

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF HYDEN-LESLIE)	Case No.
COUNTY WATER DISTRICT FOR AN)	2020-00141
ALTERNATIVE RATE ADJUSTMENT)	

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 October 14, 2020 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on October 14, 2020 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 October 14, 2020.

A copy of this Notice, the certification of the digital video record, and hearing log have been served upon all persons listed at the end of this Notice. Parties desiring to view the digital video recording of the hearing may do so at <https://youtu.be/FmuTbPAnMqY>.

Parties wishing an annotated digital video recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 22nd day of October 2020.



Lindsey L. Flora
Deputy Executive Director
Public Service Commission of Kentucky

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF)	CASE NO.
HYDEN-LESLIE COUNTY WATER DISTRICT)	2020-00141
FOR AN ALTERNATIVE RATE ADJUSTMENT)	

CERTIFICATION

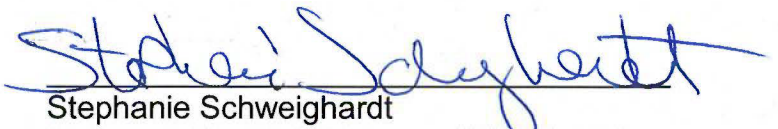
I, Candace H. Sacre, hereby certify that:

1. The attached DVD contains a digital recording of the Formal Hearing conducted in the above-styled proceeding on October 14, 2020. The Formal Hearing Log, Exhibits, and Exhibit List are included with the recording on October 14, 2020;
2. I am responsible for the preparation of the digital recording;
3. The digital recording accurately and correctly depicts the Formal Hearing of October 14, 2020; and
4. The Formal Hearing Log attached to this Certificate accurately and correctly states the events that occurred at the Formal Hearing of October 14, 2020, and the time at which each occurred.

Signed this 21st day of October, 2020.



Candace H. Sacre
Administrative Specialist III



Stephanie Schweighardt
Notary Public State at Large ID#: 614400
Commission Expires: January 14, 2023



Date:	Type:	Location:	Department:
10/14/2020	Alternative Rate Adjustment	Hearing Room 1	Hearing Room 1 (HR 1)

Witness: Timothy Helton; William Todd Horton; Dwight Lewis; Michael Maggard; Augustus Roberts; Larry J. Turner; Alan Vilines
 Judge: Kent Chandler; Talina Mathews; Michael Schmitt
 Clerk: Candace Sacre

Event Time	Log Event	
1:04:27 PM	Session Started	
1:05:04 PM	Session Paused	
1:05:42 PM	Session Resumed	
1:05:46 PM	Chairman Schmitt Note: Sacre, Candace	Identification of agency and introduction of Vice Chairman Chandler and Commissioner Mathews appearing via videoconferencing.
1:05:48 PM	Video Conference Activated	
1:06:03 PM	Chairman Schmitt Note: Sacre, Candace	This hearing is being conducted live except for the two other Commissioners who are here by way of videoconference. A log will be prepared by our reporter which will constitute the official record of the proceeding today, and the video will also be made, and this proceeding is being streamed live over the internet.
1:06:40 PM	Chairman Schmitt Note: Sacre, Candace	The purpose of the hearing today is to take evidence in Case No. 2020-00141, Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment.
1:06:55 PM	Chairman Schmitt Note: Sacre, Candace	There are no intervenors in the case, so, at this time, would counsel for Hyden-Leslie County Water District please identify himself, his client for the record, and those who are here with him this afternoon?
1:07:11 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	Good afternoon, Your Honor. My name is Gerald Wuetcher, appearing on behalf of Hyden-Leslie County Water District, with the firm of Stoll Keenon Ogden, PLLC, 300 West Vine Street Ste 2100, Lexington KY 40507.
1:07:31 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	Two witnesses today, Larry J. Turner is in the courtroom and Alan Vilines, appearing by videoconference.
1:07:42 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	Also in the hearing room today, under subpoena to appear, are commissioners Timothy Helton, William Todd Horton, and Dwight Lewis, also former commissioner Augustus Roberts, and also subpoenaed to appear, Mike Maggard, Sisler Maggard Engineering, consultant to Hyden-Leslie County Water District.
1:08:17 PM	Chairman Schmitt Note: Sacre, Candace	All right, and for Staff?
1:08:19 PM	Staff Atty Koenig PSC Note: Sacre, Candace	Brittany Koenig, for Staff.

1:08:25 PM	Chairman Schmitt Note: Sacre, Candace	As we start today, this hearing was ordered by the Commission, and, Ms. Koenig, do you intend to call witnesses other than the two? Mr. Wuetcher, you would introduce yours and permit cross, and then you would get the opportunity to redirect or however it works out.
1:08:50 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	Yes, sir, we had discussed it. The direct examination that I have for my two witnesses will be very brief, so if we could go first, then I would just tender them over, and then the other witnesses could -
1:09:03 PM	Chairman Schmitt Note: Sacre, Candace	We'll let you go first and present your witnesses. After which, Ms. Koenig can cross, the Commissioners can ask questions, and, if there's an issue, then you can redirect, if you choose, and, on the witnesses that Ms. Koenig calls, it probably would be more efficient if she asked questions, the Commissioners then asked questions, and then you'd have a chance then to direct and clear up anything that you might want to clear up.
1:09:29 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	Yes, sir, that would be fine.
1:09:33 PM	Chairman Schmitt Note: Sacre, Candace	Mr. Wuetcher, would you call your first witness?
1:09:36 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	Before we begin, Your Honor, Ms. Koenig and I had discussed, there was a third witness, Mr. Jason Pennell. He was involved in preparing the Exhibit Q to the Water District's Application that addressed nonrecurring charges. We had agreed to stipulate his testimony, and, if I could just read this in the record real quick just what it was we stipulated.
1:10:00 PM	Chairman Schmitt Note: Sacre, Candace	So you have agreed to stipulate?
1:10:02 PM	Staff Atty Koenig PSC Note: Sacre, Candace	We have no objections to the stipulation of what's already in the record.
1:10:04 PM	Chairman Schmitt Note: Sacre, Candace	All right, then go ahead. Now, do you have a written stipulation? You know, the log, Ms. Sacre's log, won't be verbatim, so, if you have testimony, if it's written, you could go ahead and do it orally but file it if you like.
1:10:20 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	Let me suggest a shortcut, which would be I have it written but not in the form that would be suitable for filing, Since we're in agreement, I'll just submit the stipulation to Ms. Koenig and then file it after the hearing.
1:10:35 PM	Chairman Schmitt Note: Sacre, Candace	That'd be fine.
1:10:37 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	With that, Your Honor, I would call Mr. L. J. Turner to take the stand.
1:10:47 PM	Chairman Schmitt Note: Sacre, Candace	Witness is sworn.
1:10:58 PM	Chairman Schmitt Note: Sacre, Candace	I would like to say that the area in which you are testifying, Mr. Turner, has been cleansed and disinfected. (Click on link for further comments.)

1:11:27 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Direct Examination. Good afternoon, Mr. Turner. Name and address?

1:11:42 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Employer?

1:11:45 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Position?

1:11:48 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace How long?

1:11:52 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Duties?

1:12:01 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Prior to manager Hyden-Leslie, where employed?

1:12:08 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Position there?

1:12:12 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace How long general manager there?

1:12:17 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Prior to that, employment history?

1:12:35 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace General manager Hyden-Leslie, first employment with Hyden-Leslie?

1:12:50 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Professional training, certifications?

1:13:05 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Role in preparation of Hyden-Leslie Application for Rate Adjustment?

1:13:21 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Mr. Vilines rate consultant with Kentucky Rural Water Association?

1:13:29 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace District commissioned KRWA to prepare study?

1:13:36 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Prepare Responses to PSC Order June 18, 2020, and Commission Staff's Second Request for Information for which identified as witness?

1:13:48 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Any revisions to Responses prepared and sponsored?

1:13:58 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Invited? Referring to comments in Commission Staff's Report stating additional information needed?

1:14:12 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace If asked today same questions, answers be the same?

1:14:20 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace District two areas wants Commission consider revisions to Staff Report?

1:14:39 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace District used calendar year 2018 as test period?

1:14:45 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Employees at beginning of 2018?

1:14:53 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Sure it was 11?

1:14:57 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace 2018 one of employees leave Water District?

1:15:11 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Employee's position?

1:15:15 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace District fill position?

1:15:23 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Filled immediately?

1:15:27 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Remained vacant portion 2018 and all 2019?

1:15:33 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace When filled, what month?

1:15:49 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Prior to Staff Report, District advise vacant position filled?

1:16:06 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace When Commission Staff issued Report in September, aware vacant position filled in March?

1:16:22 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace When Report issued, how calculated employee salaries wage expense?

1:16:38 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace District use 11 employees calculating expense?

1:16:48 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Staff also use 11 employees?

1:16:52 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace In Staff Report, express concern position filled and not aware?

1:17:10 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Suggest District provide information and add to Response to Staff Report?

1:17:18 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace District do so?

1:17:23 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Response to Commission Staff's Report, District attach calculations as to annual cost with 12th employee hired in March?

1:17:47 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Exhibit A to District's Response to Commission Staff's Report?

1:18:08 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Familiar with exhibit?

1:18:12 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Detail expenses related to 12th employee?

1:18:21 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Include wages?

1:18:24 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Employer taxes?

1:18:28 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Health insurance costs District incurs?

1:18:32 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Health insurance cost, District adjustments reflect PSC rules limiting employer contribution for ratemaking purposes?

1:18:54 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Limited to 66 percent cost of coverage?

1:19:03 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Employee has family coverage?

1:19:08 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Annual expense District incurs 12th employee?

1:19:19 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Included in PSC Staff's recommended revenue requirement?

1:19:36 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace District position revenue requirement recommended by Staff increased to reflect cost?

1:19:45 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Staff recommended employee salary/wages expense reduced by \$9,949 lump sum payments made unused vacation leave test period?

1:20:07 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Staff base recommendation on lack of supporting evidence vacation leave policy existed?

1:20:16 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Also cite failure to demonstrate payments reasonable?

1:20:24 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace District omit from Response copy of policy?

1:20:33 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Omission on part of counsel?

1:20:42 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace District provide policy Exhibit B to Response?

1:20:51 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Describe vacation policy lump sum payments?

1:21:24 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Policy lump sum payments increase operational efficiency?

1:21:32 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Some financial benefit?

1:21:37 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Should allow \$9,949 lump sum payments recovered through rates?

1:21:55 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Exception two items, additional evidence, District agree with Staff's findings?

1:22:11 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace District position rate increase immediately or two phases?

1:22:45 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace District received criticism or concern from public size of increase?

1:22:59 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Witness in Case No. 2019-00412?

1:23:12 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Proceeding concerning authorization short-term loan with KRWFC and longer loan permanent financing with KIA?

1:23:31 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Commission authorized short-term loan but denied loan with KIA?

1:23:47 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace KIA placed conditions regarding rates?

1:24:03 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Rates sufficient to support debt service payments existing loans, also debt service payments for KIA loan?

1:24:17 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace District keeping KIA abreast of proceeding?

1:24:26 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Contact with KIA regarding Staff's Report and recommendations?

1:24:41 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Document filed yesterday, recognize?

1:24:53 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Describe?

1:25:05 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Ms. Bridwell, Deputy Executive Director of KIA?

1:25:10 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace Last condition to satisfy, aside from PSC authorization, assistance agreement with KIA?

1:25:37 PM Atty Wuetcher Hyden-Leslie District - witness Turner
Note: Sacre, Candace All questions, anything else, comments, statements?

1:25:50 PM Atty Wuetcher Hyden-Leslie District
Note: Sacre, Candace With that, Your Honor, I'd tender the witness for cross examination.

1:25:53 PM Chairman Schmitt
Note: Sacre, Candace Ms. Koenig, you may ask.

1:25:54 PM Staff Atty Koenig PSC
Note: Sacre, Candace Thank you.

1:25:55 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Cross Examination. Hi, Mr. Turner. Part of 2019-00412 case, testified in 2019-00041 case, and this matter, tie up loose ends. Current financial condition of District?

1:26:59 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Operational condition changed?

1:27:30 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Explained 2019-00412 hearing, attributed to draw-down system put in place?

1:28:26 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Elaborate on what done to improve?

1:30:19 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Written down into policy, part of new water loss strategy?

1:30:44 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace New philosophy, having goal, those things written down?

1:31:02 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Discuss with board, commissioners, part of new policy?

1:31:16 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Agree written policy appropriate to keep it going?

1:31:42 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace District accepted Staff Report, suggested adjustments. Proposed initial rate increase 70.18 percent?

1:32:15 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Staff Report 66.10 percent. With requested adjustments, 70.13 percent?

1:32:37 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Proposed phased-in approach, in response to public comment?

1:32:54 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Phased-in approach allow revenue to cover O/M expense, principal payments on long-term debt rather than use reserves?

1:33:15 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Reviewed public comments this case?

1:33:24 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Effort to educate public about rate increase?

1:34:02 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace In charge of public relations department?

1:34:08 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Public response to rate increase why phased-in approach. Results in less revenue first year needs or can justify?

1:34:28 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Admit phased-in approach less money than need in first year?

1:34:42 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Depreciation not fully funded?

1:34:52 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Agree educating public important?

1:35:00 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Any policies, any future plans?

1:35:29 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Application Exhibit Q, Proposed Nonrecurring Charges Cost Justification, one page from exhibit. Jason Pennell KRWA prepared Cost Justification sheets?

1:35:55 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace But agreed to respond to Staff's inquiry on subject?

1:36:10 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Exhibit Q, how labor expense determined. Average Meter Connection Expense Cost Justification form Section D, hourly \$64.18; Hyden-Leslie Response to June 18, 2020, Item 22(b), Response, two employees average hourly cost. Explain basis two employees in cost estimate?

1:37:08 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Policy?

1:37:13 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Section H same exhibit, Exhibit 1,

1:37:27 PM Atty Wuetcher Hyden-Leslie District
Note: Sacre, Candace Would it be helpful if I put that up on the screen?

1:37:30 PM Staff Atty Koenig PSC
Note: Sacre, Candace Sure, yes, thank you.

1:37:36 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Page a little bit confusing, \$15.57, half an hour for the Administrative Average Hour cost?

1:38:11 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace District determine office employees 30 minutes process request for meter connection?

1:38:29 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Employee Wage Cost calculations, PSC Exhibit 1, Item 23, Hyden-Leslie District Responses Commission Order June 18, 2020, refer Average Overtime Wage, confirm amounts are one-and-a-half times average hourly wage?

1:39:06 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Benefits calculation section, amounts times one-and-a-half used in average hourly overtime wage?

1:39:30 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace One-and-a-half times for some, cherry picked. Why health insurance cost per hour not calculated at one-and-a-half times rate for average hourly wage with benefits? Why health insurance costs included?

1:40:14 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Proposed new nonrecurring - connection/turn-on charge, meter test request charge, service call investigation charge, service call investigation charge after hours, damage to meter setting or lid, and meter relocate charge. Service in past and not charge?

1:40:46 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace How often charges occur?

1:41:08 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Propose charge but no estimate how much?

1:41:34 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Provided Responses in 2020-00085?

