

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SOUTHERN WATER )  
AND SEWER DISTRICT FOR AN ALTERNATIVE RATE ) CASE NO. 2018-00230  
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 January 08, 2019 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on January 08, 2019 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 January 08, 2019.

A copy of this Notice, the certification of the digital video record, hearing log, and exhibits have been electronically served upon all persons listed at the end of this Notice.

Parties desiring to view the digital video recording of the hearing may do so at

[http://psc.ky.gov/av\\_broadcast/2018-00230/2018-00230\\_08Jan19\\_Inter.aspx](http://psc.ky.gov/av_broadcast/2018-00230/2018-00230_08Jan19_Inter.aspx).

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

Done at Frankfort, Kentucky, this 22<sup>nd</sup> day of February 2019.



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COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

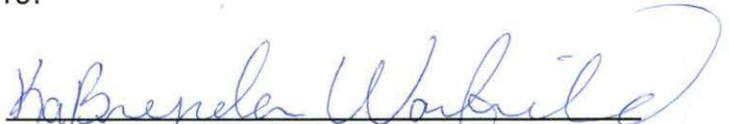
ELECTRONIC APPLICATION OF SOUTHERN	)	CASE NO.
WATER AND SEWER DISTRICT FOR AN	)	2018-00230
ALTERNATIVE RATE ADJUSTMENT	)	

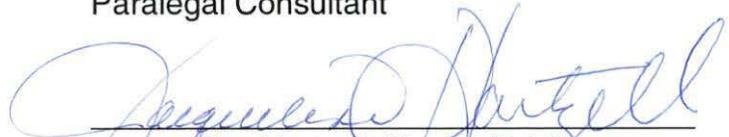
CERTIFICATION

I, KaBrenda L. Warfield, hereby certify that:

1. The attached DVD contains a digital recording of the Hearing conducted in the above-styled proceeding on January 08, 2019. Hearing Log, Exhibit List and Witness List are included with the recording on January 08, 2019.
2. I am responsible for the preparation of the digital recording;
3. The digital recording accurately and correctly depicts the Hearing of January 08, 2019
4. The Hearing Log attached to this Certificate accurately and correctly states the events that occurred at the Hearing of January 08, 2019 and the time at which each occurred.

Signed this 21<sup>st</sup> day of February, 2019.

  
\_\_\_\_\_  
KaBrenda L. Warfield, CKP  
Paralegal Consultant

  
\_\_\_\_\_  
Jacqueline Hartzell, Notary Public  
State at Large  
Commission Expires: July 25, 2022  
ID#: 605476



Date:	Type:	Location:	Department:
1/8/2019	Public Hearing\Public Comments	Hearing Room 1	Hearing Room 1 (HR 1)

Judge: Bob Cicero; Talina Mathews; Michael Schmitt  
 Witness: Tim Blanton; Turner Campbell; Dean Hall; Hayes Hamilton; Joe Jacobs; Paula Johnson ; Holly Nicholas; Larry Osborne; Less Stapleton; Danny Stinson  
 Clerk: KaBrenda Warfield

Event Time	Log Event
8:29:13 AM	Session Started
8:29:27 AM	Session Paused
8:57:13 AM	Session Resumed
8:57:20 AM	Chairman Schmitt Note: Fields, Angela
	Preliminary Remarks
9:06:23 AM	Chairman Schmitt Note: Fields, Angela
	Introduction of counsel for Southern Water and Sewer District.
9:08:07 AM	Chairman Schmitt Note: Fields, Angela
	Introduction of Attorney General's Office.
9:08:12 AM	Chairman Schmitt Note: Fields, Angela
	Introduction of Public Service Commission Staff.
9:09:00 AM	Chairman Schmitt Note: Fields, Angela
	Has notice of hearing been published?
9:09:36 AM	Chairman Schmitt Note: Fields, Angela
	Any pending motions?
9:12:10 AM	Chairman Schmitt Note: Fields, Angela
	Any public comments?
9:13:54 AM	Chairman Schmitt Note: Fields, Angela
	Called witness Campbell to the stand.
9:14:57 AM	Chairman Schmitt - witness Campbell Note: Fields, Angela
	Mr. Campbell are you aware that in 2017 a joint application or petition was filed by the City of Prestonsburg Utility Commission and SWSD asking for an order from the commission permitting the transfer of sewer assets and water distribution assets to the Prestonsburg Utility Commission? Is that correct?
9:15:54 AM	Chairman Schmitt - witness Campbell Note: Fields, Angela
	Can you tell the commission briefly what the reason was for Southern wanting to convey the sewer assets and or water assets to the city of Prestonsburg?
9:17:32 AM	Chairman Schmitt - witness Campbell Note: Fields, Angela
	What problems if you know was SWSD having in respect to operating its sewer facilities?
9:18:26 AM	Chairman Schmitt - witness Campbell Note: Fields, Angela
	Did SWSD have operators who were qualified to run those plants?
9:18:35 AM	Chairman Schmitt - witness Campbell Note: Fields, Angela
	Do you know either from SWSD or from subsequently from taking operational control of those plants the potential fines or civil penalties that could possibly be assessed against SWSD?
9:19:31 AM	Chairman Schmitt - witness Campbell Note: Fields, Angela
	Exactly where in Floyd County are those systems?

9:20:30 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela With the transfer of both the sewer assets and the water assets were to be accomplished through the terms and provisions of a assets purchase agreement. Which has been filed in the record in one or both of these cases. Is that correct?

9:20:51 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela What was the original purchase price that was agreed on between SWSD and Prestonsburg?

9:22:20 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Was the Judge Executive that these discussions were with was that Jude Hale?

9:22:48 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela We have a copy or were furnished a copy of a Statement of Intent. Was the Statement of Intent at some point executed?

9:24:36 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Is Prestonsburg currently making payments on KIA loans?

9:24:46 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Short term loans: Were those loans assumed by Prestonsburgh or paid off?

9:26:20 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Approximately how much did Prestonsburg pay for the computer system, the other items mentioned, plus the advancing of additional funds? What did all of that amount to?

9:27:13 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Capital improvement purchases.

9:27:35 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela The last group of items called Cash Payments to SWSD for vehicles and equipment. Has that been paid?

9:28:34 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela So how much approximately has Prestonsburg paid towards the total consideration that is set out in the Statement of Intent of 2,139,715.08?

9:29:51 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela What was it that prohibited the transaction from closing June/July of 2017?

9:30:55 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Did Prestonsburg Utility Commission have loans with USDA Rual Development?

9:31:19 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Under a in the Statement of Intent it has USDA Rual Development bond number 9105 for 512,990.00. Was there one or more Rual Development loans other than that one?

9:32:06 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela But there is more Rual Development debt outstanding to SWSD? Is that correct?

9:32:18 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela From looking at the Asset Purchase Agreement one of the conditions going forward was that lean holders had to approve the transaction. Was one of those lean holders Rual Development?

