
196	Water Plant Operator	\$15.75	hourly	\$11,983.40	727.9	22.0	-1.7%
178	Water Plant Operator	\$9.40	hourly	\$19,434.74	1,784.9	177.0	4.4%
108	Water Plant Operator	\$9.94	hourly	\$23,824.21	2,006.0	234.5	12.4%
190	Water Plant Operator	\$9.31	hourly	\$16,020.58	1,563.0	88.0	New Employee
107	Water Plant Operator	\$9.00	hourly	\$2,727.00	282.0	14.0	New Employee
160	Water Plant Operator	\$12.84	hourly	\$30,528.89	2,210.0	91.0	7.0%
128	Utility Worker	\$11.13	hourly	\$29,418.10	2,193.0	284.0	3.2%
147	Utility Worker	\$8.50	hourly	\$1,581.00	186.0		New Employee
149	Leak Detection	\$12.49	hourly	\$30,299.55	2,191.0	128.5	1.7%
156	Mechanic	\$17.11	hourly	\$38,889.07	2,168.5	52.5	1.5%
233	Meters/Inventory/Purchasing	\$14.21	hourly	\$30,825.89	2,121.5	11.5	1.7%
252	Utility Worker	\$9.28	hourly	\$14,908.08	1,576.5	3.0	3.1%
254	Area Manager	\$44,200.00	salary	\$45,591.43	2,080.0		0.0%
324	Electrical Maintenance Mgr	\$50,564.80	salary	\$52,041.25	2,080.0		0.9%
349	Utility Worker	\$12.82	hourly	\$40,715.99	2,145.5	241.5	2.6%
352	Maintenance Technician	\$16.64	hourly	\$39,308.94	2,196.5	94.0	1.3%
374	Utility Worker	\$8.51	hourly	\$340.40	40.0		0.0%
471	Utility Worker	\$13.37	hourly	\$30,493.30	2,129.0	83.0	1.4%
534	Area Manager	\$41,828.80	salary	\$43,198.43	2,080.0		0.9%
576	Area Manager	\$44,033.60	salary	\$45,310.90	2,080.0		1.1%
597	Area Manager	\$44,553.60	salary	\$45,949.26	2,080.0		0.9%
730	Leak Detection	\$12.81	hourly	\$30,253.13	2,161.0	110.5	2.3%
737	Area Manager	\$45,905.60	salary	\$47,351.84	2,080.0		1.1%
814	Area Manager	\$48,942.40	salary	\$50,441.73	2,080.0		0.7%
821	Utility Worker	\$15.37	hourly	\$34,336.13	2,134.0	48.0	1.7%
828	Utility Worker	\$14.04	hourly	\$43,131.85	2,136.5	179.0	2.5%
865	Utility Worker	\$9.43	hourly	\$21,671.26	2,082.3	126.0	4.8%
905	Equipment Operator	\$15.22	hourly	\$33,559.32	2,120.0	43.5	2.4%
912	Operations Manager	\$84,801.60	salary	\$86,712.90	2,080.0		0.0%
926	Equipment Operator	\$17.93	hourly	\$39,503.64	2,127.0	35.0	1.5%
958	Equipment Operator	\$12.96	hourly	\$25,703.26	1,704.5	163.5	1.9%
965	Maintenance Technician	\$14.00	hourly	\$33,794.63	2,175.0	139.0	2.3%