1:41:46 PM	Staff Atty Koenig PSC - witness Turner Note: Sacre, Candace	2020 unusual year, abnormalities. Plan to request recovery lost revenue 2020-00085?
1:42:30 PM	Staff Atty Koenig PSC - witness Turner Note: Sacre, Candace	In a post-hearing data request, provide number of occurrences for each nonrecurring charge during test year for new charges listed?
1:42:35 PM	POST-HEARING DATA REQUEST Note: Sacre, Candace Note: Sacre, Candace	STAFF ATTY KOENIG PSC - WITNESS TURNER NUMBER OF OCCURRENCES FOR EACH NONRECURRING CHARGE DURING TEST YEAR FOR NEW CHARGES LISTED
1:42:47 PM	Staff Atty Koenig PSC - witness Turner Note: Sacre, Candace	Discussing cash on hand, 2017 2018 2019 audits, 2017 beginning balance cash/cash equivalents \$1,211,973, end of 2019 balance reduced by \$533,830, decrease of \$670,143. Explain balance decreased such large amount four years?
1:43:49 PM	Staff Atty Koenig PSC Note: Sacre, Candace	I have a summary of audits prepared by Staff for reference, but I also have the full audits. How would you like me to enter these as exhibits? They're on file with the PSC, but I'm not sure if they should be exhibits or just for reference.
1:44:19 PM	Chairman Schmitt Note: Sacre, Candace	Why don't you go ahead and file them as exhibits to the testimony? and that way we'll have them in the record, in the hearing record anyway.
1:44:44 PM	Staff Atty Koenig PSC - witness Turner Note: Sacre, Candace	I don't have copies of those just because we weren't planning on having exhibits, but I can just let you reference these and then make copies later.
1:44:54 PM	Chairman Schmitt Note: Sacre, Candace	We can take five minutes, if you'd like, and make copies, if you want to take the time to make copies. (Click on link for further comments.)
1:46:31 PM	Chairman Schmitt Note: Sacre, Candace	Let's just take 10 minutes, get a copy and get it in here, and then we won't have to debate it any longer, so we'll be in recess until five minutes until 2 o'clock.
1:46:46 PM	Session Paused	
2:05:51 PM	Session Resumed	
2:05:54 PM	Session Paused	
2:05:56 PM	Session Resumed	
2:05:58 PM	Session Paused	
2:06:04 PM	Session Resumed	
2:06:06 PM	Chairman Schmitt Note: Sacre, Candace	We're back on the record. Mr. Turner and Mr. Wuetcher were allowed the opportunity to look at the material and discuss it prior to beginning the hearing, so, as I understand it, Ms. Koenig, you have a request to make, or you intend to rephrase the question.
2:06:26 PM	Staff Atty Koenig PSC Note: Sacre, Candace	I'd like to withdraw my question to Mr. Turner regarding the audit reports from 2017 through 2019 and ask a new question, if I may.
2:06:37 PM	Chairman Schmitt Note: Sacre, Candace	Yes, and, as I understand it, Mr. Turner has now been given some documents along with Mr. Wuetcher.
2:06:40 PM	Staff Atty Koenig PSC Note: Sacre, Candace	Yes, sir.

2:06:42 PM	Chairman Schmitt Note: Sacre, Candace	What documents have they been given?
2:06:44 PM	Staff Atty Koenig PSC Note: Sacre, Candace	I would like to introduce Hyden-Leslie's audit report for 2019 as PSC Exhibit 2, and then I have given that to Mr. Turner, and he's discussed it with Mr. Wuetcher.
2:07:01 PM	Chairman Schmitt Note: Sacre, Candace	Is there any objection, Mr. Wuetcher, to introducing the report?
2:07:02 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	No, Your Honor.
2:07:04 PM	Chairman Schmitt Note: Sacre, Candace	Let it be introduced, the audit report, as PSC Exhibit 2.
2:07:05 PM	PSC EXHIBIT 2 Note: Sacre, Candace Note: Sacre, Candace	STAFF ATTY KOENIG PSC - WITNESS TURNER HYDEN-LESLIE DISTRICT INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEARS ENDED 12/31/2019 AND 2018
2:07:09 PM	Chairman Schmitt Note: Sacre, Candace	And I think there was an Exhibit 1. Allow that to be filed as well.
2:07:11 PM	PSC EXHIBIT 1 Note: Sacre, Candace Note: Sacre, Candace	STAFF ATTY KOENIG PSC - WITNESS TURNER EMPLOYEE WAGE COST CALCULATIONS
2:07:18 PM	Chairman Schmitt Note: Sacre, Candace	Ms. Koenig, you may proceed.
2:07:19 PM	Staff Atty Koenig PSC Note: Sacre, Candace	Thank you.
2:07:20 PM	Staff Atty Koenig PSC - witness Turner Note: Sacre, Candace	Cross Examination (cont'd). Reference page 10, bottom 2019 audit report, familiar with District loan resolution requirements depreciation reserve account?
2:07:44 PM	Staff Atty Koenig PSC - witness Turner Note: Sacre, Candace	Person to ask?
2:07:55 PM	Staff Atty Koenig PSC - witness Turner Note: Sacre, Candace	Audit report, page 10, close 2019, balance depreciation reserve account \$318,086?
2:08:12 PM	Staff Atty Koenig PSC - witness Turner Note: Sacre, Candace	Current for depreciation reserve account?
2:08:34 PM	Staff Atty Koenig PSC - witness Turner Note: Sacre, Candace	Made that deposit?
2:08:51 PM	Staff Atty Koenig PSC - witness Turner Note: Sacre, Candace	File written reports balances each year to lenders?
2:08:58 PM	Staff Atty Koenig PSC - witness Turner Note: Sacre, Candace	Meet predetermined amount, check the box?
2:09:16 PM	Staff Atty Koenig PSC - witness Turner Note: Sacre, Candace	Ever not in compliance?
2:09:22 PM	Staff Atty Koenig PSC - witness Turner Note: Sacre, Candace	Wouldn't know steps to take if not in compliance?
2:09:27 PM	Staff Atty Koenig PSC - witness Turner Note: Sacre, Candace	In compliance with bond ordinances?
2:09:53 PM	Staff Atty Koenig PSC - witness Turner Note: Sacre, Candace	Several different cases, testified 2019-00412, follow up. Discussed terms of commissioners, Judge Lewis, "Only Jesus knows the terms."

2:10:32 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Update, corrected, what done terms of commissioners?

2:11:10 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Change from what filed in last several annual reports? Terms change?

2:11:36 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace In 2019 and 2018 annual reports, Mr. Roberts' term expired July 25, 2020?

2:11:56 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Should ask Mr. Roberts?

2:12:05 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Any terms changed? Judge-Executive do anything?

2:12:31 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Audit reports, discussed in 2019-00412 hearing, Chairman asked about clause, management not performed, not provided documents, was standard and what you had been told?

2:12:57 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Explain more now?

2:13:20 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Staff followed up Christian Sturgeon account auditor, standard small water districts expenses that type study, not cost effective, never included management study any small water district audit performed. Accurate?

2:13:54 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace 2019-00412, Community Block Grant, reapplied?

2:14:35 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Only new funding?

2:14:49 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Testified late in 2019-00412 hearing, funding, theories what happened at board, Judge Lewis' testimony, agree with assessment, anything contrary, add light to situation?

2:15:31 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Surprised by Judge Lewis' testimony?

2:15:41 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Accurate relationship between Lewis and board?

2:15:55 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Experience as manager, you and Mr. Roberts reporting District in trouble, discussed two-three times?

2:16:44 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace You met with Judge Lewis?

2:16:49 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace He did not say anything about rates, no deadline given on block grants?

2:17:42 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace County attorney attend board meetings?

2:17:49 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace 2019-00041 final status report, due September 22, Response to Appendix E November 22, 2019 Order, also general orders in November 22, 2019 Order, where this started, financial troubles, in excess of 35 percent water loss. Testified would have come in for rate case anyway. Accurate?

2:19:34 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Last hearing February, didn't think District did anything different, come in for rate case anyway, chose to ride horse and stuck with it too long. Accurate?

2:20:30 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace 2019-00041 and checked off from Appendix E, Mr. Maggard rep to federal/state funding agencies, status of funding each project listed in WRIS?

2:21:17 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Fire department water usage change?

2:21:29 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Water audit, filing in May, reached out to government agencies what required, could not get response. Inspection Staff reached out, felt a good understanding of what was required, clarify at all?

2:22:11 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Clarify with Inspection Staff, confident?

2:22:17 PM Atty Wuetcher Hyden-Leslie District
Note: Sacre, Candace Your Honor, can I just interject here for a moment? Because, in addition to representing Hyden-Leslie, I also represent Big Sandy Water District and have relayed to both districts on this issue of the water audit. Big Sandy Water District submitted a written request to the Commission's Executive Director, I believe, in early February, asking for clarification as to what methodology should be used. It never received a response. It did receive indication that the Commission was going to respond at some point and provide clarification, but we never received it. There was an Order issued that indicated that there should be meetings with Staff.

2:23:05 PM Atty Wuetcher Hyden-Leslie District
Note: Sacre, Candace I have relayed that information to Mr. Turner, but I've also done an Open Records Request to ask specifically for written guidance that the Commission had provided. The only thing we got back was an email message to Big Sandy, and, apparently, an EPA publication that the Staff had provided to one entity.

2:23:31 PM Atty Wuetcher Hyden-Leslie District
Note: Sacre, Candace In speaking with Mr. Turner and with other people, the only methodology that we were aware of was the methodology in the M36 Manual, American Water Works Association, and Mr. Turner, after talking with Mr. Turner, I think Mr. Turner made the decision to go ahead and use that methodology and use free software from AWWA to go ahead and do an audit, and, while he was doing that, I, on behalf of this District and the Big Sandy, approached the Kentucky River Research Institute, I'm probably not pronouncing it right, but there's a research institute at U.K. that's headed by Dr. Ormsbee and approached them and asked if they would go ahead and do a comprehensive water audit. They were in the process of doing one, I believe, for two of the other utilities that were subject to the water loss investigation.

2:24:34 PM Atty Wuetcher Hyden-Leslie District
Note: Sacre, Candace They agreed to do that, but, because of funding issues, they could not do that this last fiscal year, the year that ended September 30. They were scheduled, I believe, to do a water audit for Hyen-Leslie as well as Big Sandy, but I believe Mr. Turner kind of decided that he was going to get this completed to meet the requirements of the Staff.

2:25:01 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	But, in terms of guidance that was out there, there was an effort made to try to get some guidance to see what was being done because the M36 Manual is more complex than some other items might be. I heard discussion, and I also think Mr. Turner heard discussion, that there might be less labor intensive methods, but we could never get clarification as to what the Commission wanted, and so, based on that, Mr. Turner decided to go ahead and go by the gold standard, but I just wanted to clarify that because there were requests made to try to find out what the Commission wanted, and I think Mr. Turner, I know for myself, we were extremely frustrated because we were asking a very simple question, and we would take whatever answer we were giving, but we really weren't getting an answer.
2:25:52 PM	Staff Atty Koenig PSC Note: Sacre, Candace	May I respond?
2:25:54 PM	Chairman Schmitt Note: Sacre, Candace	Yes, you may.
2:25:56 PM	Staff Atty Koenig PSC Note: Sacre, Candace	I object to you saying you did not receive a response to your filing because there was a response filed in March that stated Inspections would meet with any of the water districts to explain the water audit with them, and because we were in a state of emergency then it had to be conducted via email or means that qualified for social distancing.
2:26:22 PM	Staff Atty Koenig PSC Note: Sacre, Candace	So did our Inspections Staff meet with him? I could bring our Staff to testify, if that's required, but you did receive a response, and the Commission explained how any of the water districts could get assistance on what the water audit required. It was very simple, our baseline, but the Commission did not want to adopt somebody else's version of a water audit to say that only one way of doing it was acceptable, but there is a response filed in the record, and I understand your frustration, and I feel like that's been recorded, but I guess Inspections Staff had the impression that they had explained it, they had met with Mr. Turner, and that he was fine, but then, of course, you did file a water audit, and Inspections Staff has reviewed it. I do have questions about it, but they found it acceptable.

2:27:21 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	Your Honor, I'll only note one thing. and, again, I apologize if I sound a little bit frustrated by it, but throughout the water loss investigation and today, my clients have been told, "Where's the written policy?" The Commission issued an Order in November of last year stating you had to do a comprehensive water audit. I assumed that the Commission had an idea, and it was down on paper, and, simply, it could be referred to. We never received that, and I don't want to belabor the point because it doesn't matter. I think my client did a better job by using the M36 Manual, and I certainly encourage all my clients to use it, but it is a point that, if the Commission is going to order some item, the utilities may not understand, and, if they ask for guidance, we would assume that it's already down, that there's a policy there, and that it can just simply be disseminated, and, in this case, it wasn't. To have to call the Commission and say "What do you mean?" is a little bit frustrating, and I understand the COVID crisis and everything else, and I apologize for my statement today, and I won't belabor the point, but I just want to make that clear for the record. We did make an attempt to go ahead and understand what the Commission wanted when it was unclear. Hyden-Leslie and the other districts that I represent, we went ahead and got assistance from another nongovernmental public agency to go ahead and comply with the Commission's Order.
2:29:07 PM	Chairman Schmitt Note: Sacre, Candace	Communications are always between you or your client and Staff, is that correct?
2:29:12 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	Yes, sir, either the Staff or the Executive Director. There was actually a formal request made under the Open Records Act for the guidance that the Commission put out.
2:29:25 PM	Chairman Schmitt Note: Sacre, Candace	And what was the response?
2:29:27 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	There was a copy of an email message that had somewhat of a description on how to perform a water audit but did not seem to make much sense. It talked about simply recording the usage at a particular meter, and the other item was a copy of a 2003 Environmental Protection Agency article about the benefits of water audits.
2:30:05 PM	Chairman Schmitt Note: Sacre, Candace	Does your client, Hyden-Leslie or Big Sandy, intend, or the third party you mentioned, to ultimately conduct a water audit or have you decided not to do that?
2:30:16 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	No. Mr. Turner can be asked what Hyden-Leslie intends to do. Big Sandy has - I believe the University of Kentucky has reached out to both of those entities, and the other client I have, Estill County Water District, the institute actually reached out to them to offer their services, and they have performed a water audit consistent with the M36 Manual.
2:30:43 PM	Chairman Schmitt Note: Sacre, Candace	And this is at the University of Kentucky's cost or your client's cost?

2:30:48 PM Atty Wuetcher Hyden-Leslie District
Note: Sacre, Candace Actually, I assume it's at the federal government. They have a grant that allows them to assist small water systems, so that was one of the benefits of using that, that they did not have to expend any money, and the University of Kentucky was going to train them on how to do the water audits.

2:31:04 PM Chairman Schmitt
Note: Sacre, Candace Will those audits be filed here once they're completed?

2:31:08 PM Atty Wuetcher Hyden-Leslie District
Note: Sacre, Candace The first one will, and, to the extent that the Commission wants it updated, if we receive that directive, we'll file that. In response to Hyden-Leslie, the District filed, I think, a paper copy but also filed the more detailed spreadsheet after we had reached out to the Kentucky Rural Community Assistance Program, who is certified to validate the audits, and they went out and validated the audit to show how strong it was and where it needed to be proved. I think Mr. Turner can discuss that in greater detail.

2:31:47 PM Chairman Schmitt
Note: Sacre, Candace Thank you. I think you probably exhausted the water audit issue at least for the time being.

2:31:53 PM Chairman Schmitt
Note: Sacre, Candace Ms. Koenig, do have other questions?