9:33:25 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela If Rual Development had approved the transaction, I assume that Prestonsburg did not intend to pay any more than the 2,139,000.00?

9:33:49 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Letter from Mr. Talley who was an attorney on the case. Was he Prestonsburg attorney or was he representing all parties?

9:34:55 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela The asset purchase agreement, operation, and maintenance agreement all were drafted by Mr. Talley. Is that correct? Respresenting both parties? With the consent of both parties?

9:35:09 AM Chairman Scmitt - witness Campbell  
Note: Fields, Angela Mr. Talley sent a letter June/July of 2018 in the transfer case indicating that the sewer assets had been transfered. Did someone have to approve the transfer of those sewer assets? Did Rual Development have to approve that transfer?

9:36:00 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela From the date the operation maintenance agreement was executed forward any money that was put into those systems by Pretonsburg was not toward paying any consideration for those assets. Is that fair to say? That's just an expense that Prestonsburg absorbed on the faith that ultimately they would acquire legal title to those properties. Is that correct?

9:36:36 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela As of today has Rual Development approved the transfer of the water distribution assets from Southern to Prestonsburg?

9:36:49 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Has Rual Development indicated to you or to Southern to your knowledge based on hear say or anything else when if at all they expect to approve such a transfer?

9:38:33 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Is it your understanding that Rual Development by virtue of its loan to Southern has a lean on the assets in question? Or is it that if there is a transfer without approval the outstanding balance becomes due and somebody has to pay it?

9:39:25 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela At this point it is Prestonsburg's position that based on what they believe to be the fair market value of the assets the sewer assets and the water assets combined right? Being between 4.1 - 4.3 million dollars. And that's not inconsistent with the Fife appraisal report.

9:40:58 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela For Rual Development to approve the transfer of the water assests they are going to require 3.5 million dollars paid to them?

9:41:52 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Floyd County has indicated in calls to us that they own these assets. Or have some lean or title if not legal equitable to all or part of this water distribution system. What do you know or think about that?

9:43:52 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela It is your belief or understanding that there are physical assets that are being used by Southern Water District that are in fact owned by Floyd County?

9:44:07 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Do you know if there is a list of those assets some place?

9:44:13 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Where would such a list be in your opinion?

9:44:21 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Would you be kind enough to forward that to us by sending them to the Executive Director? Within a week or so of this hearing.

9:44:34 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Do you know if any of those assets have been appraised or if anybody has assigned a value to them at all?

9:45:20 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela How much does Floyd County claim in your opinion in terms of debt did they think that Southern should pay?

9:45:59 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Why would Prestonsburg pay?

9:46:39 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Is it your understand that Floyd County government is still making a claim somehow that somebody owes them that money?

9:48:00 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Who is the treasurer?

9:48:13 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Effective July 1, 2017 Prestonsburg City Utility Commission undertook to begin operations of both the water distribution system and all of the sewer assets that Southern owned. Is that correct?

9:49:17 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela From July 1,2017 until today has the City of Prestonsburg Utility Commission actually made any infrastructure improvements or upgrades to the water distribution system? If so what and when?

9:49:48 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Why would you do that?

9:51:47 AM Vice-Chairman Cicero - witness Campbell  
Note: Fields, Angela Do you know how much that was?

9:53:15 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela What was wrong with the two water tanks that you mentioned?

9:54:01 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela At the time you began operating the water distribution assets on July 1,2017. How where the new customers notified?

9:54:56 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela How many billing cycles would you estimate that Prestonsburg billed new customers using the old Southern meters?

9:55:54 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Once the meters were replaced in the areas were you assumed control, can you tell us how if at all did that affect water savings?

9:56:18 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela And that would mean that the bills would be increased by 15% because the new meters would be more accurate then the old meters that were replaced?

9:56:52 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela What happend to the old meters that were removed? Did Prestonsburg keep those or were they given to Southern?

9:57:21 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Do you know if those meters that you passed along were tested?

9:57:33 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Did you test any of the old meters that were taken out?

9:57:47 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Southern was required to make records available to Prestonsburg that they might want or need in the operation of the water distribution system. Is that correct? Did they make records available to you?

9:58:44 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Did you see any meter records or records of meter testing in the areas of water distribution system that Prestonsburg took over?

9:59:23 AM	Chairman Schmitt - witness Campbell Note: Fields, Angela	After Prestonsburg took over the operation and maintenance of the two water distribution areas. Did Prestonsburg Utilities find or discover that there were people who were using/getting water service but had not being billed for those services?
9:59:55 AM	Chairman Schmitt - witness Campbell Note: Fields, Angela	Were there people who did not have meters?
10:00:04 AM	Chairman Schmitt - witness Campbell Note: Fields, Angela	How were you able to determine that these people were receiving water service, but no meter had ever been installed on the property?
10:00:34 AM	Chairman Schmitt - witness Campbell Note: Fields, Angela	The Chairman was told that there were about 40 customers or people who were receiving water but were not paying for it. Would that be too high, too low, or about right?
10:01:09 AM	Chairman Schmitt - witness Campbell Note: Fields, Angela	Do you know of any reason why Southern which actually used supposedly meter readers to check the meters, why they would not have been able to find these people who are getting water but are not getting metered? Is there any reason why they could not have found that out?
10:02:22 AM	Chairman Schmitt - witness Campbell Note: Fields, Angela	Who selected Terry Ffife?
10:04:06 AM	Chairman Schmitt - witness Campbell Note: Fields, Angela	Do you agree with the appraisal? Did Prestonsburg pay for the appraiser? Prestonsburg did not contact anyone else about doing the appraisal besides the gentleman's name he can't remember correct?
10:04:32 AM	Chairman Schmitt - witness Campbell Note: Fields, Angela	What in your view Mr. Campbell is the end game here in terms of the transfer or potential transfer of the assets of the water distribution system that Prestonsburg would like to acquire and that Southern has agreed to transfer?
10:07:10 AM	Chairman Schmitt - witness Campbell Note: Fields, Angela	If Prestonsburg pays 1,850,000 dollars to Rual Development, Prestonsburg would expect not to be held accountable or responsible to Rual Development to pay any other debt to Rual Development that Southern has. Is that correct?
10:08:05 AM	Chairman Schmitt - witness Campbell Note: Fields, Angela	I guess the issue always is how much time will it take? Prestonsburgh is in possession of the assets the water distribution assets, they have upgraded and will continue to upgrade, and make infrastructure improvements, and is continuing to bill and the rates were frozen at three years. And so at some point somebody somehow this thing has to be resolved or the transaction has to be unwound. If it were unwound would Prestonsburg position change to the extent that Southern owed them some of this money back?
10:10:15 AM	Chairman Schmitt - witness Campbell Note: Fields, Angela	Would Prestonsburg have any interest going forward in either owning all of the Southern water distribution assets or managing them on a perffessional basis?
10:14:11 AM	Vice-Chairman Cicero - witness Campbell Note: Fields, Angela	Prestonsburgh paid 2.14 milllion of which 1.5 million was for debt reduction for Southern. Is that right?
10:14:27 AM	Vice-Chairman Cicero - witness Campbell Note: Fields, Angela	And Southern selected who those payments or debt reduction would go to? So with 3 KIA loans and some other loans is that right?

