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**JUN 12 2017**

**PUBLIC SERVICE  
COMMISSION**

June 9, 2017

Talina Mathews, Executive Director  
Kentucky Public Service Commission  
P.O. Box 615  
211 Sower Blvd.  
Frankfort, Ky. 40602-0615

Dear Ms. Mathews:

I have enclosed one page of a large document I sent earlier today that confirms something I have suspected but have no proof of occurring in the Martin County Water District. I ask that this be included in the PSC's ongoing case (Case No. 2016-00142).

In testimony before the PSC in a hearing in February, MCWD Operations Manager John Mills alluded to a number of folks whose "wells had suddenly ran dry" who lived along a new main water line MCWD was installing and had come to the office to pay for new taps. If I remember correctly, when these lines were being installed, there was some reference in his testimony, I believe, where it was quite evident that while taking out the old lines, he (or someone else installing the lines) observed illegal unmetered taps in the lines.

Then you had Mr. Burns' testimony of a proposed "amnesty program" he suggested the district do to remedy the problem of people who might be illegally receiving water from the district. The one solution he suggested was fully mapping the distribution system, overlap this with a map that shows houses in the area to determine if any theft is occurring.

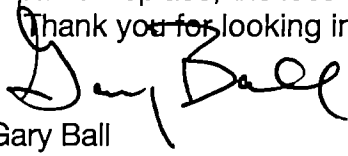
I have highlighted a section of the document that I sent earlier today that I find pretty disturbing. This is in regards to internal communications with officials from Kentucky/American Water discussing problems with the district's water rate loss (50 percent at this time and higher today). Here is the statement: "Staff suspects that there are numerous cases of unmetered taps, bypasses, etc." The fact that "staff" -- employees of the district who have a lot more knowledge about the internal, day-to-day operations of the system -- suspected this to be the case is worth noting.

I can't help by thinking that it's entirely possible and plausible given the political climate in eastern Kentucky, where if a truck load of gravel around election time can garner a lot of votes, how much more can someone receive with free water at the public's expense? The fact that "staff" suspected theft is pretty strong. And you have to consider that it would take some level of expertise to install a tap (illegal tap) on a pressurized water main. Your regular customer wouldn't have the knowledge or tools to do that. Water district workers would. All it would take is some rogue employee in the past to do this, or simply a worker who was doing as he was told to do. The latter could very well explain why "staff" suspected theft.

If staff suspected theft, why didn't they pursue the matter?

That's a valid question. It could be the reason that regardless of how many lines they

repair or replace, the loss will be quite high.  
Thank you for looking into this matter.

A handwritten signature in black ink, appearing to read "Gary Ball". The signature is written in a cursive style with a large, prominent "G" and "B".

Gary Ball  
MCWD water customer  
P.O. Box 16  
Lovely, Ky., 41231



"Bill and/or Kathy  
Bunch"  
<bkbunch@meginc.co  
m>

To: <rwmundy@kawc.com>, <nrowe@kawc.com>, <hmillier@kawc.com>  
cc: <lhelton@kawc.com>, "Jim Hamilton" <jhamilto@wvawater.com>  
Subject: Update on Martin County

01/26/2002 07:05 AM

We have a signed Interim Agreement with Martin County. Roy - I will get the agreement to you for your signature. Martin County is very interested in proceeding with discussions on a management contract. I left copies of our draft agreement with them for their review. They are, as expected, concerned about cost.

Chairman Triplett sent copies of both the Interim and the Draft O&M to the water board's counsel, EE "Bud" Adams, yesterday. (Adams is an old law school buddy of Triplett and apparently does most of his work for the water board free gratis as friend of Triplett) Triplett, who is quite the political figure in this mix, is concerned that the water board cannot contract for a term beyond the current sitting fiscal court's term in office. I have run into this argument before and believe that it cannot possibly be valid as most construction, financing and service contracts of local governments do in fact extend beyond the term of its sitting legislative body. However, the argument is one of many arguments in Don Wiggins current lawsuit against Winchester. Herb - you may want to brush up on the law related to this issue as I am confident we will be questioned on it.

Time does appear to be of the essence in getting an O&M deal signed. The water board is ready - even Triplett is ready if you read between all the political jargon - and the political situation seems right. We need to get a team of our folks on an assessment ASAP. Hopefully, we can do this next week. We should coordinate our visit with Harold as it will be beneficial for all if we work together on the assessment. Nick - we will need your go-ahead to get resources allocated for a KAWC assessment team. Although time is of the essence, we need to make sure that we tie down the full cost on this deal.

In addition to looking at the overall system, our engineering folks will need to look at the 3-4 current contracts (ongoing or under warranty) with regard to facilities that are not yet working properly. These we may be able to force the engineer or contractor to fix without additional cost. They have had no one to watch over projects in the past and have been eaten alive with failed projects and change orders. PDR has done them no favors, in my opinion. They are currently in compliance with regard to water quality. Tim Coy has done wonders while there in getting things working properly. He and Harold have a good understanding of what needs to be done with regard to treatment. The ability of the existing plant to meet future regulations is of question. Need also to look at their 50% loss ratio to get a feel for where the losses are coming from. They do not have a meter change-out program nor a meter testing program. Many of their meters are old. Staff suspect that there are numerous cases of unmetered taps, bypasses, etc. The finance and administration side also bears some investigation. Likewise, they have no leak detection program. They fix only those leaks that make it to the surface. They have a high percentage of uncollected bills and their collection procedures appear very loose. I spoke with three customers while there. Each indicated significant frustration with billing, collection and current management of the utility.

With regard to O&M cost, staff and board are concerned. In addition to the actual cost, they will also want a feel for where we think rates will go over the contract period. While they heavily favor a contract that can be accomplished with current rates, I emphasized with them the potential for additional cost due to the fact that things have been let go for so long. Stability of rates is important to them. Their largest developer, Jim Booth, described to me as the "richest man in Martin County", is not concerned as much with what the rate is as the rate trend. He is very much on our side and is hopeful that, after building community confidence with the water system, that we will also be invited to operate the sewer system as well. He also believes that a successful management contract will lead to acquisition. I will be meeting with him next week - want to cultivate this relationship.