2:31:55 PM Staff Atty Koenig PSC
Note: Sacre, Candace Okay, yeah, and I guess I'll save my technical questions on the water audit.

2:32:02 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Cross Examination (cont'd). Inspection Staff did review water audit, Roy Gray met with you on requirements?

2:32:19 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Simple formula to review water system?

2:32:48 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Right, are also -

2:32:49 PM Chairman Schmitt
Note: Sacre, Candace Wait a minute, wait a minute, let him answer the question. Finish your answer.

2:33:11 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Written policy repeat audit yearly?

2:33:18 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Agree information obtained more valuable if repeat and compare?

2:34:05 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Agree, in addition to monthly report, water audit more in depth?

2:34:23 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Only one question, average operating pressure 199, where got that?

2:35:05 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Written leak detection policy, Phase 3 address water loss?

2:36:02 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Zone meters mentioned Nov 22 2019 Order, general recommendations/orders, addressed general orders, don't have zone meters, used draw-down method, explain?

2:37:19 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace General order, plan for employee coverage, staff dedicated to leak protection, enough staff?

2:37:58 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Meter replacement, testing policies, deficient in meter testing?

2:38:41 PM Chairman Schmitt - witness Turner
Note: Sacre, Candace Examination. Who's testing your meters now?

2:38:44 PM Chairman Schmitt - witness Turner
Note: Sacre, Candace Who tested them before?

2:38:51 PM Chairman Schmitt - witness Turner
Note: Sacre, Candace North Manchester Water Association tested your meters?

2:39:02 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Cross Examination (cont'd). Reported planning 60 per day, long time since made goal?

2:39:46 PM Staff Atty Koenig PSC
Note: Sacre, Candace May I approach?

2:39:47 PM Chairman Schmitt
Note: Sacre, Candace Yes, you may

2:40:02 PM Atty Wuetcher Hyden-Leslie District
Note: Sacre, Candace Would you like me to hand it to the witness?

2:40:03 PM Staff Atty Koenig PSC
Note: Sacre, Candace Yes, please.

2:40:13 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Recall email to Erin Donges?

2:40:25 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Mistake, understand.

2:40:37 PM Staff Atty Koenig PSC
Note: Sacre, Candace I'm just going to hand Mr. Wuetcher - this is the inspection just for your - and that just lists the results of the inspection, just to further (inaudible) yourself with that.

2:40:58 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Fifth general recommendation, evaluating frequency of rate case, in 2019-00412 evaluating for sufficiency, did every board meeting, agreed written policy, update?

2:41:53 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Opinions on changes 2019-00041, how effective, repeat next year, specifically chose horse, beat dead horse, guard against situation again?

2:42:49 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace District or PSC, 2019-00041 cases, before parties get to that state?

2:43:20 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Last general recommendation order, defining roles board and management, what done since 2019-00041, addressed at all?

2:43:44 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Order in 2019-00041 and Appendix, investigative report, defined roles manager and commissioners, job descriptions, roles planning, who in charge of what, knew responsible?

2:45:06 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace You have job description?

2:45:11 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Might have, things filed in 2019-00041, board minutes, job descriptions.

2:45:29 PM Staff Atty Koenig PSC - witness Turner
Note: Sacre, Candace Anything else, policies in place, tariff changes made, complaints against 2019-00041, asked to do no effect?

2:46:05 PM Staff Atty Koenig PSC
Note: Sacre, Candace I don't have any further questions. Thank you.

2:46:08 PM	Chairman Schmitt Note: Sacre, Candace	Dr. Mathews may have to leave at 3 o'clock, so, if you don't mind, Vice Chairman Chandler, I'll skip over and see if she has any questions, especially since this morning I monopolized all of our time.
2:46:26 PM	Commission Mathews Note: Sacre, Candace	That's okay. I don't have any questions for Mr. Turner.
2:46:32 PM	Chairman Schmitt Note: Sacre, Candace	Vice Chairman Chandler, questions?
2:46:35 PM	Vice Chairman Chandler Note: Sacre, Candace	Yeah, thanks, Chairman.
2:46:36 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Turner Examination. Good afternoon, Mr. Turner. Additional employee calculation, expected cost of employee, hypothetical or actual cost?
2:47:29 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Turner Did calculations, responsible Responses 2020-00085 docket, COVID document to June Data Requests?
2:47:47 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Turner Calculation, write-off of bad debt?
2:47:58 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Turner Responding witness, criteria, utility writes off bad debt; response, Distirct writes off bad debt service terminated nonpayment?
2:48:45 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Turner Write off bad debt, one month time period to recover?
2:49:04 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Turner Terminate, no payment first month, books close, second month write off bad debt?
2:49:25 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Turner Disconnect/reconnect, Exhibit Q, Pennell worked on, salary/labor expenses calculation, two people?
2:50:04 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Turner Nonrecurring cost justification, connection charge, reread, reconnection, service call all \$32.09, two people sent for each?
2:50:33 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Turner Connection charge, reread, reconnection, and sevice call?
2:50:52 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Turner See all charges at top?
2:50:56 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Turner Reread, just one person. Reconnect, one person?
2:51:04 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Turner Service call?
2:51:08 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Turner Connection charge, explain?
2:51:16 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Turner Connection charge envisioned under tariff, activity?
2:51:33 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Turner Two-person job?
2:51:36 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Turner Agree \$32.09 two individuals though requires one?
2:51:54 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Turner Reflect two or one?
2:52:10 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Turner \$32 one employee?

2:52:15 PM Vice Chairman Chandler - witness Turner
Note: Sacre, Candace \$43.18, one employee after hours charges?

2:52:24 PM Vice Chairman Chandler - witness Turner
Note: Sacre, Candace Office half an hour \$15.57 for both?

2:52:40 PM Vice Chairman Chandler - witness Turner
Note: Sacre, Candace Clerical and office expense, \$15.57 labor in office?

2:52:47 PM Vice Chairman Chandler - witness Turner
Note: Sacre, Candace Same both activities, after hours and normal hours, why field labor time and a halves and office labor normla?

2:53:14 PM Vice Chairman Chandler - witness Turner
Note: Sacre, Candace Reconnect at night, next morning office paperwork?

2:53:23 PM Vice Chairman Chandler - witness Turner
Note: Sacre, Candace Can provide disconnects, reconnects, service calls test year?

2:53:49 PM Vice Chairman Chandler - witness Turner
Note: Sacre, Candace 12 employees?

2:53:56 PM Vice Chairman Chandler - witness Turner
Note: Sacre, Candace Assume six field employees, during business hours, pay same disconnect, reconnect, service call?

2:54:13 PM Vice Chairman Chandler - witness Turner
Note: Sacre, Candace Between March 16 and 20, not to disconnect, expenses incurring but not recovering rates?

2:54:49 PM Vice Chairman Chandler - witness Turner
Note: Sacre, Candace Make sense?

2:54:55 PM Vice Chairman Chandler - witness Turner
Note: Sacre, Candace Same thing, late fees, revenue requirement last set, not assessing, reduction in revenes but not necessarily expenses?

2:55:14 PM Vice Chairman Chandler - witness Turner
Note: Sacre, Candace Incentive charge late fees, incentive to perform nonrecurring charges, if don't not going to recover revenues?

2:55:38 PM Vice Chairman Chandler - witness Turner
Note: Sacre, Candace Withdraw question. 2020-00085, customer on-time pay percentage 66 percent?

2:55:55 PM Vice Chairman Chandler - witness Turner
Note: Sacre, Candace Response indicates customers on average 66 percent pay bill on time each month?

2:56:21 PM Vice Chairman Chandler - witness Turner
Note: Sacre, Candace If 65 percent, 35 percent assessed late fees ordinary month?

2:56:34 PM Vice Chairman Chandler - witness Turner
Note: Sacre, Candace 2020-00085 indicated, question 8, June 30, moratorium not in effect, 323 people subject to disconnect?

2:57:49 PM Vice Chairman Chandler - witness Turner
Note: Sacre, Candace See those numbers?

2:57:53 PM Vice Chairman Chandler - witness Turner
Note: Sacre, Candace Other than moratorium, subject to disconnect, June 30 number, 323?

2:58:06 PM Vice Chairman Chandler - witness Turner
Note: Sacre, Candace 3700 customers, approximately 10 percent subject to disconnect?

2:58:22 PM Vice Chairman Chandler - witness Turner
Note: Sacre, Candace 34 paying late, 10 percent subject to disconnect, indicate a quarter of customers paying late but paying before disconnect?

2:58:56 PM Vice Chairman Chandler - witness Turner
Note: Sacre, Candace If late, charged late fee; paying before disconnection, event changing actions. Late fees any effect on timely pay?

2:59:32 PM	Vice Chairman Chandler - witness Turner Note: Sacre, Candace	First few months, on-time pay percentage, no change? No late fees, more customers paid on time than historical average?
3:00:00 PM	Vice Chairman Chandler - witness Turner Note: Sacre, Candace	No late fees, more people paying on time, 25 percent pay late but before disconnect, bear out in numbers?
3:00:53 PM	Vice Chairman Chandler - witness Turner Note: Sacre, Candace	Implore to look at that, up or down, stimulus change, interesting, impacting that.
3:01:14 PM	Vice Chairman Chandler - witness Turner Note: Sacre, Candace	Currently require for deposit?
3:01:22 PM	Vice Chairman Chandler - witness Turner Note: Sacre, Candace	Proposing \$74?
3:01:25 PM	Vice Chairman Chandler - witness Turner Note: Sacre, Candace	Interact with write-off, net that, write off, net deposit against balance if hold, how account for deposit?
3:01:55 PM	Vice Chairman Chandler - witness Turner Note: Sacre, Candace	Apply, residual amount written off?
3:02:07 PM	Vice Chairman Chandler Note: Sacre, Candace	That's all the questions I have, Chairman. Thank you, Mr. Turner.
3:02:10 PM	Chairman Schmitt - witness Turner Note: Sacre, Candace	Examination. Customer relations, education. KRWA series of management booklets, one discusses educating consumer/ratepayer. Suggest would be a good idea.
3:03:06 PM	Chairman Schmitt - witness Turner Note: Sacre, Candace	Reason require 70 percent rate increase, District had not come before Commission for rate adjustment since 1978, any kind of rate increase, Rural Development loan under KRS 278.023. Years using depreciation, every scrap of money to maintain operations?
3:04:05 PM	Chairman Schmitt - witness Turner Note: Sacre, Candace	All money used for day-to-day operations, if all money used for day to day, nothing to repair/replace; incurring debt going forward?
3:04:46 PM	Chairman Schmitt - witness Turner Note: Sacre, Candace	Agree and applaud your opinion, rate increase three to five years good for utility and customer?
3:05:30 PM	Chairman Schmitt - witness Turner Note: Sacre, Candace	Opinion why District refrained asking for rate increase before PSC for 42 years?
3:06:03 PM	Chairman Schmitt - witness Turner Note: Sacre, Candace	Analysts/accountants here can help solve/identify problems, in process of ordering 23 rural water districts to file rate cases between November 2019 and today and suggested another, want to see you do well.
3:07:24 PM	Chairman Schmitt - witness Turner Note: Sacre, Candace	Disrict incurred legal fees and expenses for expert Vilines?
3:07:57 PM	Chairman Schmitt - witness Turner Note: Sacre, Candace	Don't know why can't recoup rate case expense if reasonable.
3:08:14 PM	Chairman Schmitt - witness Turner Note: Sacre, Candace	Staff recommended surcharge of \$1.53 per meter, 48 months, to be used to help repair leaks, leak detection, tell us how you would do that. Surcharge \$262,872, how use that money?
3:09:34 PM	Chairman Schmitt - witness Turner Note: Sacre, Candace	Master meters, zone system off for leak detection?

3:09:46 PM	Chairman Schmitt - witness Turner Note: Sacre, Candace	Water board commissioners understand role as commission and your role as general manager?
3:10:07 PM	Chairman Schmitt - witness Turner Note: Sacre, Candace	You run system as president, board is to set policy and look over what you're doing?
3:10:19 PM	Chairman Schmitt - witness Turner Note: Sacre, Candace	Adhere to roles?
3:10:24 PM	Chairman Schmitt - witness Turner Note: Sacre, Candace	Infringement on your role?
3:10:57 PM	Chairman Schmitt - witness Turner Note: Sacre, Candace	County judge-executive, fiscal court, you, board can/do exercise independence?
3:11:16 PM	Chairman Schmitt - witness Turner Note: Sacre, Candace	Understand, once appointed, run organization?
3:11:32 PM	Chairman Schmitt Note: Sacre, Candace	I have no further questions. Anything further?
3:11:36 PM	Staff Atty Koenig PSC Note: Sacre, Candace	No, thank you.
3:11:37 PM	Chairman Schmitt Note: Sacre, Candace	Mr. Wuetcher, anything?
3:11:38 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	Your Honor, just one item, if I could.
3:11:41 PM	Atty Wuetcher Hyden-Leslie District - witness Turner Note: Sacre, Candace	Redirect Examination. Prepare exhibit, history of Hyden-Leslie water loss?
3:11:55 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	I'm going to, if I may, approach the witness.
3:11:58 PM	Chairman Schmitt Note: Sacre, Candace	You may.
3:13:28 PM	Atty Wuetcher Hyden-Leslie District - witness Turner Note: Sacre, Candace	District set end-of-year target water loss?
3:13:29 PM	Atty Wuetcher Hyden-Leslie District - witness Turner Note: Sacre, Candace	Target?
3:13:34 PM	Atty Wuetcher Hyden-Leslie District - witness Turner Note: Sacre, Candace	Reach that end of December?
3:13:46 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	That's all the questions I have. I would ask that the chart be entered into the record as Hyden-Leslie County Water District No. 1.
3:13:58 PM	Chairman Schmitt Note: Sacre, Candace	Any objection, Ms. Koenig?
3:13:59 PM	Staff Atty Koenig PSC Note: Sacre, Candace	No objection.
3:14:00 PM	Chairman Schmitt Note: Sacre, Candace	Let it be marked as Hyden-Leslie County Exhibit 1.
3:14:01 PM	HYDEN-LESLIE DISTRICT EXHIBIT 1 Note: Sacre, Candace Note: Sacre, Candace	ATTY WUETCHER HYDEN-LESLIE DISTRICT - WITNESS TURNER HYDEN-LESLIE COUNTY WATER DISTRICT WATER LOSS HISTORY
3:14:04 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	That's all I have, Your Honor. Thank you.
3:14:08 PM	Vice Chairman Chandler Note: Sacre, Candace	If Mr. Wuetcher is done, may I ask one question to follow up on something you asked?