10:14:44 AM Vice-Chairman Cicero - witness Campbell  
Note: Fields, Angela That money could of gone to reduce the outstanding three and a half million RD loan? Is that right?

10:15:01 AM Vice-Chairman Cicero - witness Campbell  
Note: Fields, Angela But the KIA loans were assumed? But at that point you just went forward with that and took them over? So there was no paydown of debt, it was just a you assumed the loans and went forward?

10:15:24 AM Vice-Chairman Cicero - witness Campbell  
Note: Fields, Angela There are two agreements, an operating and maintenance agreement was for the water and an operating agreement was for the sewer. You have since taken over the sewer assets so the operating agreement for the sewer is? But the water since those assets have not been transfered that is still in affect?

10:15:46 AM Vice-Chairman Cicero - witness Campbell  
Note: Fields, Angela The copies that we received from Southern are not executed. But you have executed copies?

10:16:05 AM Vice-Chairman Cicero - witness Campbell  
Note: Fields, Angela So lets go to the appraisal that eveyone has talked about. In the assignment objective it says we were engaged by Dean Hall, President Southern Water and Sewer to issue a detailed report. Our objective was to estimate the fair market value of lossed revenu due to a transfer of customer accounts and related assets of Southern Water and Sewer District System as of June 28, 2018. And is does not say whether it is for water and sewer, for water, or waht any detail beyond that general statement. Is that correct?

10:16:45 AM Vice-Chairman Cicero - witness Campbell  
Note: Fields, Angela The Summary Income Statement Projections include \$656,122.00 as the revenue projections going forward. Fair market value of 4.1 million. So is the \$656,000 istrickly a water revenue number or a sewer and water revenue number?

10:18:41 AM Vice-Chairman Cicero - witness Campbell  
Note: Fields, Angela The 4.1 million has been established as what RD is looking for. You agree that it is somewhere between 4.1 and 4.3 million. So from everybody's perspective the value of the assets is accurate. Is that right?

10:19:09 AM Vice-Chairman Cicero - witness Campbell  
Note: Fields, Angela Now it comes down to determining whether 4.1 is sewer and water or just water. So that's where the discrepancy comes in.

10:19:35 AM Vice-Chairman Cicero - witness Campbell  
Note: Fields, Angela If there was such a desire to include the water with the sewer, why there was not a contingency written in that said that the sewer assets could not be transfered without the water assets in a written agreement?

10:20:40 AM Vice-Chairman Cicero - witness Campbell  
Note: Fields, Angela But you've already made improvements on a system that you don't know whether your actually going to receive?

10:21:14 AM Vice-Chairman Cicero - witness Campbell  
Note: Fields, Angela Can you operate the sewer without the water?

10:22:18 AM Vice-Chairman Cicero - witness Campbell  
Note: Fields, Angela Final thoughts.

10:23:20 AM Commissioner Mathews - witness Campbell  
Note: Fields, Angela What is your estimate of what the liability would be if they were not taken over and say DOW took enforcement action? Do you have any idea?

10:24:48 AM Commissioner Mathews - witness Campbell  
Note: Fields, Angela Could you operate the sewer assests that have been transfered, if the water assets are not cleared by RD to be transfered?

10:26:43 AM Asst. Atty. Gen. McNeil - witness Campbell  
Note: Fields, Angela On the assets that Floyd County claims ownership over, are there any other leans on those assets that you know of?

10:27:00 AM Asst. Atty. Gen. McNeil - witness Campbell  
Note: Fields, Angela Are the two tanks apart of the assests claimed by Floyd County?

10:27:26 AM Asst. Atty. Gen. McNeil - witness Campbell  
Note: Fields, Angela How did you fund the improvments to the transfered systems?

10:28:13 AM Asst. Atty. Gen. McNeil - witness Campbell  
Note: Fields, Angela Was the additional amount a dedicated loan for that reason?

10:28:26 AM Asst. Atty. Gen. McNeil - witness Campbell  
Note: Fields, Angela What about the cost of the new meters that you installed?

10:28:35 AM Asst. Atty. Gen. McNeil - witness Campbell  
Note: Fields, Angela Who is getting the revenues from the transfered water customers right now?

10:29:15 AM Asst. Atty. Gen. McNeil - witness Campbell  
Note: Fields, Angela For those cutomers that you stated had been getting free water, can you recall whether any were businesses?

10:29:27 AM Asst. Atty. Gen. McNeil - witness Campbell  
Note: Fields, Angela Do you know the average residential bill for Southern customers?

10:29:55 AM Asst. Atty. Gen. McNeil - witness Campbell  
Note: Fields, Angela The cutomers who had been getting free water, if you used a residential bill of about \$42 a month, plus 40 customers, that ends up being about \$20,000.00 a year that Southern was not collecting that revenue. Is that correct?

10:30:15 AM Asst. Atty. Gen. McNeil - witness Campbell  
Note: Fields, Angela Do you have any idea what percentage of the transfered customers have new meters at this point?

10:30:42 AM Asst. Atty. Gen. McNeil - witness Campbell  
Note: Fields, Angela You made it clear in your letter in the record that you did not regard the customer transfer as hostile?

10:30:51 AM Asst. Atty. Gen. McNeil - witness Campbell  
Note: Fields, Angela Is it your impression that then both sides negotiated in good faith and had equal part and power in that transaction?

10:31:01 AM Asst. Atty. Gen. McNeil - witness Campbell  
Note: Fields, Angela Has a full take over of Southern by Prestonsburgh City Utilities been discussed either at that time or since then?

10:31:24 AM Asst. Atty. Gen. McNeil - witness Campbell  
Note: Fields, Angela So at the time the the transfer was discussed did either utility do any kind of internal cost based analysis on the efficacy of maybe doing that, or was it not discussed at all?

10:32:03 AM Asst. Atty. Gen. McNeil - witness Campbell  
Note: Fields, Angela Do you think that the transfered customers are profitable for Prestonsburgh?

10:32:26 AM Asst. Atty. Gen. McNeil - witness Campbell  
Note: Fields, Angela Do you think that they were profitable for Southern Water the transfer?

10:33:04 AM Vice-Chairman Cicero - witness Campbell  
Note: Fields, Angela The assets for the sewer are now transfered, you have those on your books and you are depreciating those assets right? But the water assets didn't officially transfer so you are not depreciating those, becasue you do not officially have those?

