

January 30, 2018

Michael Schmitt
KY PSC
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PUBLIC SERVICE
COMMISSION

Dear Commissioner,

Approximately two years ago I, as chairperson of the Martin County Water Board , employees of the Water District and legal counsel sat in a meeting room just down the hall from the PSC hearing room with David Spenard, a room full of PSC officials, engineers and representatives from KY Rural Water Association. We were there asking for help for the Martin County Water District. We explained that we knew what our problems were, how to fix them, and how much it would cost. We had project plans prioritized.

We repeatedly were told that no consideration of help would be given until we got our water loss down to 15%. We responded that we could not reduce our water loss without their help - a catch 22!

Then we had two meetings with Senator Ray Jones explaining the same issues and asking for help with no results. PSC representatives were present and offered no comments. We had several meetings with Charles Snavely seeking help. We got promises but to no avail. Then the truth came out, probably by accident, that **no one wanted to help because of the new court house in Inez.**

We ended up in hearings with the PSC and you recused yourself.

We, basically, were forced to hire (with money we could not afford) a consultant from Blue Water KY. His contributions have been to take credit for what the Board had already put into place such as, an ARC grant, applications for AML grants, and a lease contract with Prestonsburg City Water. If all of this would have happened along with some changes in daily operations, we would be well along with solving our water loss and paying our creditors with only a small rate increase needed. I know, without any doubt, the **ONLY** help we got was from Gary Larimore and his group from the KY Rural Water Association.

The PSC requests forced us to assign at least 50% of an employee's workday with answering questions in written format and providing other documents to your group. Preparation and attending required PSC hearings have cost the District in excess of \$30,000 thus far. Now with the allowed intervention of the Martin County Concerned Citizens group that cost will majorally increase.

Just for the record, when you concluded the District had made no effort to collect outstanding water collections, we tried to acquire the services of several collection agencies only to have our attorney reject their contracts because of various requirements. An example for understanding, is one agency required meetings with them in Florida several times a years to discuss issues. Then we decided to hire a lawyer to draft letters to those who owed past due water payments, however, the only result was a bill from the lawyer. No money from past due accounts was collected.

I watched the hearing on Friday, January 25, 2018 and was surprised that you, Mr. Schmitt, were on the bench because of your past recusals!

Last week, I was asked by the "current" board and others if I would help with management during the interim because of my experience and knowledge of the system. However, your comment of 'why would you want people from Martin County to run the District because they are the ones who got it into this kind of shape' has made me reconsider their request. Also, your comment about 'holding the commissioners personally liable' is very disturbing to a **volunteer** Board commissioner. You told John Horn that if the Board could not fix the problems you would. As a citizen of Martin County your offer sounds good.

Mr. Schmitt, I'm sure you agree that a Board's responsibility is to hire the General Manger of the District, set policy, and approve or disapprove procedures. The General Manager's responsibility is to manage employees and to operate the water system.

Knowing this, when I became chairperson of the Board approximately four years ago I immediately realized the deficiency in management. I acquired Board approval to reassign the General Manager(at the time) to Operations Manager responsible for water distribution and sanitation. Then we brought in additional help to the office area to assist with, as I referred to earlier, PSC required documentation/preparation, monitoring inventory, purchasing, bidding, etc. We have a title of Business Manager for this person.

Knowing we could not afford to hire a General Manager, I assumed that role as a volunteer. I'm a retired engineer/design manager from a large company. I took on the role as General Manager, as a volunteer, for the water District and averaged about 25-30 hours per week as well as acted as chairperson for the Board.

It was obvious that income revenue was decreasing at an alarming rate while expenses continued to rapidly rise. We did what we needed to do to stay afloat by reducing personnel, reducing overtime, reducing inventory, and we were cut to the bone. We knew we had to reduce water loss and increase revenue. When I first joined the Board we had nearly 70% water loss. We were struggling to meet the needs of our county customers as well as honoring our contractual agreement with Prestonsburg City Water.

Something had to change. We began a leak repair campaign with help from KY Rural Water Associates, thus our employees became better trained to detect leaks as well as to make

repairs. There was enough clean water generated to meet the needs of our county customers as well as meet the agreement with Prestonsburg City Water. We were able to shut down the plant several hours a day which was a major power saver.

We also were successful in solving the Disinfectant By-products issue. We have been able to maintain compliance for the last two quarters as Mr. Hietzman stated.

Progress was being made with a whole lot more work to be done!

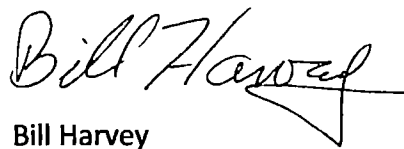
We identified needed capital improvement projects, determined needed funds for these improvements, sought and received a \$1.2 million grant from ARC, applied for an additional \$4.8 million in AML funding . We negotiated a lease agreement with Prestonsburg City Water and the revenue generated from this lease **would have** allowed us to pay outstanding debts to all creditors.

Four to five years ago, we realized we were in a sinking ship. We decided to keep bailing to slow the inevitable in hope that solutions would be found. I believe we started to right the ship with all the above activity.

However, the rug was pulled out from under us with the comment about the new court house in Inez. It was at the point that three of the four Board members knew that continuing the struggle was fruitless and in November 2017, we resigned because the realization of continued efforts had become political and not technical.

I am available for discussion regarding anything stated in this communication. I also would appreciate a response.

Thank you,



Bill Harvey
Past Chairperson of the Martin County Utilities Board

[Redacted]

[Redacted]

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