3:14:10 PM	Chairman Schmitt Note: Sacre, Candace	Yes.
3:14:15 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Turner Examination. Cost recover prosecution of case, just Mr. Milines?
3:14:24 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Turner Mr. Wuetcher cost covered by KRWA?
3:14:32 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Turner Ask for, recommend, District incurred costs for Wuetcher assistanc in this case, provide evidence in record, seek amortization.
3:15:02 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	Invoices? Would that be sufficient, Commissioner?
3:15:07 PM	Vice Chairman Chandler Note: Sacre, Candace	Yes, I think that would be sufficient, under affidavit, of course, but yes.
3:15:15 PM	Chairman Schmitt Note: Sacre, Candace	Yeah, invoices. If you could have an affidavit from Mr. Turner that he received and they'd been paid or something or it was still unpaid, but, basically, you thought the service was - obviously, it was needed and the hours spent were fair. But there's no reason why you shouldn't be able to recover those and pass them on to rates. Either way, the ratepayers will pay you for it. It's just a question of will you have enough left to actually provide water.
3:15:50 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Turner Amortization of costs, time period?
3:16:04 PM	Chairman Schmitt Note: Sacre, Candace	The legal fees spread over time.
3:16:08 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Turner Rate case expenses recovered three-year period, five-year period.
3:16:26 PM	Chairman Schmitt Note: Sacre, Candace	We don't want you to go over three to five because we want you back in here before then.
3:16:43 PM	Chairman Schmitt Note: Sacre, Candace	When you file your affidavit with the invoices, if you'd just tell us what you think, ask, make a request.
3:16:51 PM	Vice Chairman Chandler Note: Sacre, Candace	And Mr. Wuetcher can help you (inaudible). Thank you.
3:16:54 PM	Chairman Schmitt Note: Sacre, Candace	Mr. Wuetcher, anything else?
3:16:55 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	No, sir.
3:16:57 PM	Chairman Schmitt Note: Sacre, Candace	May this witness be excused?
3:16:58 PM	Staff Atty Koenig PSC Note: Sacre, Candace	Yes, sir.
3:16:59 PM	Chairman Schmitt Note: Sacre, Candace	Thank you. You've been up here longer than we thought, but we appreciate your testimony, and you may step down.
3:17:05 PM	Chairman Schmitt Note: Sacre, Candace	Why don't we take a five-minute break? I need to, and we have our lady come in to basically sanitize the witness box. We'll be in recess until 3:25.
3:17:20 PM	Session Paused	
3:25:29 PM	Session Resumed	

3:25:30 PM	Chairman Schmitt Note: Sacre, Candace	We're now back on the record. Mr. Wuetcher, will you call your next witness?
3:25:36 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	Your Honor, my next witness is Alan Vilines, and Mr. Vilines is going to be testifying by videoconferencing. I don't know if he can hear us or not. Mr. Vilines, can you hear us?
3:25:51 PM	Chairman Schmitt Note: Sacre, Candace	Witness is sworn.
3:26:03 PM	Chairman Schmitt Note: Sacre, Candace	Ms. Wuetcher, you may ask.
3:26:05 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	Thank you, Your Honor.
3:26:07 PM	Atty Wuetcher Hyden-Leslie District - witness Vilines Note: Sacre, Candace	Direct Examination. Name, business address?
3:26:16 PM	Atty Wuetcher Hyden-Leslie District - witness Vilines Note: Sacre, Candace	Employed by KRWA?
3:26:25 PM	Atty Wuetcher Hyden-Leslie District - witness Vilines Note: Sacre, Candace	Educational background?
3:26:41 PM	Atty Wuetcher Hyden-Leslie District - witness Vilines Note: Sacre, Candace	Prior to KRWA, where employed?
3:27:03 PM	Atty Wuetcher Hyden-Leslie District - witness Vilines Note: Sacre, Candace	How long there?
3:27:12 PM	Atty Wuetcher Hyden-Leslie District - witness Vilines Note: Sacre, Candace	Positions held there?
3:27:38 PM	Atty Wuetcher Hyden-Leslie District - witness Vilines Note: Sacre, Candace	Retired from district?
3:27:45 PM	Atty Wuetcher Hyden-Leslie District - witness Vilines Note: Sacre, Candace	How long consulting relationship with KRWA?
3:27:54 PM	Atty Wuetcher Hyden-Leslie District - witness Vilines Note: Sacre, Candace	KRWA contract with Appalachian Regional Commission, assistance to water utilities?
3:28:05 PM	Atty Wuetcher Hyden-Leslie District - witness Vilines Note: Sacre, Candace	Performance of rate studies?
3:28:11 PM	Atty Wuetcher Hyden-Leslie District - witness Vilines Note: Sacre, Candace	District request KRWA do study, appropriate rates?
3:28:24 PM	Atty Wuetcher Hyden-Leslie District - witness Vilines Note: Sacre, Candace	KRWA conduct study?
3:28:29 PM	Atty Wuetcher Hyden-Leslie District - witness Vilines Note: Sacre, Candace	Involvement in preparation?
3:28:42 PM	Atty Wuetcher Hyden-Leslie District - witness Vilines Note: Sacre, Candace	Assist or prepare schedules for Application?
3:28:52 PM	Atty Wuetcher Hyden-Leslie District - witness Vilines Note: Sacre, Candace	Entire Application, or some exhibits responsibility of others?
3:29:05 PM	Atty Wuetcher Hyden-Leslie District - witness Vilines Note: Sacre, Candace	Prepare Responses Request for Information Order June 18, 2020, and Staff Second Request for Information?
3:29:21 PM	Atty Wuetcher Hyden-Leslie District - witness Vilines Note: Sacre, Candace	Responding witness, asked questions today, answers be same?
3:29:39 PM	Atty Wuetcher Hyden-Leslie District - witness Vilines Note: Sacre, Candace	Changes or revisions?

3:29:51 PM	Atty Wuetcher Hyden-Leslie District - witness Vilines Note: Sacre, Candace	Adopt today as testimony, exhibits, schedules, responses to Requests for Information June 18, 2020 Order, Staff's Second Request for Information?
3:30:14 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	That's all the questions I have. I'd turn the witness over to Commission Staff.
3:30:18 PM	Chairman Schmitt Note: Sacre, Candace	Ms. Koenig?
3:30:19 PM	Staff Atty Koenig PSC Note: Sacre, Candace	Thank you.
3:30:20 PM	Staff Atty Koenig PSC - witness Vilines Note: Sacre, Candace	Cross Examination. Good afternoon, Mr. Vilines. Assisted with District's Application, describe current financial condition?
3:30:52 PM	Staff Atty Koenig PSC - witness Vilines Note: Sacre, Candace	Describe rate design?
3:31:14 PM	Staff Atty Koenig PSC Note: Sacre, Candace	Cost of service study, single rate structure all customers, provided four alternatives?
3:31:37 PM	Staff Atty Koenig PSC - witness Vilines Note: Sacre, Candace	Explain single rate structure more equitable?
3:32:13 PM	Staff Atty Koenig PSC - witness Vilines Note: Sacre, Candace	Alternatives, fewer declining rate blocks, explain why?
3:33:09 PM	Staff Atty Koenig PSC - witness Vilines Note: Sacre, Candace	Phased-in approach appropriate?
3:33:26 PM	Staff Atty Koenig PSC - witness Vilines Note: Sacre, Candace	Less revenue first year meet needs, justify phased-in?
3:33:52 PM	Staff Atty Koenig PSC Note: Sacre, Candace	Thank you, Mr. Vilines. I have no further questions.
3:33:56 PM	Chairman Schmitt Note: Sacre, Candace	Vice Chairman Chandler, questions?
3:34:00 PM	Vice Chairman Chandler Note: Sacre, Candace	Yes, Chairman, thanks. Just a couple.
3:34:07 PM	Vice Chairman Chandler - witness Vilines Note: Sacre, Candace	Examination. Questions earlier for Turner, nonrecurring charges?
3:34:15 PM	Vice Chairman Chandler - witness Vilines Note: Sacre, Candace	Understand questions costs incurred nonrecurring charges, recovery dependent on test year, number equal to test year number?
3:35:09 PM	Vice Chairman Chandler - witness Vilines Note: Sacre, Candace	Pennell Schedule Q, ever calculated nonrecurring charges?
3:35:21 PM	Vice Chairman Chandler - witness Vilines Note: Sacre, Candace	Include fixed costs, like labor, or just include marginal costs, time takes to roll a truck out?
3:36:02 PM	Vice Chairman Chandler - witness Vilines Note: Sacre, Candace	Don't include fixed costs nonrecurring calculation, fixed costs reflected ordinary revenues, utility held harmless?
3:36:22 PM	Vice Chairman Chandler - witness Vilines Note: Sacre, Candace	Test year other revenues included in revenue requirement?
3:36:32 PM	Vice Chairman Chandler - witness Vilines Note: Sacre, Candace	Reflect x number nonrecurring charges, how many test year?
3:36:43 PM	Vice Chairman Chandler - witness Vilines Note: Sacre, Candace	Nonrecurring charge test year, incurred 50, reduce by half, reflect loss of revenue somewhere else?

3:37:22 PM	Vice Chairman Chandler - witness Vilines Note: Sacre, Candace	Cost of service study for District?
3:37:29 PM	Vice Chairman Chandler - witness Vilines Note: Sacre, Candace	Aware District conducted/completed previous cost of service studies?
3:37:48 PM	Vice Chairman Chandler - witness Vilines Note: Sacre, Candace	How often recommend cost of service study?
3:38:24 PM	Vice Chairman Chandler - witness Vilines Note: Sacre, Candace	Rate case every three to five years, new cost of service study good idea?
3:39:07 PM	Vice Chairman Chandler - witness Vilines Note: Sacre, Candace	Recommendation rate analysis every two years, rate cases every three to five, cost of service studies material changes usage/number per class to change way costs recovered?
3:39:50 PM	Vice Chairman Chandler - witness Vilines Note: Sacre, Candace	Explain calculation of minimum bill, purpose proposed rates?
3:40:28 PM	Vice Chairman Chandler - witness Vilines Note: Sacre, Candace	Allocated fixed costs, serve customers regardless usage?
3:40:37 PM	Vice Chairman Chandler - witness Vilines Note: Sacre, Candace	Costs do not vary with demand or volume?
3:40:44 PM	Vice Chairman Chandler - witness Vilines Note: Sacre, Candace	Minimum amount usage minimum bill, customer cost, who makes determination, what based on?
3:41:35 PM	Vice Chairman Chandler - witness Vilines Note: Sacre, Candace	Function of fact, historically, meters read to nearest thousand?
3:41:48 PM	Vice Chairman Chandler - witness Vilines Note: Sacre, Candace	Experience with decimal point utilities agree for customer meters?
3:42:07 PM	Vice Chairman Chandler - witness Vilines Note: Sacre, Candace	Most utilities billing down to ten gallons or rounding down to nearest thousandths or hundredths?
3:42:31 PM	Vice Chairman Chandler Note: Sacre, Candace	That's all the questions. Thank you, Mr. Vilines.
3:42:36 PM	Chairman Schmitt - witness Vilines Note: Sacre, Candace	Examination. Staff recommended \$1.53 per meter surcharge 48 months use in reduction water loss, other improvements?
3:42:58 PM	Chairman Schmitt - witness Vilines Note: Sacre, Candace	Comfortable, in favor of that?
3:43:40 PM	Chairman Schmitt - witness Vilines Note: Sacre, Candace	Regulation excluded from rates water loss excess of 15 percent, good policy objective, but continue to be penalized, no way to fix system?
3:44:17 PM	Chairman Schmitt - witness Vilines Note: Sacre, Candace	Commission give money but in surcharge account for water loss/infrastructure permitted by PSC, good policy?
3:45:05 PM	Chairman Schmitt - witness Vilines Note: Sacre, Candace	Been to Leslie County?
3:45:11 PM	Chairman Schmitt - witness Vilines Note: Sacre, Candace	Small county, no growth, loss of coal jobs, reduction employment/population. Districts with growth, don't need rate increase three to five years?
3:46:06 PM	Chairman Schmitt - witness Vilines Note: Sacre, Candace	Hyden-Leslie no rate case since 1978, 42 years. Using KRS 278.023 cases for financing, not one for ten years. Recommend rate increase every three to five years?

3:47:26 PM	Chairman Schmitt - witness Vilines Note: Sacre, Candace	Depreciation factor, usually used for infrastructure replacement?
3:47:58 PM	Chairman Schmitt Note: Sacre, Candace	I have no further questions. Mr. Wuetcher, anything?
3:48:00 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	I have none, Your Honor.
3:48:02 PM	Staff Atty Koenig PSC Note: Sacre, Candace	I have no further questions.
3:48:04 PM	Chairman Schmitt Note: Sacre, Candace	Vice Chairman Chandler, any other questions?
3:48:09 PM	Vice Chairman Chandler Note: Sacre, Candace	I do not. Thank you, Chairman.
3:48:10 PM	Chairman Schmitt Note: Sacre, Candace	May this witness be excused?
3:48:12 PM	Staff Atty Koenig PSC Note: Sacre, Candace	Yes, sir.
3:48:13 PM	Chairman Schmitt Note: Sacre, Candace	Thank you, Mr. Vilines. You may be excused, and you may log off if you choose.
3:48:21 PM	Chairman Schmitt Note: Sacre, Candace	Is that your last witness, Mr. Wuetcher?
3:48:23 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	Yes, sir, it is.
3:48:24 PM	Chairman Schmitt Note: Sacre, Candace	Ms. Koenig, would you like to call a witness?
3:48:27 PM	Staff Atty Koenig PSC Note: Sacre, Candace	Yes, we'd like to call Dwight Lewis.
3:48:38 PM	Chairman Schmitt Note: Sacre, Candace	Witness is sworn.
3:48:46 PM	Chairman Schmitt Note: Sacre, Candace	Ms. Koenig, you may ask.
3:48:47 PM	Staff Atty Koenig PSC Note: Sacre, Candace	Thank you.
3:49:01 PM	Staff Atty Koenig PSC - witness Lewis Note: Sacre, Candace	Cross Examination. Hi, Mr. Lewis. Full name and address?
3:49:17 PM	Staff Atty Koenig PSC - witness Lewis Note: Sacre, Candace	Job title with District?
3:49:25 PM	Staff Atty Koenig PSC - witness Lewis Note: Sacre, Candace	When appointed?
3:49:35 PM	Staff Atty Koenig PSC - witness Lewis Note: Sacre, Candace	Served previously?
3:49:40 PM	Staff Atty Koenig PSC - witness Lewis Note: Sacre, Candace	When?
3:49:55 PM	Staff Atty Koenig PSC - witness Lewis Note: Sacre, Candace	Related to Judge-Executive Lewis?
3:50:04 PM	Staff Atty Koenig PSC - witness Lewis Note: Sacre, Candace	Why appointed?
3:50:22 PM	Staff Atty Koenig PSC - witness Lewis Note: Sacre, Candace	Why Roberts not reappointed?
3:50:30 PM	Staff Atty Koenig PSC - witness Lewis Note: Sacre, Candace	Ten to 12 years ago, about 2008?
3:50:47 PM	Staff Atty Koenig PSC - witness Lewis Note: Sacre, Candace	Part of board considering Phase 2 project 2013-14?

3:50:59 PM Staff Atty Koenig PSC - witness Lewis
Note: Sacre, Candace Don't recall?

3:51:06 PM Staff Atty Koenig PSC - witness Lewis
Note: Sacre, Candace Job duties as commissioner?

3:52:00 PM Staff Atty Koenig PSC - witness Lewis
Note: Sacre, Candace Attended training previously?

3:52:07 PM Staff Atty Koenig PSC - witness Lewis
Note: Sacre, Candace How long serve?

3:52:20 PM Staff Atty Koenig PSC - witness Lewis
Note: Sacre, Candace Hold any office on board?

3:52:28 PM Staff Atty Koenig PSC - witness Lewis
Note: Sacre, Candace Don't recall project, water to 300 customers?

3:52:44 PM Staff Atty Koenig PSC - witness Lewis
Note: Sacre, Candace Judge Lewis in fiscal court previously. How know Judge Lewis?