10:33:19 AM Vice-Chairman Cicero - witness Campbell  
Note: Fields, Angela But the improvements you made on the system you are depreciating those?

10:33:27 AM Vice-Chairman Cicero - witness Campbell  
Note: Fields, Angela But they'll be transfered into the asset complete? Whatever asset class it is.

10:33:48 AM Vice-Chairman Cicero - witness Campbell  
Note: Fields, Angela So in the end if the transaction becomes unwound those assets will have to be transfered back to somehow be put back on Southern's books?

10:34:33 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela One of the main reasons why this whole transfer of assets took place originally is because the Judge Executive came to you and said that Southern needs to get rid of the sewer. Is that accurate?

10:34:55 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela Did Prestonsburgh have any infrastructure needs at that time as well?

10:35:05 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela Prestonsburg's main wastewater treatment plant was it at the time almost at capacity or past capacity?

10:35:22 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela Did Prestonsburgh switch some of the wastewater flows from that wastewater treatment plant to the recently built and I think well functioning Hearld wastewater treatment plant of Southern's?

10:35:42 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela Did Prestonsburgh your utility ever do any type of estimate or any cost of how much it would be to expand your watewater plant?

10:36:04 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela Do you think that by acquiring these assets from Southern that, that has delayed the amount of time that you needed to build out your existing wastewater facility?

10:36:17 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela Can you put a dollar figure on that?

10:36:22 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela Is it safe to say that the transfer of sewer assets from Southern to Prestonsburgh was in some ways a win win situation?

10:37:11 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela At the time that the agreement was signed and during the previous 2017 case, the Public Service Commission requested information on any appraisal done to value the assets that are being transfered. Do you recall that?

10:37:58 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela But no value was ever put on any of these assets that you are aware of?

10:38:28 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela Would you say that Prestonsburgh has received value for that?

10:39:02 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela Going back to the Hearld Wastewater Treatment Plant, would you say that, that was a well functioning plant at the time of acquisition?

10:39:16 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela What capacity level is it at right now?

10:39:29 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela What percentage of the total capacity is it at currently?

10:39:40 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela And Prestonsburgh still has plans to transfer some of the flows to that wastewater treatment plant?

10:39:47 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela And that will allow you to divert some of the flows that are going to your existing wastewater treatment plant to the Hearld treatment plant?

10:40:16 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela Did you ever recommend to Southern to retain their own counsel with those negotiations?

10:40:58 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela Are you aware of Prestonsburgh your utility ever signing any kind of waiver of conflict document for representation?

10:41:12 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela Are you aware of anybody else recommending to Southern to get their own counsel or consultants?

10:41:18 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela Was that ever discussed?

10:41:23 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela So at the time of negotiations you all came to a mutal agreeable price of 2.1 million dollars or so. Quoting from page 20 of the asset transfer agreement.

10:41:55 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela To your knowledge was the Fiscal Court demanding the 2 million dollars at that time?

10:42:11 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela Do you think that the 2 million dollars demanded by the Fiscal Court influenced the amount of money that was offered to Southern by Prestonsburgh at the time?

10:42:46 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela Was that extra two million dollars indicted anywhere in any of this documentation?

10:42:50 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela Why not?

10:43:02 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela What was your position with Prestonsburgh in 2012?

10:43:13 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela Where you familiar with the Public Commission's case number 2012-00309? This is where the gentleman's handshake is quoted in the PSC order.

10:43:29 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela So you were not involved in that?

10:43:40 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela So back in 2012 when the commission ruled that there was no obligation by anyone to pay back the Fiscal Court the 2 million dollars. There is no written agreement, no contract, nothing. Were you aware of that at the time?

10:44:13 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela Are you aware that the Attorney General at the time submitted comments agreeing with the PSC order?

10:44:28 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela So why in 2017 was that apart of negotiations for this transfer of assets?

10:44:54 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela And I think it was your testimony that the 2.1 million dollars that you did pay to Southern that was mainly based on money, loan money that was owed. But it also combined both the water infrastructure assets and the sewer assets? But there is no money figure or value given to those assets at that time?

10:45:36 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela It is still unclear whether or not that value was just for the water customers or both water customers and sewer infrastructure?

10:46:16 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela Is it your opinion that Southern is still owed at least 1.86 million around that, that is sitting in your account right now?

10:46:24 AM Atty. Strobo Southern Water Sewer District - witness Campbell  
Note: Fields, Angela Is it your opinion that they are owed more than that?

10:46:38 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela I think you said that at least as of this time that Prestonsburgh City Utility Commission was not receiving any revenue from Whalen and Eastern?

10:46:51 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela And why would that be?

10:47:03 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Right now Prestonsburgh is the owner of the sewer assets at Herald, Eastern, and Whalen?

10:47:15 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela And on Herald Prestonsburgh is also operating the water system that basically provides the water that allows the sewer system to work?

10:47:28 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela At Eastern and Whalen while Prestonsburgh owns the sewer system it is Southern Water District that operates the water?

10:47:39 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Prestonsburgh is depending on Southern to collect its sewer bill and send the revenue?

10:47:58 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela But since Prestonsburgh took over operation of the Eastern and Whalen sewer systems, Prestonburgh has not received any revenue from Southern at all?

10:48:24 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela But you haven't received any money since then?

10:48:28 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela So Southern is running up a debt to Prestonsburgh for the revenue Prestonsburgh could be receiving for furnishing sewer services to Southern's water customers?

10:48:43 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Do you have any idea how much that is?

10:49:00 AM Vice-Chairman Cicero - witness Campbell  
Note: Fields, Angela How much per month?

10:49:10 AM Vice-Chairman Cicero - witness Campbell  
Note: Fields, Angela Is there some target date that you've reached an agreement for those funds to be transferred or paid down? Or is it just going to be open ended?

10:49:36 AM Vice-Chairman Cicero - witness Campbell  
Note: Fields, Angela So if Southern received a rate increase from the commission would that trigger revenue payments for Prestonsburgh?

10:50:10 AM Vice-Chairman Cicero - witness Campbell  
Note: Fields, Angela So there is some date that says this liability will be satisfied and you will be made whole?

10:50:48 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela This is a verbal agreement or understanding?

10:50:56 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela But the idea that you are supposed to get paid once this rate increase has been granted is just an understanding or an oral communication between you and Mr. Hall?

10:51:09 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela You have no written agreement? This is a gentleman's agreement?

10:51:22 AM Vice-Chairman Cicero - witness Campbell  
Note: Fields, Angela I think it is a bit of concern for the commission because you know everybody talks about Martin County and the issue that Martin County has right now is a huge debt that goes back to unpaid invoices to their vendors.

10:51:53 AM Vice-Chairman Cicero - witness Campbell  
Note: Fields, Angela If we are going to get Southern in a position where they are viable they can't be cash strapped in paying old debt while going forward with a rate increase.