**UTI MANAGEMENT GROUP**  
**Calendar Year 2014**

**PAYROLL INFO IN**  
**Mountain Water District and Shared Employees**

	POSITION	Hourly rate or base pay	RATE	GROSS YEARLY	REG HOURS	OT HOURS	% Increase 2013 to 2014
-100	Wastewater Plant Operator	\$15.17	hourly	\$35,888.57	2,220.5	84.5	1.4%
-101	Maintenance Technician	\$9.05	hourly	\$16,393.19	1,642.4	101.0	6.5%
-255	Maintenance Technician	\$9.87	hourly	\$21,021.44	1,975.1	84.0	4.8%
-347	Wastewater Plant Operator	\$12.32	hourly	\$27,272.53	2,138.5	23.0	9.0%
-569	Area Manager	\$56,097.60	salary	\$57,563.35	2,080.0		0.4%
-779	Wastewater Plant Operator	\$11.56	hourly	\$26,048.14	2,160.0	36.5	2.4%
-899	Maintenance Technician	\$8.50	hourly	\$3,593.38	399.5	15.5	New Employee
-973	Maintenance Technician	\$12.57	hourly	\$30,766.93	2,201.0	148.0	1.9%
-142	Meter Department/Service Supervisor	\$42,723.20	salary	\$43,813.79	2,080.0		1.2%
-320	Maintenance Technician	\$9.00	hourly	\$12,604.93	1,357.0	17.0	New Employee
-491	Customer Service Rep	\$8.56	hourly	\$10,616.53	1,214.0	4.3	New Employee
-512	Cashier	\$9.06	hourly	\$19,638.81	2,115.8	12.5	3.0%
-515	Customer Service Rep	\$9.75	hourly	\$4,652.61	463.2	3.8	3.9%
-521	Customer Service Rep	\$8.00	hourly	\$4,763.43	573.3	1.3	New Employee
-558	Service Tech	\$12.08	hourly	\$26,588.18	2,120.8	33.0	2.2%
-581	Customer Service Rep	\$12.95	hourly	\$28,260.31	2,126.0	22.0	1.8%
-634	Service Tech	\$9.17	hourly	\$20,544.36	2,136.5	37.8	5.4%
-660	Billing Clerk	\$14.20	hourly	\$30,724.13	2,121.3	14.3	2.1%
-695	Customer Service manager	\$39,582.40	salary	\$8,236.58	428.5		0.7%
-712	File Clerk	\$8.00	hourly	\$2,990.00	373.8		New Employee
-965	Service Tech	\$13.71	hourly	\$31,007.58	2,150.5	52.3	1.7%
-769	Delinquent Billing Clerk	\$12.27	hourly	\$26,920.84	2,148.5	13.3	1.7%
-781	Customer Service Rep	\$9.00	hourly	\$7,290.47	804.1	4.0	New Employee
-863	Tank maintenance	\$12.93	hourly	\$12,680.34	951.4	19.5	1.2%
-940	Service Tech	\$13.04	hourly	\$28,668.07	2,128.5	25.5	2.0%
-972	Customer Service manager	\$32,177.60	salary	\$33,395.04	2,126.8	10.3	Changed to salaried
-590	Executive Assistant	\$56,201.60	salary	\$57,618.91	2,080.0		0.9%
-711	Administrative Assistant	\$12.35	hourly	\$27,269.85	2,136.3	32.0	1.9%
-744	Executive Assistant	\$54,204.80	salary	\$55,549.09	2,080.0		0.9%
-772	Senior Project Manager	\$90,000.00	salary	\$93,482.93	2,080.0		0.0%
-145	Maintenance Technician	\$13.92	hourly	\$39,145.93	2,209.5	390.0	2.4%
-148	Maintenance Technician	\$8.50	hourly	\$3,055.75	347.5	8.0	New Employee
-943	Maintenance Technician	\$9.87	hourly	\$3,828.06	335.4	24.0	4.6%
	<b>Shared Employees</b>						
-226	HR Specialist	\$17.20	hourly	\$39,833.78	2,162.5	90.3	2.4%







STEVEN L. BESHEAR  
GOVERNOR

LEONARD K. PETERS  
SECRETARY

ENERGY AND ENVIRONMENT CABINET  
DEPARTMENT FOR ENVIRONMENTAL PROTECTION  
DIVISION OF WATER  
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FRANKFORT KENTUCKY 40601  
[www.kentucky.gov](http://www.kentucky.gov)

December 11, 2013

Mr. Grondall Potter  
Mountain Water District #1 - Marrowbone Area  
PO Box 3157  
Pikeville, KY 41502

RE: AI: 3672  
PWSID: KY0980575  
Drinking Water Sanitary Survey

Dear Mr. Potter:

The Division of Water conducted a Drinking Water Sanitary Survey (attached) of Mountain Water District #1 - Marrowbone Area on October 24, 28 and 29, 2013. A Capacity Development assessment was done as part of the survey.

Mountain Water District #1 - Marrowbone Area is to be commended as they did not have any deficiencies at this time.

**The Division Recommends:**

- Dipping the backwash ponds, to ensure that sufficient settling of the filter backwash water occurs before discharge.
- Increasing reinvestment funds. The 2012 audit shows a reinvestment rate of 170% when government grants are used as contributions. When the government contributions are not used in the calculations the utility has an asset reinvestment rate of 5.67%. The benchmark should be a minimum of 100% reinvestment to depreciation.
- Reducing water loss to at least 15%. Since the water district is managed by a utility management company, contractual obligations may require the water district to provide adequate reinvestment for distribution infrastructure to reduce water loss.