3:53:13 PM Staff Atty Koenig PSC - witness Lewis
Note: Sacre, Candace When Judge Lewis asked to serve, say anything hoping to happen?

3:53:36 PM Staff Atty Koenig PSC - witness Lewis
Note: Sacre, Candace Know why here today, reviewed anything?

3:53:53 PM Staff Atty Koenig PSC - witness Lewis
Note: Sacre, Candace Served previously, discuss need for rate increase?

3:54:08 PM Staff Atty Koenig PSC - witness Lewis
Note: Sacre, Candace Testimony February hearing indication rate increase needed 2002, 2013-14 Phase 2 project financing, part of problem, recollection of that?

3:54:49 PM Staff Atty Koenig PSC - witness Lewis
Note: Sacre, Candace Ever discuss filing base rate case versus filing .023 as part of project?

3:55:02 PM Staff Atty Koenig PSC - witness Lewis
Note: Sacre, Candace Part of project at all, construction project, CPCN filing?

3:55:15 PM Staff Atty Koenig PSC
Note: Sacre, Candace Thank you. I don't have any further questions.

3:55:18 PM Chairman Schmitt
Note: Sacre, Candace Vice Chairman Chandler?

3:55:24 PM Vice Chairman Chandler - witness Lewis
Note: Sacre, Candace Examination. Fairly new, have attended any meetings, how many?

3:55:46 PM Vice Chairman Chandler - witness Lewis
Note: Sacre, Candace Any meetings time frame this case members of public comments?

3:56:14 PM Vice Chairman Chandler - witness Lewis
Note: Sacre, Candace Board meetings, members of public showed up or send letters this case?

3:56:28 PM Vice Chairman Chandler - witness Lewis
Note: Sacre, Candace Received communication, expressed concern increase?

3:56:48 PM Vice Chairman Chandler - witness Lewis
Note: Sacre, Candace Concern heard or concern have reason looking phased-in approach?

3:57:06 PM Vice Chairman Chandler - witness Lewis
Note: Sacre, Candace Why think best phased-in?

3:57:57 PM Vice Chairman Chandler - witness Lewis
Note: Sacre, Candace Board understanding occasional rate increase better than lump sum increase?

3:58:17 PM Vice Chairman Chandler - witness Lewis
Note: Sacre, Candace Talked about any processes ensure rates adequate every year, every other year, every six months? Incremental increases, not big increases?

3:58:47 PM	Vice Chairman Chandler - witness Lewis Note: Sacre, Candace	Anything different rate sufficiency going forward than done in past?
3:59:32 PM	Vice Chairman Chandler - witness Lewis Note: Sacre, Candace	Knowing and doing something about it? Benchmarks to take action, more than just information from Turner?
4:00:22 PM	Vice Chairman Chandler Note: Sacre, Candace	Thank you. That's all the questions I have.
4:00:29 PM	Chairman Schmitt - witness Lewis Note: Sacre, Candace	Examination. Discussion among board plant, pumps, pipes, transmission lines, distribution lines useful lives, replacement funded?
4:01:12 PM	Chairman Schmitt - witness Lewis Note: Sacre, Candace	Employed, retired?
4:01:15 PM	Chairman Schmitt - witness Lewis Note: Sacre, Candace	From what?
4:01:25 PM	Chairman Schmitt - witness Lewis Note: Sacre, Candace	Part of county school system?
4:01:31 PM	Chairman Schmitt - witness Lewis Note: Sacre, Candace	Responsible for budget?
4:01:35 PM	Chairman Schmitt - witness Lewis Note: Sacre, Candace	Understand need old equipment, money to replace?
4:01:48 PM	Chairman Schmitt - witness Lewis Note: Sacre, Candace	Ever done with District, led to problems, millions of dollars replace, no money, help. Rates, most purpose replace infrastructure, ongoing system, not supposed to fail like Martin County, \$50 million, good deal for 25-30 years, now bad deal.
4:03:20 PM	Chairman Schmitt - witness Lewis Note: Sacre, Candace	Ask consider old systems, old equipment wears out, has to be replaced, how can do that for ratepayers. Rate case, Hyden-Leslie second or third highest rate in state.
4:04:37 PM	Chairman Schmitt - witness Lewis Note: Sacre, Candace	Agree, bad commissioner, issues, know better now.
4:05:39 PM	Chairman Schmitt - witness Lewis Note: Sacre, Candace	Deserve good water, best in life, something beyond coal.
4:06:06 PM	Chairman Schmitt Note: Sacre, Candace	I don't have any further questions. Anybody else?
4:06:10 PM	Chairman Schmitt Note: Sacre, Candace	May this witness be excused?
4:06:12 PM	Staff Atty Koenig PSC Note: Sacre, Candace	Yes, sir.
4:06:13 PM	Chairman Schmitt Note: Sacre, Candace	You may step down, sir. Thank you.
4:07:20 PM	Staff Atty Koenig PSC Note: Sacre, Candace	We'd like to call Augustus Roberts next.
4:07:35 PM	Chairman Schmitt Note: Sacre, Candace	Witness is sworn.
4:07:45 PM	Chairman Schmitt Note: Sacre, Candace	Counsel, you may ask.
4:07:46 PM	Staff Atty Koenig PSC Note: Sacre, Candace	Thank you.
4:07:47 PM	Staff Atty Koenig PSC - witness Roberts Note: Sacre, Candace	Cross Examination. Good afternoon, Mr. Roberts. Former chairman of board?

4:08:09 PM Staff Atty Koenig PSC - witness Roberts
Note: Sacre, Candace Explain when term ended?

4:08:17 PM Staff Atty Koenig PSC - witness Roberts
Note: Sacre, Candace What happened with term? Judge Lewis, "Only Jesus knew when terms were up."

4:08:52 PM Staff Atty Koenig PSC - witness Roberts
Note: Sacre, Candace Name and address?

4:09:06 PM Staff Atty Koenig PSC - witness Roberts
Note: Sacre, Candace Didn't question, how informed term up May?

4:09:28 PM Staff Atty Koenig PSC - witness Roberts
Note: Sacre, Candace Say anything else?

4:09:46 PM Staff Atty Koenig PSC - witness Roberts
Note: Sacre, Candace Judge Lewis, term up, would discuss whether good job, plead case, make decision, did that occur?

4:10:15 PM Staff Atty Koenig PSC - witness Roberts
Note: Sacre, Candace How feel about that?

4:10:39 PM Staff Atty Koenig PSC - witness Roberts
Note: Sacre, Candace Didn't voice complaint to Lewis, anyone else, accepted it?

4:10:49 PM Staff Atty Koenig PSC - witness Roberts
Note: Sacre, Candace Last hearing, responsibility for 2013-2014 Phase 2 project, only reason in this situation, other reasons needed to change?

4:12:31 PM Staff Atty Koenig PSC - witness Roberts
Note: Sacre, Candace Explain those would have done differently?

4:13:14 PM Staff Atty Koenig PSC - witness Roberts
Note: Sacre, Candace Know to do that?

4:13:39 PM Staff Atty Koenig PSC - witness Roberts
Note: Sacre, Candace Changed opinion on that?

4:13:41 PM Chairman Schmitt - witness Roberts
Note: Sacre, Candace Kinda borrow money to get money?

4:14:37 PM Staff Atty Koenig PSC - witness Roberts
Note: Sacre, Candace Did that happen?

4:14:46 PM Staff Atty Koenig PSC - witness Roberts
Note: Sacre, Candace Did happen while on the board?

4:14:53 PM Staff Atty Koenig PSC - witness Roberts
Note: Sacre, Candace Believe relieved of duty due to politics?

4:15:02 PM Staff Atty Koenig PSC - witness Roberts
Note: Sacre, Candace Explain anything else?

4:15:23 PM Staff Atty Koenig PSC - witness Roberts
Note: Sacre, Candace 2019-00412 hearing, what would you have changed?

4:15:45 PM Staff Atty Koenig PSC - witness Roberts
Note: Sacre, Candace More you can tell about situation?

4:16:39 PM Staff Atty Koenig PSC - witness Roberts
Note: Sacre, Candace 2019-00412 hearing, District seeking other funding, too long before seeking rate case, any policy can steer a district don't wait too long?

4:17:43 PM Staff Atty Koenig PSC - witness Roberts
Note: Sacre, Candace Would take politics out of it?

4:18:14 PM Staff Atty Koenig PSC - witness Roberts
Note: Sacre, Candace Anything else?

4:19:07 PM Staff Atty Koenig PSC
Note: Sacre, Candace I appreciate your time, Mr. Roberts. I don't have any further questions. Thank you.

4:19:13 PM Chairman Schmitt
Note: Sacre, Candace Vice Chairman Chandler?

4:19:24 PM	Vice Chairman Chandler - witness	Roberts
	Note: Sacre, Candace	Examination. How many years on board?
4:19:44 PM	Vice Chairman Chandler - witness	Roberts
	Note: Sacre, Candace	More than ten years?
4:19:49 PM	Vice Chairman Chandler - witness	Roberts
	Note: Sacre, Candace	Talk about what meeting would entail over ten years?
4:20:31 PM	Vice Chairman Chandler - witness	Roberts
	Note: Sacre, Candace	On average, approve minutes, approval bills, presentation by manager, office folks having discussion with attorney, what meetings like?
4:21:24 PM	Vice Chairman Chandler - witness	Roberts
	Note: Sacre, Candace	Ignoring plant, how often discussions with/hear from management proactive, looking forward?
4:22:11 PM	Vice Chairman Chandler - witness	Roberts
	Note: Sacre, Candace	Conversations on infrastructure, one-off items or holistic long-term plans entirety of system?
4:22:37 PM	Vice Chairman Chandler - witness	Roberts
	Note: Sacre, Candace	Sufficiency of rates, how often actual sufficiency of rates discussed?
4:23:02 PM	Vice Chairman Chandler - witness	Roberts
	Note: Sacre, Candace	Losing money cash basis, pay bills reducing cash balances, not only not covering depreciation, how often discussed rates sufficient cover expenses without into savngs?
4:24:29 PM	Vice Chairman Chandler - witness	Roberts
	Note: Sacre, Candace	Can't answer, don't recall or don't remember how many?
4:24:46 PM	Vice Chairman Chandler - witness	Roberts
	Note: Sacre, Candace	See an accounting each month level of accounts, expenses, monthly revenues, sales, monthly report packets?
4:25:22 PM	Vice Chairman Chandler - witness	Roberts
	Note: Sacre, Candace	Monthly income statement each month?
4:25:36 PM	Vice Chairman Chandler - witness	Roberts
	Note: Sacre, Candace	Given to you or manager present and talk about?
4:25:48 PM	Vice Chairman Chandler - witness	Roberts
	Note: Sacre, Candace	There for ten years, how many times board discuss merger or consolidation?
4:26:12 PM	Vice Chairman Chandler - witness	Roberts
	Note: Sacre, Candace	Who mentioned?
4:26:23 PM	Vice Chairman Chandler - witness	Roberts
	Note: Sacre, Candace	3700 customers, 12 staff, can survive moving forward that many customers?
4:27:10 PM	Vice Chairman Chandler - witness	Roberts
	Note: Sacre, Candace	Hyden-Leslie survive with less than 4,000 customers?
4:27:28 PM	Vice Chairman Chandler	
	Note: Sacre, Candace	Thank you, Mr. Roberts.
4:27:33 PM	Chairman Schmitt	
	Note: Sacre, Candace	Dr. Mathews, questions?
4:27:38 PM	Commissioner Mathews - witness	Roberts
	Note: Sacre, Candace	Examination. Meetings, infrastructure, brought up by management or outside engineer?
4:28:03 PM	Commissioner Mathews - witness	Roberts
	Note: Sacre, Candace	Somebody says there's a leak, don't have sufficient pressure, those kinds of discussions?
4:28:27 PM	Commissioner Mathews - witness	Roberts
	Note: Sacre, Candace	Engineer didn't talk about infrastructure?
4:28:43 PM	Commissioner Mathews	
	Note: Sacre, Candace	Okay. That's fair enough. Thank you.

4:28:48 PM	Chairman Schmitt Note: Sacre, Candace	I don't have any questions. Anything else?
4:28:51 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	No, sir, no questions.
4:28:52 PM	Chairman Schmitt Note: Sacre, Candace	May this witness be excused?
4:28:53 PM	Staff Atty Koenig PSC Note: Sacre, Candace	Yes.
4:28:54 PM	Chairman Schmitt Note: Sacre, Candace	Thank you, Mr. Roberts. I appreciate your testimony.
4:29:41 PM	Chairman Schmitt Note: Sacre, Candace	You may call your next witness.
4:29:43 PM	Staff Atty Koenig PSC Note: Sacre, Candace	Thank you. I'd like to call William Todd Horton.
4:30:00 PM	Chairman Schmitt Note: Sacre, Candace	Witness is sworn.
4:30:10 PM	Chairman Schmitt Note: Sacre, Candace	I think, for the benefit of the record and our other commissioners, Mr. Roberts felt like I think others, when you're inside this plexiglass, it's sort of like being in an isolation booth, so they have trouble hearing sometimes what's said by people who aren't actually in the room.
4:30:32 PM	Chairman Schmitt Note: Sacre, Candace	Go ahead, Ms. Koenig, you may ask.
4:30:38 PM	Staff Atty Koenig PSC - witness Horton Note: Sacre, Candace	Cross Examination. Hi, Mr. Horton. Name and address?
4:30:53 PM	Staff Atty Koenig PSC - witness Horton Note: Sacre, Candace	Role at Hyden-Leslie?
4:30:59 PM	Staff Atty Koenig PSC - witness Horton Note: Sacre, Candace	How long commissioner, how long treasurer?
4:31:33 PM	Staff Atty Koenig PSC - witness Horton Note: Sacre, Candace	First time Commissioner Lewis served?
4:31:40 PM	Staff Atty Koenig PSC - witness Horton Note: Sacre, Candace	Don't know what year that was?
4:31:47 PM	Staff Atty Koenig PSC - witness Horton Note: Sacre, Candace	Served when Lewis on board?
4:31:53 PM	Staff Atty Koenig PSC - witness Horton Note: Sacre, Candace	Here for last hearing?
4:31:55 PM	Staff Atty Koenig PSC - witness Horton Note: Sacre, Candace	Heard that testimony?
4:31:59 PM	Staff Atty Koenig PSC - witness Horton Note: Sacre, Candace	You and Mr. Roberts longest serving board members?
4:32:07 PM	Staff Atty Koenig PSC - witness Horton Note: Sacre, Candace	Any information Phase 2 project? Know anything about coal severance money?
4:32:33 PM	Staff Atty Koenig PSC - witness Horton Note: Sacre, Candace	Don't recall why had to seek alternative funding?
4:32:46 PM	Staff Atty Koenig PSC - witness Horton Note: Sacre, Candace	Agree with sentiments that project started District down this road?
4:33:00 PM	Staff Atty Koenig PSC - witness Horton Note: Sacre, Candace	What other things?
4:33:30 PM	Staff Atty Koenig PSC - witness Horton Note: Sacre, Candace	Appreciate spirit getting better, moving forward, takes a big person, hindsight what could have done better only help District and others.

4:33:50 PM Staff Atty Koenig PSC - witness Horton
Note: Sacre, Candace Know why a board split, you and Mr. Roberts asked to stay?

4:34:25 PM Staff Atty Koenig PSC - witness Horton
Note: Sacre, Candace Mr. Sizemore?