10:52:44 AM Vice-Chairman Cicero - witness Campbell  
Note: Fields, Angela You could put yourself in a position where you got Martin County owing you money for water bills, and Southern owing you money for sewer bills, and a large cash out flow that takes care of the capital improvements you're making.

10:53:31 AM Commissioner Mathews - witness Campbell  
Note: Fields, Angela How many customers are in the Whalen and Eastern area?

10:53:40 AM Commissioner Mathews - witness Campbell  
Note: Fields, Angela Are they included in the 1175 that you did meters?

10:53:45 AM Commissioner Mathews - witness Campbell  
Note: Fields, Angela So they are not included in the water customers that you want?

10:54:02 AM Commissioner Mathews - witness Campbell  
Note: Fields, Angela But they are still apart of the sewer assets? Are they connected as part of the sewer assets?

10:54:24 AM Commissioner Mathews - witness Campbell  
Note: Fields, Angela You may want to get that in writing.

10:54:33 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Is Floyd Central High School a sewer customer?

10:54:38 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela And that has how many people in that school six to seven hundred people?

10:54:55 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela So you have two fairly large assumed customers?

10:55:05 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela Questions

10:55:10 AM Chairman Schmitt - witness Campbell  
Note: Fields, Angela May this witness be excused?

10:56:04 AM Chairman Schmitt - witness Stapleton  
Note: Fields, Angela Swearing in of witness.

10:56:15 AM Chairman Schmitt - witness Stapleton  
Note: Fields, Angela Would you state your name and business address for the record please?

10:56:25 AM Chairman Schmitt - witness Stapleton  
Note: Fields, Angela And you are the Mayor of Prestonsburgh Kentucky? Is that correct?

10:56:28 AM Chairman Schmitt - witness Stapleton  
Note: Fields, Angela And how long have you been Mayor?

10:56:34 AM Chairman Schmitt - witness Stapleton  
Note: Fields, Angela What is the relationship between the City of Prestonsburgh and the City of Prestonsburg Utilities?

10:56:57 AM Chairman Schmitt - witness Stapleton  
Note: Fields, Angela If the City of Prestonsburgh Utility Commission wants to raise rates. Do those rates have to be approved by the City of Prestonsburgh?

10:57:07 AM Chairman Schmitt - witness Stapleton  
Note: Fields, Angela City counsel does not approve?

10:57:10 AM Chairman Schmitt - witness Stapleton  
Note: Fields, Angela If the City of Prestonsburgh Utility Commission needs to institute a condonation action to acquire easements for the purpose of extending water and sewer lines? Does the City of Prestonsburgh have to approve that or actually be a party to litigation? If you know?

10:57:35 AM Chairman Schmitt - witness Stapleton  
Note: Fields, Angela Were you been apart of the negotiations between the City of Prestonsburgh Utility Commission and Southern Water District that lead to the asset purchase agreement which was to go into affect on July 1, 2017?

10:57:57 AM Chairman Schmitt - witness Stapleton  
Note: Fields, Angela Have you been apart of any kind of negotiations or problem solving team since that date?

10:58:20 AM Chairman Schmitt - witness Stapleton  
Note: Fields, Angela Rather than go through all of this again. I simply ask you have you been present here in the hearing room when Mr. Campbell, the General Manager of Prestonsburg City Utility Commission testified? Is that correct? You heard all of his testimony? Do you have any dispute or disagree in anyway with any of the testimony that he has given, or do you have anything further to say that might enlighten the commission as to the City of Prestonsburg Utility Commission's position?

10:59:08 AM Chairman Schmitt - witness Stapleton  
Note: Fields, Angela You can give us your opinion.

10:59:27 AM Chairman Schmitt - witness Stapleton  
Note: Fields, Angela What do you mean? You would not have entered into the agreement if this appraisal had been done earlier and the position of Rual Development had been known then?

10:59:43 AM Chairman Schmitt - witness Stapleton  
Note: Fields, Angela I thought you said if the appraisal had been done two years ago and it was known that Rual Development wanted more money, then the appraisal would justify based on their position. Do you think that the deal would not have gone forward?

11:00:10 AM Chairman Schmitt - witness Stapleton  
Note: Fields, Angela Do you have any other observations or insights relative to the present status of the parties and this present situation?

11:01:43 AM Chairman Schmitt - witness Stapleton  
Note: Fields, Angela So what's your impression of RD's position? Do they basically intend to hold firm? Is that the impression you get at the present time?

11:02:35 AM Vice-Chairman Cicero - witness Stapleton  
Note: Fields, Angela Do you think that the legal advice that Prestonsburgh received was adequate given that there are so many loose ends in areas that probably could of been covered but weren't?

11:03:29 AM Vice-Chairman Cicero - witness Stapleton  
Note: Fields, Angela Was the legal advice that was received do you think was it adequate for the transaction that was entered into?

11:04:18 AM Atty. Pillersdorf Southern Water Sewer District - witness Stapleton  
Note: Fields, Angela You mentioned that there is a two million revenue bond which is a source of consternation? Correct?

11:04:39 AM Atty. Pillersdorf Southern Water Sewer District - witness Stapleton  
Note: Fields, Angela Did Judge Executive Thompson cause city water to hit 99% of the county? Is that true?

11:04:57 AM Atty. Pillersdorf Southern Water Sewer District - witness Stapleton  
Note: Fields, Angela We've been talking about that Southern Water was asked to pay a debt that is owed by the Fiscal Court. Correct?

11:05:07 AM Atty. Pillersdorf Southern Water Sewer District - witness Stapleton  
Note: Fields, Angela Judge Thompson incurred this debt. Basically the debt he incurred was to make city water available to 99% of the county? Correct?

11:05:20 AM Atty. Pillersdorf Southern Water Sewer District - witness Stapleton  
Note: Fields, Angela When I say city water, I mean good water.

11:05:35 AM Atty. Pillersdorf Southern Water Sewer District - witness Stapleton  
Note: Fields, Angela What is true and what is unusual about Floyd County is 99% of our citizens have access to good water, correct? And that is unusual for Eastern Kentucky?

11:05:51 AM Atty. Pillersdorf Southern Water Sewer District - witness Stapleton  
Note: Fields, Angela And the decision to extend water lines to geographically difficult areas has put a financial strain on everybody involved in this, correct? That's all.

11:06:13 AM Chairman Schmitt - witness Stapleton  
Note: Fields, Angela May Mayor Stapleton be excused?

11:06:22 AM Session Paused

11:06:26 AM Session Resumed

11:06:36 AM Session Paused

11:24:37 AM Session Resumed

11:25:06 AM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Swearing in of Paula Johnson.

11:25:31 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela When were you first appointed to the Southern District Water Commissioners?

11:25:46 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela And when did you become the Chairperson?

11:25:55 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela Which County Judge Executive appointed you?