Assistance with the "Managerial and Financial Assessment" section of the sanitary survey for Mountain Water District #1 - Marrowbone Area can be obtained by contacting Byron Bland at 502-564-3410 extension 4840.

If you have any questions regarding the "Technical Inspection" portion, contact Robert Back in the Hazard Regional Office at 606-435-6022.

Sincerely,

Russell Neal  
Sanitary Survey Coordinator  
Division of Water

C: Hazard Regional Office

AG - Exhibit 4

**Table 1**  
**Summary of Pro Forma Revenues Under Present and Proposed Rates for the Test Year**  
**July 1, 2013 through June 30, 2014**

Customer Classification	Revenue Required, Per Cost of Service Analysis	Bill Analysis Revenues, Present Rates	Proposed Rates, Alt 1 - Across the Board		Proposed Rates, Alt 2 - Cost of Service	
			Revenue (4)	Percentage Change (5)	Revenue (6)	Percentage Change (7)
(1)	(2)	(3)				
Residential	\$ 8,182,985	\$ 6,556,195	\$ 8,216,859	25%	\$ 8,236,718	26%
Commercial	\$ 926,645	\$ 678,195	\$ 849,980	25%	\$ 862,188	27%
Multi-Family	\$ 282,432	\$ 381,904	\$ 478,639	25%	\$ 349,182	-9%
Industrial	\$ 65,714	\$ 43,927	\$ 55,054	25%	\$ 61,092	39%
Public Authority	\$ 315,421	\$ 242,209	\$ 303,559	25%	\$ 306,541	27%
Wholesale	\$ 355,123	\$ 179,081	\$ 224,234	25%	\$ 355,250	98%
Total Sales of Water	\$ 10,128,321	\$ 8,081,510	\$ 10,128,324		\$ 10,170,972	
Other Operating Revenues	\$ 563,634	\$ 563,634	\$ 563,634		\$ 563,634	
<b>TOTAL</b>	<b>\$ 10,691,955</b>	<b>\$ 8,645,144</b>	<b>\$ 10,691,958</b>		<b>\$ 10,734,606</b>	

**CASE:** Mountain Water District  
**CASE NO:** 2014-00342  
**RE:** Atty General First Data Request

**Q.59** Please reference the Application generally. What is the estimated annual amount of water loss on MWD's system for the past ten (10) years in percentage form and in gallons?

**WITNESS:** Potter

**RESPONSE:** Please see attached water loss summary for the previous ten (10) year period noted as Exhibit 59.

**Q. 59(a)** How much of the water loss is allocated to each customer class?

**WITNESS:** Potter

**RESPONSE:** Water loss is not allocated by customer class.

PSC – Exhibit 1



**MOUNTAIN WATER DISTRICT  
WATER LOSS REQUESTED INFORMATION  
(000'S OMITTED)**

<b>YEAR</b>	<b>WATER LOSS - %</b>	<b>WATER LOSS - GALLONS</b>
2004	28.4	323,090
2005	39.3	559,487
2006	24.4	356,633
2007	20.5	290,708
2008	23.1	338,877
2009	29.4	463,810
2010	30.2	496,498
2011	31.8	525,175
2012	30.1	504,799
2013	30	489,543
2014	30.2	503,942

25605 Mountain Water District 01/01/2013 - 12/31/2013

Water Statistics (Ref Page: 30)

	Gallons (Omit 000's)	Percent
1. Water Produced, Purchased and Distributed		
2. Water Produced	893,238	
3. Water Purchased	738,044	
4. Total Produced and Purchased	1,631,282	
6. Water Sales:		
7. Residential	743,260	
8. Commercial	94,836	
9. Industrial	7,434	
10. Bulk Loading Stations	0	
11. Resale	64,904	
12. Other Sales	29,017	
13. Total Water Sales	939,451	
15. Other Water Used		
16. Utility/water treatment plant	14,404	
17. Wastewater plant	0	
18. System flushing	99,043	
19. Fire department	73,312	
20. Other	15,649	
21. Total Other Water Used	202,408	
23. Water Loss:		
24. Tank Overflows	9,555	
25. Line Breaks	1,033	
26. Line Leaks	34,126	
27. Other	444,829	
28. Total Line Loss	489,543	
Note: Line 13 + Line 21 + Line 28 must equal Line 4		
32. Water Loss Percentage		
33. Line 28 divided by Line 4		30.0097

PSC – Exhibit 2

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