4:34:29 PM Staff Atty Koenig PSC - witness Horton
Note: Sacre, Candace Mr. Sizemore any other involvement?

4:34:48 PM Staff Atty Koenig PSC - witness Horton
Note: Sacre, Candace Mr. Lewis replaced Mr. Sizemore?

4:34:57 PM Staff Atty Koenig PSC - witness Horton
Note: Sacre, Candace Know why terms filed past year changed when Mr. Roberts informed term ended, annual report yours and his ended July 25 last couple years, informed term was up? Discussed at board meeting?

4:35:41 PM Staff Atty Koenig PSC - witness Horton
Note: Sacre, Candace Has Judge Lewis come to meetings?

4:35:47 PM Staff Atty Koenig PSC - witness Horton
Note: Sacre, Candace 2019-00041 investigation, discussed investigation, order, final report? Review, part in preparing that?

4:36:16 PM Staff Atty Koenig PSC - witness Horton
Note: Sacre, Candace Rate analysis policy included as general recommendation, May order, Mr. Turner say should do this policy or board say change policy?

4:37:01 PM Staff Atty Koenig PSC - witness Horton
Note: Sacre, Candace Water loss prevention, leak detection, board adopt that?

4:37:41 PM Staff Atty Koenig PSC - witness Horton
Note: Sacre, Candace Anything else?

4:38:47 PM Staff Atty Koenig PSC - witness Horton
Note: Sacre, Candace Investigation part discussed capable, skilled managers, agree with recommendation?

4:39:02 PM Staff Atty Koenig PSC - witness Horton
Note: Sacre, Candace Attended commissioner training?

4:39:16 PM Staff Atty Koenig PSC
Note: Sacre, Candace I have no further questions. Thank you, Mr. Horton.

4:39:18 PM Chairman Schmitt
Note: Sacre, Candace Vice Chairman Chandler, questions?

4:39:24 PM Vice Chairman Chandler
Note: Sacre, Candace Yeah, just a couple.

4:39:26 PM Vice Chairman Chandler - witness Horton
Note: Sacre, Candace Examination. Heard questions asked Mr. Lewis, Mr. Roberts?

4:39:35 PM Vice Chairman Chandler - witness Horton
Note: Sacre, Candace Interest in processes board requires rate reviews, thresholds require automatically increasing rates?

4:40:27 PM Vice Chairman Chandler - witness Horton
Note: Sacre, Candace Years on board?

4:40:35 PM Vice Chairman Chandler - witness Horton
Note: Sacre, Candace Getting financial information, board packets?

4:40:41 PM Vice Chairman Chandler - witness Horton
Note: Sacre, Candace Different now, rate sufficiency just getting same financial information?

4:41:17 PM Vice Chairman Chandler - witness Horton
Note: Sacre, Candace Mr. Roberts noted manager go over financial information. More discussion now?

4:41:45 PM Vice Chairman Chandler - witness Horton
Note: Sacre, Candace When start talking more?

4:41:55 PM	Vice Chairman Chandler - witness Horton Note: Sacre, Candace	Board level, move from discussing to ensuring actions for sufficient rates?
4:42:28 PM	Vice Chairman Chandler - witness Horton Note: Sacre, Candace	Mr. Turner remind what margins are, debt service coverage, ensure don't default?
4:42:59 PM	Vice Chairman Chandler - witness Horton Note: Sacre, Candace	First couple years Mr. Turner, board aware revenues insufficient?
4:43:30 PM	Vice Chairman Chandler - witness Horton Note: Sacre, Candace	Remember any conversations about merger?
4:43:50 PM	Vice Chairman Chandler - witness Horton Note: Sacre, Candace	Feelings about merger, consolidation?
4:44:24 PM	Vice Chairman Chandler - witness Horton Note: Sacre, Candace	Staff 66 percent increase to have sufficient rate, start talking about it?
4:45:20 PM	Vice Chairman Chandler - witness Horton Note: Sacre, Candace	Board tell Mr. Turner to do or separate from board?
4:45:35 PM	Vice Chairman Chandler - witness Horton Note: Sacre, Candace	Merger, consolidation, Mr. Turner shouldn't without board direction, approval, or discussions, opportunities outside board approval?
4:45:59 PM	Vice Chairman Chandler - witness Horton Note: Sacre, Candace	Expect board direct Mr. Turner, or Mr. Turner bring to board?
4:46:16 PM	Vice Chairman Chandler Note: Sacre, Candace	I appreciate you coming over here today. That's all the questions I have, Chairman.
4:46:19 PM	Chairman Schmitt Note: Sacre, Candace	Dr. Mathews, questions?
4:46:22 PM	Commissioner Mathews Note: Sacre, Candace	I don't have any, thank you.
4:46:24 PM	Chairman Schmitt - witness Horton Note: Sacre, Candace	Examination. Merger, consolidation, like school districts. Economies of scale, regionalization, statutory change. Share manager, board control, borrow personnel/equipment, or several districts hire engineer.
4:48:56 PM	Chairman Schmitt - witness Horton Note: Sacre, Candace	Burden too great, alternatives, willing to help, investigate, if way to go.
4:49:53 PM	Chairman Schmitt - witness Horton Note: Sacre, Candace	Discussions, two Western Kentucky asked to merge, considering, county-city distrust, makes difficult.
4:50:41 PM	Chairman Schmitt Note: Sacre, Candace	Anything else of Mr. Horton?
4:50:43 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	No questions, Your Honor.
4:50:44 PM	Chairman Schmitt Note: Sacre, Candace	May Mr. Horton be excused?
4:50:46 PM	Staff Atty Koenig PSC Note: Sacre, Candace	Yes, sir.
4:50:53 PM	Chairman Schmitt Note: Sacre, Candace	Do you have another witness?
4:50:54 PM	Staff Atty Koenig PSC Note: Sacre, Candace	We do. We have two more witnesses, Mr. Helton - I'd like to call Mr. Helton next but I think that he has to leave first.
4:51:48 PM	Chairman Schmitt Note: Sacre, Candace	Witness is sworn.

4:52:00 PM	Chairman Schmitt Note: Sacre, Candace	Mr. Koenig, you may ask.
4:52:02 PM	Staff Atty Koenig PSC - witness Helton Note: Sacre, Candace	Cross Examination. Hey, Mr. Helton. Name and address?
4:52:36 PM	Staff Atty Koenig PSC - witness Helton Note: Sacre, Candace	Role at Hyden-Leslie?
4:52:41 PM	Staff Atty Koenig PSC - witness Helton Note: Sacre, Candace	How long chairman?
4:52:48 PM	Staff Atty Koenig PSC - witness Helton Note: Sacre, Candace	How come to be?
4:52:59 PM	Staff Atty Koenig PSC - witness Helton Note: Sacre, Candace	Why terms changed, why Mr. Roberts' term suddenly called?
4:53:11 PM	Staff Atty Koenig PSC - witness Helton Note: Sacre, Candace	How long commissioner?
4:53:17 PM	Staff Atty Koenig PSC - witness Helton Note: Sacre, Candace	2013, Phase 2 in works?
4:53:32 PM	Staff Atty Koenig PSC - witness Helton Note: Sacre, Candace	Here for 2019-00412 testimony, agree waited too long?
4:53:52 PM	Staff Atty Koenig PSC - witness Helton Note: Sacre, Candace	Add anything?
4:54:09 PM	Staff Atty Koenig PSC - witness Helton Note: Sacre, Candace	Fearful end term soon?
4:54:28 PM	Staff Atty Koenig PSC - witness Helton Note: Sacre, Candace	Where work?
4:54:37 PM	Staff Atty Koenig PSC - witness Helton Note: Sacre, Candace	Anything else, board has done comply 2019-00041, anything?
4:55:18 PM	Staff Atty Koenig PSC - witness Helton Note: Sacre, Candace	Attended training?
4:55:23 PM	Staff Atty Koenig PSC Note: Sacre, Candace	I don't have any further questions.
4:55:26 PM	Chairman Schmitt Note: Sacre, Candace	Vice Chairman Chandler, questions?
4:55:30 PM	Vice Chairman Chandler Note: Sacre, Candace	I have no questions, Chairman. Thanks.
4:55:32 PM	Chairman Schmitt Note: Sacre, Candace	Dr. Mathews?
4:55:34 PM	Commissioner Mathews Note: Sacre, Candace	I have no questions.
4:55:37 PM	Chairman Schmitt Note: Sacre, Candace	I have no questions. Mr. Wuechter?
4:55:40 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	I have no questions, Your Honor.
4:55:42 PM	Chairman Schmitt Note: Sacre, Candace	May Mr. Helton be excused?
4:55:43 PM	Staff Atty Koenig PSC Note: Sacre, Candace	Yes, sir.
4:55:44 PM	Chairman Schmitt Note: Sacre, Candace	Thank you, Mr. Helton. You may be excused.
4:55:47 PM	Staff Atty Koenig PSC Note: Sacre, Candace	Next, we'd like to call Mr. Maggard.
4:56:33 PM	Chairman Schmitt Note: Sacre, Candace	Witness is sworn.
4:56:42 PM	Chairman Schmitt Note: Sacre, Candace	Ms. Koenig, you may ask.

4:56:44 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Thank you.

4:56:45 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Cross Examination. Good afternoon, Mr. Maggard. Been here whole day?

4:56:53 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace At February 2019-00412 hearing?

4:57:00 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Changed policies how advise clients recommendations 2019-00041 or 2019-00412?

4:57:41 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace 2019-00412, help districts with rate filings?

4:57:53 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Do rate study when analysis of project?

4:57:59 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Definition rate study, mean something different PSC doing study versus your rate study?

4:59:04 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Name and address?

4:59:23 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Role with Hyden-Leslie?

4:59:31 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Recall Mr. Wuetcher questioning, 50/50 between traditional rate filings and filings through KRS 278.023?

4:59:57 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Still accurate?

5:00:04 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Follow up, Mr. Turner depreciation reserve accounts, point person on funding?

5:00:26 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Their representative federal state funding agencies?

5:00:36 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Every case?

5:00:39 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Across the board?

5:00:48 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace How paid, contract? Paid by project.

5:01:00 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace All time, full-time engineer?

5:01:20 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Available, ask to seek funding, look at project?

5:01:30 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Depreciation reserve accounts, creditors require written reports balances?

5:01:45 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Part of loan resolution, reserve account level, left alone, yearly reminders?

5:02:11 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Reminders to you or District?

5:02:19 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Funding agencies communicate with District?

5:02:31 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace What happens lending agency finds depreciation reserve not in compliance?

5:02:56 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Ever happened?

5:03:03 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace District in compliance bond ordinances?

5:03:11 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Know this because attend board meetings and consult Mr. Turner?

5:03:20 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Fiduciary duty as attaches capacity as contract engineer?

5:03:44 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Due diligence would be rate study, rate sufficiency, but don't look at depreciation?

5:04:02 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Feel you advise and explain options?

5:04:30 PM Chairman Schmitt
Note: Sacre, Candace May I ask?

5:04:31 PM Staff Atty Koenig PSC
Note: Sacre, Candace Sure.

5:04:32 PM Chairman Schmitt - witness Maggard
Note: Sacre, Candace Examination. Anything prohibit any district apply for RD loan include additional rate increases infrastructure replacement, depreciation?

5:05:00 PM Chairman Schmitt - witness Maggard
Note: Sacre, Candace RD not object higher rate increase than require?

5:05:06 PM Chairman Schmitt - witness Maggard
Note: Sacre, Candace Left to district?

5:05:13 PM Chairman Schmitt
Note: Sacre, Candace I'm sorry. Go ahead.

5:05:14 PM Staff Atty Koenig PSC
Note: Sacre, Candace No, that's fine.

5:05:16 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Cross Examination (cont'd). Testimony at 2019-00412 hearing, asked other board members, District waited too long, advising throughout time period?

5:05:38 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Agree? Why didn't seek rate increase?

5:05:55 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Suggest anything about possible regulation, require file rate case?

5:06:18 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Prevent turning bad, staying bad, prevent district seeking funding too long?

5:06:40 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Response May 22 discussing projects helping District apply for?

5:06:57 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Project WX21131002 Phase 3B, Water Systems Improvement Project, status?

5:07:58 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Reapplication of block grant?

5:08:05 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace That wasn't lost, how describe?

5:08:24 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Anything comment on 2019-00412?

5:08:38 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace As rep for funding, five projects in WRIS?

5:08:50 PM Staff Atty Koenig PSC - witness Maggard
Note: Sacre, Candace Describe?

5:08:56 PM	Staff Atty Koenig PSC - witness Maggard Note: Sacre, Candace	This was one?
5:09:53 PM	Staff Atty Koenig PSC - witness Maggard Note: Sacre, Candace	Opinion on surcharge?
5:10:14 PM	Staff Atty Koenig PSC - witness Maggard Note: Sacre, Candace	Opinion 2019-00041 appointing full-time engineers, having districts share?
5:10:39 PM	Staff Atty Koenig PSC Note: Sacre, Candace	I have no further questions. Thank you very much.
5:10:42 PM	Chairman Schmitt Note: Sacre, Candace	Vice Chairman Chandler?
5:10:49 PM	Vice Chairman Chandler Note: Sacre, Candace	I have no questions, Chairman, thank you.
5:10:51 PM	Chairman Schmitt Note: Sacre, Candace	Dr. Mathews?
5:10:53 PM	Commissioner Mathews Note: Sacre, Candace	I don't either.
5:10:56 PM	Chairman Schmitt Note: Sacre, Candace	I have no questions. Thank you. Mr. Wuetcher?
5:10:58 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	No questions, Your Honor.
5:11:00 PM	Chairman Schmitt Note: Sacre, Candace	May this witness be excused?
5:11:01 PM	Staff Atty Koenig PSC Note: Sacre, Candace	Yes, sir.
5:11:02 PM	Chairman Schmitt Note: Sacre, Candace	You may step down, Mr. Maggard, thank you.
5:11:04 PM	Chairman Schmitt Note: Sacre, Candace	Do you have any other witnesses?
5:11:07 PM	Staff Atty Koenig PSC Note: Sacre, Candace	The Commission has no witnesses.
5:11:08 PM	Chairman Schmitt Note: Sacre, Candace	Mr. Wuetcher, anyone you'd like to put on in rebuttal or anything?
5:11:11 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	I have a question to ask because we have (inaudible) Staff Report. I take it the Staff, the people, that drafted the report and made their findings are not going to testify today?
5:11:21 PM	Session Note Entry Note: Sacre, Candace	Not unless you need them to. They are prepared if you -
5:11:26 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	Are they here?
5:11:27 PM	Staff Atty Koenig PSC Note: Sacre, Candace	Yes. I wasn't going to call them though, and you didn't either so - if you would like to though, we could -
5:11:34 PM	Chairman Schmitt Note: Sacre, Candace	Did you accept, did your client accept the Recommendations?
5:11:37 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	We accepted the Findings, Your Honor, but my understanding from past practice with the Commission was that when the Commission has a hearing on the entire Application, everything is open to review.
5:11:52 PM	Chairman Schmitt Note: Sacre, Candace	If your clients accepted the Findings of the Report, what is there to review?