11:26:09 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela When does your term end?

11:26:20 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela Are the terms of Southern Districts Water Commissioners staggered?

11:26:26 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela How was that arranged?

11:26:48 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela Which County Judge Executive?

11:26:59 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela Have they been readjusted since then the terms of commissioners? Has any other County Judge Executive since that time created different staggered terms since then?

11:27:18 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela I assume you live within Southern's service area currently?

11:27:28 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	Is Joe Jacobs still on the Southern Districts Water Board of Commissioners?
11:27:38 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	Has his seat been declared vacant?
11:28:04 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	Who will be appointed to Mr. Jacobs term?
11:28:15 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	And when was that done?
11:28:30 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	Is Hayes Hamilton on the board currently?
11:28:37 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	Do you know when his term ends?
11:28:48 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	Does Southern District currently have an ethics policy?
11:28:53 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	And when was it put into place?
11:29:05 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	Has it ever been revised?
11:29:11 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	How much does a Commissioner get paid?
11:29:19 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	Any benefits?
11:29:27 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	You've been on the board since what year?
11:29:34 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	You were on the board in 2012?
11:29:54 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	Asking to approach to show Mrs. Johnson a letter.
11:30:19 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	Asking Mrs. Johnson to review the letter sent in from Mr. Huber Halbert as part of the post case file in case no. 2012-00309.
11:30:35 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	Do you know who Mr. Halbert is?
11:30:43 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	Throughout the letter it mentions some different actions that the commissioners were trying to take to improve water line loss. In the second paragraph Mr. Halbert states that Southern District is currently working on funding through USDA Rural Development to replace its main distribution line from the water plant to the main storage tank at Martin. Was Southern District able to replace its main distribution line? That has occurred?
11:31:21 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	Has Southern seen benefits from that project?
11:31:35 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	In the same letter next paragraph down, Mr. Halbert explains that Kentucky Rural Water has been helping Southern District to identify unaccounted for water loss and that the master meter at the water treatment plant showed that it was inaccurate and approximately 11 to 13% fast. He stated that this would be corrected with the rural development project. Do you know if that has occurred?
11:32:00 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	When was that done?
11:32:23 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	And that's also shown an improvement?

11:32:26 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela In the next paragraph down in the same letter Mr. Halbert states that a leak detection crew was formed, and would be working no less than three nights a week to help identify water leaks. Was this done? And if so what were the results of that project?

11:32:55 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela Has that also been a successful project?

11:33:00 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela Mr. Halbert then states that Southern District is now replacing small service lines to fix leaks by using a second work crew. Was this also done? And what were the results of that?

11:34:13 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela What is the current percent of line loss right now?

11:34:20 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela Do you know what it was back in 2013 when the letter was written?

11:34:29 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela Is it fair to say that water line loss has increased since 2012/2013?

11:34:52 AM Vice-Chairman Cicero - witness Johnson  
Note: Fields, Angela When you say its a possibility is it something that you are you familiar with? I'm looking at water loss back in 2009 and it was reported around 20% and now its 60% after doing all of these improvements. So are you attributing that 300% increase to reporting?

11:36:01 AM Vice-Chairman Cicero - witness Johnson  
Note: Fields, Angela Actually the water loss does allow for system use and fire department usage. And I know that they are estimated numbers because obviously nobody puts a meter on a fire truck and says they pumped this much out of a hydrant so this is what we consumed but usually on an annual basis you can be plus or minus within some range. So that a number does come out of there and its such a drastic increase that I didn't know if it was something that you were specifically familiar with or not when you said possible.

11:36:34 AM Vice-Chairman Cicero - witness Johnson  
Note: Fields, Angela So Dean Hall would be a better one to pursue as far as the water loss?

11:36:42 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela In that same letter he states that master meters throughout the system are having comparisons done through flow rates. Was this also done? With good results?

11:36:55 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela Mr. Howard states that Southern District has been in contact with multiple professional leak detection experts and is currently pursuing ways to find funding to use them. Was that also done?

11:37:10 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela In the Final Order for case number 2012-00309 it was issued on July 12, 2013. The Commission ordered Southern District to file with the Commission a comprehensive unaccounted for water loss reduction plan, that identifies the sources of unaccounted for water loss, the amount of water loss from each source, and establishes priorities and a time schedule for eliminating each source of unaccounted for water loss. To your knowledge was this done?

11:37:40 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela You are not aware of it?

11:37:46 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela Has the board made a request to Kentucky Rural Water Association to conduct a water meter audit?

11:37:53 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela And that is to determine where the districts line loss is within the system?

11:37:59 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela And to see if there are any meter issues?

11:38:05 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela When was that done?

11:38:39 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela In your opinion what is Southern Water District's number one problem as of now in your opinion?

11:38:55 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela Can you expand on that? Is that partially due to water line loss?

11:39:56 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela You mentioned that you have an issue with theft in the area. To your knowledge, what has the board of commissioners done to specifically address that problem to account for people that are stealing water?

11:40:34 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela When you say prosecuted, is there a procedure in place when you find a theft to take it to the local county attorney?

11:40:49 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela To your knowledge do you know approximately how many times this has been done?

11:40:55 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela But that's a regular occurrence?

11:41:03 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela Any other projects that you've been involved in as a commissioner during your time that the water district has taken on to reduce the amount of line loss that has not been mentioned yet? Specific projects?

11:41:23 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela The one's we've discussed that's all?

11:41:44 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela Has the board ever hired an outside consultant to assist the water district in detecting and repairing leaks?

11:41:52 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela And other than Kentucky Rural Water, anyone else?

11:42:06 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela You mentioned that there are some areas where water line loss is significantly worse than other line loss. And your statement is that generally due to geography?

11:42:33 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela Has the water district had any issues regarding the hydraulics of the pressure of the line within the distribution area? Such as when the water district fixes one leak at a certain location, does that cause pressure to build and cause line breaks somewhere else down the line?

11:42:55 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela To your knowledge is there problems with the hydraulics in the area? Would that be a better question for Mr. Hall?

11:43:07 AM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela Is it fair to say that the district is experiencing a significant loss of revenue because of line loss?