5:11:56 PM	Att Wuetcher Hyden-Leslie District Note: Sacre, Candace	No. There were a couple of questions that we did not ask to make a few points, but, given the length of time and the fact we have accepted it, I guess, for future reference, when the Commission Staff requests a report, it would be incumbent on the applicant to go ahead and make a specific request to have those persons present and prepared to testify?
5:12:17 PM	Chairman Schmitt Note: Sacre, Candace	I think that probably would be best. I think, Mr. Wuetcher, moving forward, this is me speaking only for me, you probably, your client, can probably expect that the Commission will be doing what it can to get these troubled districts all the money we can possibly get them whether they want it or not. (Click on link for further comments.)
5:13:42 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	Yes, sir, that leads to my second question, which is going back to 2019-00412, the Commission had denied the District's earlier request for authorization for the KIA loan, and we had introduced in this case KIA's acknowledgement that the rates recommended by the Commission Staff were sufficient to satisfy the condition. In order to place that matter again before the Commission, would you recommend we simply make a motion, asking for a decision in that case?
5:14:20 PM	Chairman Schmitt Note: Sacre, Candace	I think we plan on making a decision in that case. (Click on link for further comments.)
5:14:53 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	Thank you, Your Honor.
5:14:54 PM	Chairman Schmitt Note: Sacre, Candace	Thank you. Is there anything else?
5:14:57 PM	Staff Atty Koenig PSC Note: Sacre, Candace	Just if you wanted to give a date on the Post-Hearing Data Requests. I believe I only have two very short, so I could get those out.
5:15:08 PM	Chairman Schmitt Note: Sacre, Candace	Do you think you could get them by - what is today? Wednesday? Friday, Saturday, Monday? How much time do you need?
5:15:13 PM	Staff Atty Koenig PSC Note: Sacre, Candace	Friday would be fine.
5:15:14 PM	Chairman Schmitt Note: Sacre, Candace	Friday, and the, Mr. Wuetcher, as I remember, I think that information ought to be fairly readily available, and you just want to consult with your client and determine how much time you'll need?
5:15:37 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	If we receive the Requests on Friday, we can have them back within a week.
5:15:44 PM	Chairman Schmitt Note: Sacre, Candace	Okay, thank you. We'll enter an order to that effect.
5:15:48 PM	Chairman Schmitt Note: Sacre, Candace	Is there anything else we need to discuss or anything else that's needed?
5:15:52 PM	Atty Wuetcher Hyden-Leslie District Note: Sacre, Candace	No, sir, Your Honor.
5:15:54 PM	Chairman Schmitt Note: Sacre, Candace	All right, in that case, this hearing is adjourned. Thank you all very much.



Exhibit List Report

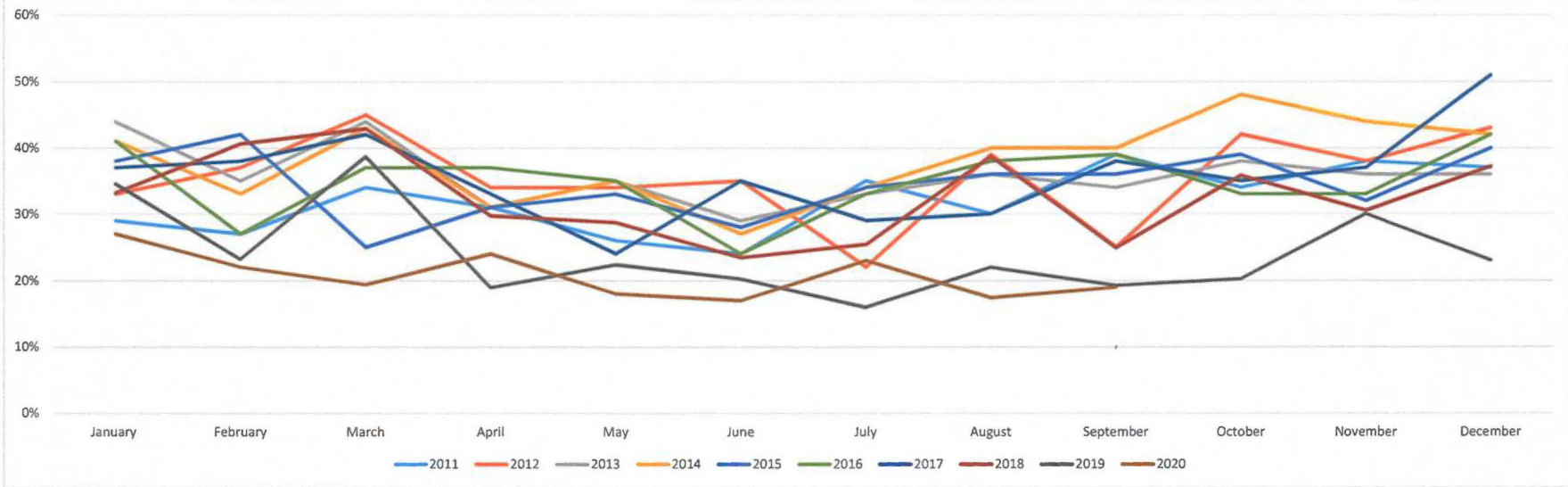
2020-00141 14Oct2020

Hyden-Leslie County Water District
(Hyden-Leslie District)

Name:	Description:
Hyden-Leslie District Exhibit 1	Hyden Leslie County Water District Water Loss History
PSC Exhibit 1	Employee Wage Cost Calculations
PSC Exhibit 2	Hyden-Leslie County Water District Independent Auditors' Report and Financial Statements for the Years Ended 12/31/2019 and 2018

Hyden Leslie County Water District Water Loss History

	January	February	March	April	May	June	July	August	September	October	November	December	Annual Average
2011	29%	27%	34%	31%	26%	24%	35%	30%	39%	34%	38%	37%	32%
2012	33%	37%	45%	34%	34%	35%	22%	39%	25%	42%	38%	43%	36%
2013	44%	35%	44%	31%	35%	29%	33%	36%	34%	38%	36%	36%	36%
2014	41%	33%	43%	31%	35%	27%	34%	40%	40%	48%	44%	42%	38%
2015	38%	42%	25%	31%	33%	28%	34%	36%	36%	39%	32%	40%	35%
2016	41%	27%	37%	37%	35%	24%	33%	38%	39%	33%	33%	42%	35%
2017	37%	38%	42%	33%	24%	35%	29%	30%	38%	35%	37%	51%	36%
2018	33%	41%	43%	30%	29%	23%	25%	39%	25%	36%	31%	37%	33%
2019	35%	23%	39%	19%	22%	20%	16%	22%	19%	20%	30%	23%	24%
2020	27%	22%	19%	24%	18%	17%	23%	17%	19%				21%



Employee Wage Cost Calculations

Employee Position	Hourly Wage	Average Hourly Wage	Average Overtime Wage
Operations:			
Distribution-Full Time	19.91		
Distribution-Full Time	19.1		
Distribution-Full Time	17.84		
Distribution-Full Time	14.91		
Distribution-Full Time	16.01		
Operator-FullTime	19.5		
Operator-FullTime	13.36		
Operator-FullTime	13.36		
Total	\$133.99	\$ 16.75	\$ 25.12
Administration:			
Billing Clerk - Full Time	\$ 18.16		
Billing Clerk - Full Time	\$ 13.88		
Total	\$ 32.04	\$ 16.02	\$ 24.03
Employee Benefit Costs			
Benefit	% of Wages		
Retirement	24.06		
Workers Comp	1.00		
FICA Taxes	6.00		
Medicare	1.40		
Utility Responsibility	32.46		
Health Insurance			
Annual Health Insurance Premium	\$ 206,051.29		
Divided By Test Period Hours	20,800.00		
Health Insurance Cost Per Hr		\$ 9.91	
Benefits Calculations:			
Operational (16.75 x 32.46%)		\$5.44	
Administrative (\$16.02 x 32.46%)		\$5.20	
Average Hourly Wage w/ Benefits			
Operational		\$32.09	\$43.18
Administrative		\$31.13	\$41.74

Hyden–Leslie County Water District
Hyden, Kentucky

Independent Auditors' Report
And Financial Statements
For the Years Ended
December 31, 2019 and 2018

Hyden-Leslie County Water District
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Independent Auditors' Report

To the Commissioners
Hyden-Leslie County Water District
Hyden, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Hyden-Leslie County Water District (the District) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Hyden-Leslie County Water District, as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2020 on our consideration of Hyden-Leslie County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hyden-Leslie County Water District's internal control over financial reporting and compliance.

Christian Sturgeon, PLLC

Christian Sturgeon, PLLC
London, Kentucky

March 31, 2020

Hyden-Leslie County Water District
 Statements of Net Position
 December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 163,446	\$ 215,165
Investments	911,450	1,080,992
Receivables, less allowance for doubtful accounts of \$5,000	238,438	256,331
Unbilled accounts receivable	27,920	28,365
Inventories	47,276	52,947
Prepaid expenses	25,842	27,431
Grants receivable	-	31,182
Other current assets	6,807	5,940
Total Current Assets	<u>1,421,179</u>	<u>1,698,353</u>
Noncurrent Assets		
Restricted Assets		
Customer deposits	51,807	51,092
Depreciation reserves	114,840	118,320
Debt and interest funds	203,737	199,766
Total Restricted Assets	<u>370,384</u>	<u>369,178</u>
Capital Assets		
Land and improvements	32,169	32,169
Buildings and improvements	5,632,405	5,632,405
Source of supply and pumping	2,554,944	2,371,287
Water treatment equipment	3,647,342	3,647,342
Transmission and distribution plant	21,926,748	21,271,414
Vehicles and other equipment	989,563	1,024,028
Construction in progress	104,734	859,683
Less: accumulated depreciation	<u>(10,557,225)</u>	<u>(9,813,773)</u>
Net Capital Assets	<u>24,330,680</u>	<u>25,024,555</u>
Total Noncurrent Assets	<u>24,701,064</u>	<u>25,393,733</u>
Total Assets	<u>26,122,243</u>	<u>27,092,086</u>

Hyden-Leslie County Water District
 Statements of Net Position (Continued)
 December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Liabilities		
Current Liabilities		
Current portion of long-term debt	93,800	92,500
Accounts payable	48,933	90,136
Accrued interest payable	7,088	7,226
Accrued salaries and taxes payable	41,673	39,375
Other current liabilities	4,187	1,503
Total Current Liabilities	195,681	230,740
Noncurrent Liabilities		
Customer deposits	51,807	51,092
Unearned tap fees	7,800	-
Long-term debt, less current portion	5,985,000	5,968,800
Total Noncurrent Liabilities	6,044,607	6,019,892
Total Liabilities	6,240,288	6,250,632
Net Position		
Net investment in capital assets	18,251,880	18,963,255
Restricted	370,384	369,178
Unrestricted	1,259,691	1,509,021
Total Net Position	\$ 19,881,955	\$ 20,841,454

Hyden-Leslie County Water District
 Statements of Revenues, Expenses and Changes in Net Position
 For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Water sales	\$ 1,464,365	\$ 1,472,606
Service charges	4,061	4,075
Tap fees	6,234	12,018
Penalties	48,991	50,458
Other revenues	15,704	278
Total Operating Revenues	<u>1,539,355</u>	<u>1,539,435</u>
Operating Expenses		
Salaries and wages	513,949	546,881
Employee benefits	257,471	272,456
Utilities	295,394	271,646
Chemicals	87,527	96,555
Materials and supplies	140,608	130,293
Contracted services	40,194	24,938
Vehicle and equipment expenses	43,530	44,455
Insurance	57,165	51,209
Bad debt expense, net of recoveries	27,657	18,672
Depreciation	785,429	855,250
Other operating expenses	107,658	88,017
Total Operating Expenses	<u>2,356,582</u>	<u>2,400,372</u>
Operating Income (Loss)	<u>(817,227)</u>	<u>(860,937)</u>
Non-operating Revenues (Expenses)		
Interest income	30,664	2,972
Grant revenue	31,995	74,559
Gain on sale of equipment	6,673	-
Reimbursed line relocation income	33,600	-
Line relocation expense	(33,600)	-
Interest expense	(211,604)	(167,014)
Total Non-operating Revenues (Expenses)	<u>(142,272)</u>	<u>(89,483)</u>
Change in Net Position	(959,499)	(950,420)
Net Position, Beginning of Year	<u>20,841,454</u>	<u>21,791,874</u>
Net Position, End of Year	<u>\$ 19,881,955</u>	<u>\$ 20,841,454</u>

Hyden-Leslie County Water District
 Statements of Cash Flows
 For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Receipts from customers	\$ 1,522,847	\$ 1,512,082
Receipts from other activities	15,704	278
Payments to employees	(511,651)	(520,280)
Payments to suppliers	(907,698)	(920,160)
Payments for other activities	<u>(107,658)</u>	<u>(88,017)</u>
Net Cash Provided (Used) by Operating Activities	<u>11,544</u>	<u>(16,097)</u>
Cash Flows From Capital and Related Financing Activities		
Purchases of property, plant and equipment	(137,973)	(241,870)
Proceeds from sale of property, plant and equipment	6,673	-
Principal payments on debt	(92,500)	(90,200)
Interest payments on debt	(211,742)	(167,149)
Proceeds from debt	110,000	23,881
Bond issuance costs	-	38,862
Grants	<u>63,177</u>	<u>57,152</u>
Net Cash Used by Capital and Related Financing Activities	<u>(262,365)</u>	<u>(379,324)</u>
Cash Flows From Investing Activities		
Purchases of investments	(20,555)	(17,419)
Proceeds from investments	200,000	-
Interest on investments	<u>20,863</u>	<u>18,011</u>
Net Cash Provided by Investing Activities	<u>200,308</u>	<u>592</u>
Net Decrease in Cash and Cash Equivalents	(50,513)	(394,829)
Cash and Cash Equivalents at Beginning of Year	<u>584,343</u>	<u>979,172</u>
Cash and Cash Equivalents at End of Year	<u>\$ 533,830</u>	<u>\$ 584,343</u>
Reconciliation of cash per Statements of Net Position to cash per Statements of Cash Flows:		
Cash and cash equivalents	\$ 163,446	\$ 215,165
Customer deposits	51,807	51,092
Depreciation reserves	114,840	118,320
Debt and interest funds	<u>203,737</u>	<u>199,766</u>
Cash and Cash Equivalents per Statements of Cash Flows	<u>\$ 533,830</u>	<u>\$ 584,343</u>

Hyden-Leslie County Water District
 Statements of Cash Flows (Continued)
 For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by Operating Activities:		
Operating income (loss)	\$ (817,227)	\$ (860,937)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	785,429	855,250
(Increase) Decrease in operating assets		
Accounts receivable	17,893	(36,310)
Unbilled accounts receivable	445	25,687
Inventory	5,671	(17,181)
Other current assets and prepaid expenses	620	(2,845)
Increase (Decrease) in operating liabilities		
Accounts payable	5,216	(6,695)
Accrued expenses and other liabilities	4,982	24,714
Customer deposits	715	2,220
Unearned tap fees	7,800	-
	<u>11,544</u>	<u>(16,097)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 11,544</u>	<u>\$ (16,097)</u>

Hyden-Leslie County Water District
Notes to Financial Statements
December 31, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Hyden-Leslie County Water District, of Leslie County, Kentucky ("District") was created in 1968 under Chapter 74 of the Kentucky Revised Statutes. The District is governed by a five-person board of Commissioners which is appointed by the Leslie County Fiscal Court. The District is regulated by the Kentucky Public Service Commission.

The District is a rural water utility system whose purpose is to establish, develop and operate a water supply and distribution system for its customers in Leslie County, Kentucky. The District's primary source of revenue is from water sales to its customers, including public bodies and local businesses in its service area.

Basis of Accounting, Financial Presentation and Measurement Focus

The basic financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The District applies all relevant Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails. In addition, the District applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

The Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position display information about the District as a whole. These statements include all funds of the District.

The financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating income reported by the District includes revenues and expenses related to the continuing operation of water service for its customers. Principal operating revenues are charges to customers for services. Principal operating expenses are the costs of providing the services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Cash and Cash Equivalents

The District considers demand deposits and certificates of deposit with maturities of less than three months to be cash equivalents.

Hyden-Leslie County Water District
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

Investments

Investments include certificates of deposits with maturity dates of three months or more. Certificates of deposit in excess of FDIC insurance coverage are collateralized by securities held by the pledging institution.

The District also invests in mutual funds, which are recorded at their fair market value. Securities are traded on a national exchange and valued at the last reported sales price at current exchange rates and investments that do not have an established market are reported at an estimated fair value.

Accounts Receivable

Receivables include amounts due from customers for water services. These receivables are due at the time the services are billed and are considered past due on the first day of the following month. Accounts receivable are presented net of uncollectible accounts. The allowance amount is estimated using a percentage of accounts past due more than 30 days. At December 31, 2019 and 2018, the allowance for doubtful accounts was \$5,000.

Unbilled Accounts Receivable

Estimated unbilled revenues from water sales are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billing during the month following the close of the fiscal year.

Inventories and Prepaid Expenses

Inventories consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost and are recorded as an expense at the time individual items are used. Prepaid expenses include payments to vendors that benefit future reporting periods and are reported on the consumption basis.

Capital Assets

The District's property, plant and equipment with useful lives of more than one year are stated at historical cost. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. During the year ended December 31, 2019, the District revised the estimated useful lives of their assets to comply with useful lives suggested by the Public Service Commission (PSC). This change in accounting estimate resulted in a reduced depreciation expense for the year and will be effective for future periods. Depreciation expense for the years ended December 31, 2019 and 2018 was \$785,429 and \$855,250, respectively.

Estimated useful lives for depreciable assets are as follows:

Asset Classification	Range of Lives
Structures and improvements	35-40 years
Transmission distribution mains	50-75 years
Plant equipment	10-60 years
Meters and services	30-50 years
Other equipment and vehicles	7-25 years

Hyden-Leslie County Water District
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

Customer Deposits

The District collects and holds in escrow a \$30 deposit from customers to ensure collection of its water charges. Interest at an annual rate of 2.64% is paid on these deposits.

Net Position

Net position is comprised of the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – This component of net position consists of restricted assets less liabilities and deferred inflows of resources related to those assets. Restricted assets are those with limits on their use that are externally imposed constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net amounts of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or the restricted component of net position.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District would typically use restricted assets first, but reserves the right to selectively spend unrestricted assets first.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Restricted Assets

Under the terms of all loan resolutions, the District is required to maintain certain accounts and funds for the benefit and protection of the creditors. In addition, the District is also required to collect reasonable and sufficient rates and charges for services rendered, prohibited from selling, leasing or mortgaging any part of the system without prior approval, required to maintain the operating system in good condition and to carry adequate insurance on all properties to protect against loss or damage.

The resolutions require the District to establish a depreciation fund or reserve to be used to finance the cost of unusual repairs, renewals and replacements not included in the annual budget and to pay for future system extensions. The balance of these accounts at December 31, 2019 and 2018 was \$318,577 and \$318,086, respectively. The balance of customer deposits held at December 31, 2019 and 2018 was \$51,807 and \$51,092, respectively.

Hyden-Leslie County Water District
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

Note 3 – Kentucky Revised Statute

At December 31, 2019 and 2018, \$1,437,732 and \$1,667,986, respectively, of the cash and certificates of deposit of the District was covered by federal depository insurance and securities pledged as collateral on behalf of the District. In accordance with Kentucky Revised Statute (KRS) 91A.060, the deposits are to be insured by the Federal Depository Insurance Corporation or collateralized to the extent uninsured by any obligations permitted by KRS 41.240(4). According to KRS 41.240(4), financial institutions shall either pledge or provide as collateral securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits. According to KRS 66.480, the District is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, interest bearing deposits of insured savings and loans, or interest-bearing deposits of insured national or state banks. For additional cash descriptive information, see Note 1.

Note 4 – Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2019, and 2018, \$282,376 and \$325,765, respectively, of the District's total deposits at banks of \$1,437,732 and \$1,667,986 respectively, were exposed to custodial credit risk as follows:

	<u>2019</u>	<u>2018</u>
Uninsured and uncollateralized	\$ -	\$ -
Uninsured and collateral held by pledging bank	282,376	325,765
Uninsured and collateral held by pledging bank's trust department not in the District's name	-	-
Total	\$ 282,376	\$ 325,765

Note 5 – Investments

As of December 31, 2019, and 2018, the District had the following investments:

		Fair Value	
	Rating	<u>2019</u>	<u>2018</u>
Mutual Funds/Cash in Money Market Account	Not Rated	\$ 187,202	\$ 263,974
Certificates of Deposit	Not Rated	724,248	817,018
Total		\$ 911,450	\$ 1,080,992

Mutual Funds are liquid assets; therefore, they do not have a maturity date and are classified as current assets.

Interest Rate Risk – Investments. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

Concentration of Credit Risk – Investments. The District places no limit on the amount the District may invest in any one fund. The investments in mutual funds at December 31, 2019 and 2018 were 20.5% and 24.4%, respectively, of the District's total investments.

Hyden-Leslie County Water District
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

Note 5 – Investments (Continued)

Risks and Uncertainties – Investments. The District invests in various mutual funds. Mutual funds are exposed to various risks, such as interest rate, credit, and market risks. Due to the level of risks associated with certain mutual funds, it is at least reasonably possible that changes in the values of mutual funds will occur in the near term and that such changes could materially affect the account balances and the amounts reported in the financial statements.

Note 6 – Capital Assets

The following is a summary of capital asset transactions for the year ended December 31, 2019:

	Balance Dec. 31, 2018	Additions	Dispositions	Balance Dec. 31, 2019
Land and improvements	\$ 32,169	\$ -	\$ -	\$ 32,169
Building and improvements	5,632,405	-	-	5,632,405
Source of supply and pumping	2,371,287	183,657	-	2,554,944
Water treatment equipment	3,647,342	-	-	3,647,342
Transmission and distribution plant	21,271,414	655,334	-	21,926,748
Vehicles and other equipment	1,024,028	7,512	41,977	989,563
Construction in progress	859,683	65,272	820,221	104,734
Totals at historical cost	<u>34,838,328</u>	<u>911,775</u>	<u>862,198</u>	<u>34,887,905</u>
Less accumulated depreciation for:				
Building and improvements	892,184	150,196	-	1,042,380
Source of supply and pumping	663,330	87,580	-	750,910
Water treatment equipment	533,227	124,351	-	657,578
Transmission and distribution plant	7,235,277	366,760	-	7,602,037
Vehicles and other equipment	489,755	56,542	41,977	504,320
Total accumulated depreciation	<u>9,813,773</u>	<u>785,429</u>	<u>41,977</u>	<u>10,557,225</u>
Capital assets - net	<u>\$ 25,024,555</u>	<u>\$ 126,346</u>	<u>\$ 820,221</u>	<u>\$ 24,330,680</u>

Hyden-Leslie County Water District
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

Note 6 – Capital Assets (Continued)

The following is a summary of capital asset transactions for the year ended December 31, 2018:

	Balance Dec. 31, 2017	Additions	Dispositions	Balance Dec. 31, 2018
Land and improvements	\$ 32,169	\$ -	\$ -	\$ 32,169
Building and improvements	5,630,362	2,043	-	5,632,405
Source of supply and pumping	2,371,287	-	-	2,371,287
Water treatment equipment	3,647,342	-	-	3,647,342
Transmission and distribution plant	21,107,152	193,704	29,442	21,271,414
Vehicles and other equipment	978,184	46,644	800	1,024,028
Construction in progress	846,260	189,439	176,016	859,683
Totals at historical cost	<u>34,612,756</u>	<u>431,830</u>	<u>206,258</u>	<u>34,838,328</u>
Less accumulated depreciation for:				
Building and improvements	784,141	108,043	-	892,184
Source of supply and pumping	588,566	74,764	-	663,330
Water treatment equipment	445,891	87,336	-	533,227
Transmission and distribution plant	6,721,750	542,973	29,446	7,235,277
Vehicles and other equipment	448,417	42,138	800	489,755
Total accumulated depreciation	<u>8,988,765</u>	<u>855,254</u>	<u>30,246</u>	<u>9,813,773</u>
Capital assets - net	<u>\$ 25,623,991</u>	<u>\$ (423,424)</u>	<u>\$ 176,012</u>	<u>\$ 25,024,555</u>

Note 7 – Long-Term Debt

On February 1, 2016, the District entered into an assistance agreement with the Kentucky Rural Water Finance Corporation (KRWFC) to borrow funds with a fixed rate of 2.00%. The District entered into the agreement and used all loan proceeds to advance refund their outstanding Series 2013F loan with KRWFC. As a result, the Series 2013F bonds are considered defeased. The agreement matured February 1, 2018. The agreement was refinanced in 2018, 2019, and 2020 with a new maturity date of February 1, 2021. Permanent financing has not been secured and repayment terms have not been determined.

The following is a summary of long-term debt transactions for the year ended December 31, 2019:

	Balance Dec. 31, 2018	Additions	Payments	Balance Dec. 31, 2019	Due Within One Year
Loan payable to United States Department of Agriculture, payable annually in varying principal amounts, with final payment due June 1, 2028; interest payable on a semi-annual basis at the rate of 5.0%	\$ 382,500	\$ -	\$ 35,000	\$ 347,500	\$ 35,000

Hyden-Leslie County Water District
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

Note 7 – Long-Term Debt (Continued)

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>Dec. 31, 2019</u>	<u>Due Within</u> <u>One Year</u>
Loan payable to United States Department of Agriculture, payable annually in varying principal amounts, with final payment due June 1, 2040; interest payable on a semi-annual basis at the rate of 4.5%	236,800	-	6,500	230,300	6,800
Loan payable to United States Department of Agriculture, payable annually in varying principal amounts, with final payment due June 1, 2051; interest payable on a semi-annual basis at the rate of 3.75%	1,030,500	-	14,500	1,016,000	15,000
Loan payable to United States Department of Agriculture, payable annually in varying principal amounts, with final payment due June 1, 2051; interest payable on a semi-annual basis at the rate of 2.25%	1,786,500	-	36,500	1,750,000	37,000
Loan payable to Kentucky Rural Water Finance Corporation, principal payable upon maturity on February 1, 2021; interest payable on a semi-annual basis at the rate of 2.00%	2,625,000	110,000	-	2,735,000	-
	<u>\$ 6,061,300</u>	<u>\$ 110,000</u>	<u>\$ 92,500</u>	<u>\$ 6,078,800</u>	<u>\$ 93,800</u>

Hyden-Leslie County Water District
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

Note 7 – Long-Term Debt (Continued)

The following is a summary of long-term debt transactions for the year ended December 31, 2018:

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Due Within</u> <u>One Year</u>
Loan payable to United States Department of Agriculture, payable annually in varying principal amounts, with final payment due June 1, 2028; interest payable on a semi-annual basis at the rate of 5.0%	\$ 417,000	\$ -	\$ 34,500	\$ 382,500	\$ 35,000
Loan payable to United States Department of Agriculture, payable annually in varying principal amounts, with final payment due June 1, 2040; interest payable on a semi-annual basis at the rate of 4.5%	243,000	-	6,200	236,800	6,500
Loan payable to United States Department of Agriculture, payable annually in varying principal amounts, with final payment due June 1, 2051; interest payable on a semi-annual basis at the rate of 3.75%	1,044,500	-	14,000	1,030,500	14,500
Loan payable to United States Department of Agriculture, payable annually in varying principal amounts, with final payment due June 1, 2051; interest payable on a semi-annual basis at the rate of 2.25%	1,822,000	-	35,500	1,786,500	36,500

Hyden-Leslie County Water District
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

Note 7 – Long-Term Debt (Continued)

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Due Within</u> <u>One Year</u>
Loan payable to Kentucky Rural Water Finance Corporation, principal payable upon maturity on February 1, 2020; interest payable on a semi-annual basis at the rate of 4.00%	2,601,119	23,881	-	2,625,000	-
	<u>\$ 6,127,619</u>	<u>\$ 23,881</u>	<u>\$ 90,200</u>	<u>\$ 6,061,300</u>	<u>\$ 92,500</u>

The aggregate annual principal repayments on long-term debt are summarized as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 93,800	\$ 133,782	\$ 227,582
2021	2,833,183	96,419	2,929,602
2022	102,900	90,437	193,337
2023	104,800	87,368	192,168
2024	107,100	84,433	191,533
2025-2029	522,917	372,080	894,997
2030-2034	429,300	307,065	736,365
2035-2039	507,000	236,283	743,283
2040-2044	523,300	159,631	682,931
2045-2049	591,000	81,690	672,690
2050-2054	263,500	7,751	271,251
	<u>\$ 6,078,800</u>	<u>\$ 1,656,939</u>	<u>\$ 7,735,739</u>

Note 8 – Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage for the year and settlements have not exceeded coverage in the past three years.

Hyden-Leslie County Water District
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

Note 9 – Related Party Transactions

There is one business that the District uses as a vendor which is owned by a related party of the District. During the years ended December 31, 2019 and 2018, the District purchased materials and supplies from a hardware store, which is owned by a Commissioner's brother, in the amounts of \$1,144 and \$1,461, respectively.

Note 10 - Subsequent Events

Date of Management Evaluation

Management of the District has evaluated subsequent events through March 31, 2020, the date on which the financial statements were available to be issued.



**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Commissioners
Hyden-Leslie County Water District
Hyden, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Hyden-Leslie County Water District as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Hyden-Leslie County Water District's basic financial statements and have issued our report thereon dated March 31, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hyden-Leslie County Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hyden-Leslie County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses (See items 2019-1 and 2019-2).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hyden-Leslie County Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hyden-Leslie County Water District's Response to Findings

Hyden-Leslie County Water District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Hyden-Leslie County Water District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christian Sturgeon, PLLC

Christian Sturgeon, PLLC
London, Kentucky

March 31, 2020

Hyden-Leslie County Water District
Schedule of Findings and Responses
December 31, 2019

Findings – Financial Statements

2019-1

Criteria:

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

Condition:

During the audit procedures performed, instances of this objective not being completely achieved were noted.

Cause:

The District's limited internal resources prevent the preparation of financial statements and related note disclosures in accordance with generally accepted accounting principles.

Effect:

The District was unable to prepare their financial statements and related note disclosures in accordance with generally accepted accounting principles.

Views of responsible officials and planned corrective actions:

The District feels that it would not be cost beneficial to hire the personnel required to complete these tasks.

2019-2

Criteria:

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

Condition:

During the audit procedures performed, instances of this objective not being completely achieved were noted.

Cause:

The size of the District's office staff does not allow proper segregation of duties with regard to cash collections, billings and postings to the accounts receivable ledger.

Effect:

This condition creates a weakness in internal controls which could result in unauthorized transactions being processed.

Views of responsible officials and planned corrective actions:

The District feels that it would not be cost beneficial to hire the personnel required to complete these tasks.

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