11:43:36 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	In your approximation how much does the district lose in loss revenue due to water line loss?
11:43:57 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	Does the board have a policy in place to direct its commissioners to attend the commission's or the commissions approved water district commissioners training programs?
11:44:11 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	But do you have a specific policy in place, like a written policy, to make sure it gets done?
11:44:29 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	Are the commissioners to attend at least 6 hours every year?
11:44:34 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	And to your knowledge they do so?
11:44:39 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	Is there anyway that you keep up with who's gone to training and who has not gone to training?
11:44:45 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	How is that done?
11:45:00 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	And did you yourself obtain the initial training requirement of twelve hours within the first twelve months that you were on the board of commissioners?
11:45:11 AM	Atty. Bowker Public Service Commission - witness Johnson Note: Fields, Angela	And you attend every year, you stated?
11:45:49 AM	Asst. Atty. Gen. McNeil - witness Johnson Note: Fields, Angela	So you are not personally aware of Southern providing water for free to any number of customers?
11:45:58 AM	Asst. Atty. Gen. McNeil - witness Johnson Note: Fields, Angela	You are not aware that something like forty people might not have meters?
11:46:06 AM	Asst. Atty. Gen. McNeil - witness Johnson Note: Fields, Angela	Can you identify or provide documentation of the last prosecution for water theft?
11:46:21 AM	Asst. Atty. Gen. McNeil - witness Johnson Note: Fields, Angela	Do you have any idea when the last one might have occurred?
11:46:34 AM	POST HEARING DATA REQUEST Note: Fields, Angela	As a post hearing data request could you provide record of the last prosecution that Southern performed for water theft?
	Note: Fields, Angela	Asst. Atty. Gen. McNeil - witness Campbell
11:47:19 AM	Asst. Atty. Gen. McNeil - witness Johnson Note: Fields, Angela	Does Southern have any procedure other than just discussion at a board meeting to take on new debt?
11:47:48 AM	Asst. Atty. Gen. McNeil - witness Johnson Note: Fields, Angela	Could you describe the process you would go through to obtain that kind of financing?
11:48:35 AM	Asst. Atty. Gen. McNeil - witness Johnson Note: Fields, Angela	Does the board usually obtain legal assistance when obtaining financing like that?
11:49:04 AM	Asst. Atty. Gen. McNeil - witness Johnson Note: Fields, Angela	Did the Southern Board ever perform a internal cost benefit analysis of that transfer? Did you go through how it would affect utility?
11:50:30 AM	Asst. Atty. Gen. McNeil - witness Johnson Note: Fields, Angela	So at the time the financials did make sense to perform the transfer?

11:50:46 AM	Asst. Atty. Gen. McNeil - witness Johnson Note: Fields, Angela	Do you feel the same today?
11:50:53 AM	Asst. Atty. Gen. McNeil - witness Johnson Note: Fields, Angela	Do you know if the district has submitted contacts for its three whole sale cutomers into the record?
11:51:25 AM	POST HEARING DATA REQUEST Note: Fields, Angela	Asst. Atty. Gen. McNeil - witness Campbell
	Note: Fields, Angela	If not could you provide them in a post hearing data request?
11:51:32 AM	Asst. Atty. Gen. McNeil - witness Johnson Note: Fields, Angela	No further questions.
11:51:44 AM	Vice-Chairman Cicero - witness Johnson Note: Fields, Angela	At the time they brought this transfer deal to you, you thought it was a good idea becasue of the difficulty to obtain operators to run the sewer plant is that correc?
11:51:57 AM	Vice-Chairman Cicero - witness Johnson Note: Fields, Angela	At that time was the water asset transfer also presented or was it just presented as a sewer transfer?
11:52:46 AM	Vice-Chairman Cicero - witness Johnson Note: Fields, Angela	You were persuaded to do this transfer, not on the basis of a cost benefit analysis, but because of political pressure? You can say yes or no.
11:53:35 AM	Vice-Chairman Cicero - witness Johnson Note: Fields, Angela	So was the fiscal court or the commission the primary negotiators in this transaction for sewer and water assets?
11:54:14 AM	Vice-Chairman Cicero - witness Johnson Note: Fields, Angela	Do you know how much bad debt the distict writes off annually?
11:55:03 AM	Vice-Chairman Cicero - witness Johnson Note: Fields, Angela	When the staff asked you if you thought that water loss was significant, you indicated that it was a problem, but would you be surprised if I told you that the value is about \$386,000 annaully over and above the 15% which is the standard permitted by the PSC for unaccounted for water loss that the district is losing because of the rate of loss?
11:57:00 AM	Vice-Chairman Cicero - witness Johnson Note: Fields, Angela	When staffed referred to this letter and he went down through all of the different items in it. One of the questions he did not ask and I was hoping that he would was, it says that Southern Water and Sewer Distirct will keep the PSC updated in any and all progress made in respect to lowering our monthly water loss. Do you know if any reports have been generated or any communication made as to water loss progress?
11:57:52 AM	POST HEARING DATA REQUEST Note: Fields, Angela	Vice-Chairman Cicero - witness Johnson
	Note: Fields, Angela	Provide December Fiscal Court minutes?
11:58:18 AM	Vice-Chairman Cicero - witness Johnson Note: Fields, Angela	I am going to ask one more line of questioning on the loans.
11:59:17 AM	Vice-Chairman Cicero - witness Johnson Note: Fields, Angela	It almost looks like the commission was looking to avoid coming to the Public Service Commission for that debt. Can you comment on that?
12:00:46 PM	Vice-Chairman Cicero - witness Johnson Note: Fields, Angela	But this is almost looks like a intentional trying to beat the statue.

12:01:40 PM Vice-Chairman Cicero - witness Johnson  
Note: Fields, Angela When loans are entered into, if it is going to exceed the two year duration then you need to come to the Public Service Commission for a CPCN.

12:02:16 PM Session Paused

1:04:47 PM Session Resumed

1:05:05 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela You've been a member of the Commission of Southern Water and Sewer Distict since it was formed in about 2000. Correct?

1:05:24 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela And prior to that you were on one of its predecessors?

1:05:38 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Terms

1:07:10 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Referencing the 2003 Annual Report.

1:07:33 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Is that the same Yula Hall that was appointed in December? Correct?

1:07:43 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Term expires: it had everybodys term expiring on December 16, 2004. If that were the case those terms would expire in 2020, and that would of been the same for these other people. None of whom are on the board now.

1:08:21 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Then if we go to 2006, and here the terms have changed.

1:10:32 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela 2015 Annaul Report

1:11:06 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela 2017 Annaul Report

1:12:38 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Was anybody appointed in December of 2018?

1:12:47 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Was anybody else appointed?

1:13:02 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Is Yula Hall Dean Hall's mother?

1:13:07 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela And he's the General Manager?

1:13:09 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Has she attended a meeting yet? Or have you had a meeting yet?

1:13:18 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Now someone said that what happended at the meerting was, was that Mr. Jacobs was not reappointed, but that Commissioner Hamilton was appointed to fill Mr. Jacobs position, and that Yula Hall was appointed to fill Mr. Hamilton's. Do you know anything about that?

1:14:13 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela And these appintments were made by Ben Hale? Correct?

1:14:18 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela And confirmed by the Fiscal Court at there last meeting before their terms expired? Correct?

1:14:30 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Judge Executive Hale was defeated in the Democratic Primary in May of 2018, correct?

1:14:49 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Three of the five Fiscal Court members are not the same in January of 2019 as they were in December of 2018. Is that correct?

1:15:10 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Annaul Reports

1:15:53 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Any of these reports that you may have signed, who prepared the information that went into the annaul report?

1:16:13 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela I assume you didn't as a Commissioner?

1:16:25 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela When you say the board do you mean you and the other Commissioners?

1:16:32 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Before it was filed?

1:16:36 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Well you know in the annual report there is all kinds of maybe 65-70 pages of detailed information. And the accountant would have to have gotten that information from somebody or some source, right? Some source at the Southern Water District, correct? But you do not know who that souce would be?

1:17:30 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela When Commissioner Cicero made the statement to you that the water loss level that you said that the district had 60% that, that cost about \$385,000 - \$387,000 a year. Did you have any itdea that non revenue water loss could amount for that kind of money?

1:18:13 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela If you had you had that water loss down to 15%, your money trouble would be over? Wouldn't they?

1:18:23 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela If you had an extra \$380/\$400,000 wouldn't that help out?

1:18:31 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Do you discuss these things at any of your meetings?

1:19:34 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Do you have the idea that there is nothing you can do about water loss?

1:21:00 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Now you said that we learned about the two years on the financing. When did you learn that?

1:21:23 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela In 2012 The Public Service Commission did a final order basically addressing the fact that Southern Water District had obtained several loans some for a lot of money without Public Service Commission approval. And the order recited that the Commissioners understood that, that was in violation of the law and tha basically they would see to it that it would not happen again. You don't have any recollection of that?

1:21:29 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela 2012 psc addressed swsd loans w/o approval from psc

1:22:21 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Who is your CPA?

1:22:51 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Does Southern have a local attorney that it uses to come to the meetings or to give you advice?

1:23:04 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Your Assistant County Attorney? And who is that?

1:23:14 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Does he do that just as a public service or do you pay him?

1:23:23 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Does he come occasionally or does he come to all of your meetings?

1:23:35 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela So if you need legal advice you got somebody to talk to?

1:23:42 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Has Mr. Green or Mr. Bartley ever talked to you about the requirements of the open meetings law?

1:24:05 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Suggestion

1:25:02 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela You heard I guess Mr. Campbell discuss the fact that the City of Prestonsburg Utility Commission replaced all of the water meters on the areas where the water distribution system was transferred to Southern to Prestonsburgh. Correct?

1:25:28 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela The meters that Southern owned were mechanical meters, meters that required a human being to go look down in a hole and read the meter, and report on it correct?

1:25:47 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela You don't have I assume any so called smart meters?

1:26:07 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Have you ever considered buying such meters?

1:26:23 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela This is what I do not understand. I think that you can. I don't see how you can afford not too. All you got to do is come to the Public Service Commission and file a case and ask. And I can't think of a time where we have turned down anybody that had meters 5,000 meters according to our latest inspection report that were 13 to 15 years old that have never been tested.

1:27:16 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela In the inspection report that was done by our water inspector on May 16, 2018. The question came up about meters.

1:27:51 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Counsel would you like to give your client one of these?

1:28:33 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Page 17

1:28:48 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela We look at you see additional inspector comments it says quote "utility that's Southern stated that they have 5,000 meters that are 13 to 15 years old that have never been tested. And 500 meters that are less than 2 years old.

1:29:15 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Did you understand that meters are supposed to be tested at least every ten years? And that before a meter is installed if it is taken out or put back into service it is supposed to be tested before it goes back on a customers line? Did you know that?

1:29:36 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Utility stated the average distribution in service line in the system is 50 years old. This along with pressure zones and terrains have contributed to the utilities water loss issues.

1:30:03 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela What is the expected life of their water lines?

1:30:16 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Well if it's 50 years you are going to be under the PSC's depreciation schedule. You know you are probably looking at the average of 12 1/2 years. And they may last longer than that and they may not.

1:30:33 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Does Southern Water District have a Capital Improvement Plan? A plan in place that would provide a schedule of replacing all of their water mains and service lines?

1:31:25 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Is funding hard to come by?

1:31:47 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela It's hard to get debt, because people don't want to loan you money. Is that fair to say?

1:31:56 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela On this same report our Deputy Executive Director who is also our Director of inspection services for water, gas, and electricity had asked our inspector here's what he noted this was May 21, 2018 from John Lyons. And he says to the inspector in the previous inspection response in 2017. The district stated their plan was to get KIA Loans to replace aging infrastructure and inquire AMR Meters. A check of the WRIS Data Base reveals they have been approved for infrastructure project that would replace the existing water lines from Lackey along route 7 to Whalen, KY. Aaron ( that is the inspector) please check on the status of this project and if PSC granted approval. Her response was after speaking to Mr. Dean at Southern Water and Sewer District he stated that funding for the Mink Branch Tank replacement and the Lackey route 7 to Whalen project was pulled by KIA due to fear that Southern would not be able to pay the loan back.

1:34:16 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela I think that some of the problem Mrs. Johnson is maybe Southern is not understanding that if you are willing to do the work, you could probably come to the PSC and maybe get some relief.

1:34:37 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Where you present whenever I spoke to one of the training sessions about our intent to have an infrastructure program to replace old pipe lines and water mains and service lines?

1:34:50 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela I think Mr. Jacobs asked me about it?

1:34:53 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela But you have to come in and have a plan.

1:35:30 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Know that we are available and try to use what resources we have to help you keep your system up and running.

1:36:00 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela In terms of meters Southern Water and Sewer District is supposed to have written records of what it does and where it does it and who its customers are and that sort of thing right?

1:36:56 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela But if you'll look at page 6 and page 7 of the Inspection Report. I'll just read this into the record and you correct me if I make a mistake on it. [Chairman Schmitt reading outloud].

1:39:15 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela If you don't test meters as you are legally required to do, and you don't have any records. I don't know how you operate. I know your job is in operations, but the Commissioner's job is and it is the Commissioner's duty to see that the manager is doing his or her job?

1:39:42 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Were you ever advised by Mr. Hall or Mr. Halbert that meters were not being tested and that there were not any records?

1:39:59 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Throughout the annual reports from at least 2011 or 2012 forward. Prior to that time the amounts are much smaller. But it always shows every year without fail that Southern Water and Sewer District uses sixty million gallons of water for its own purposes and that the fire departments in Southern's district use 60 million gallons of water every year free of charge. And the reports indicate and suggest that there must be some basis for that, that has been reported.

1:40:54 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela In answer to financial analysis data request in this case Southern said it didn't have any records to support either of those figures.

1:41:08 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela And in this Inspection Report of May 18, 2018. It says does the utility allow a utility to withdraw water from its distribution system for fire protection and training purposes at no charge? Yes. Does the utility require a fire department to submit quarterly reports demonstrating its water usage and the answer is no.

1:41:36 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela So does the utility tariff state that the penalty to be assessed for failure to submit water usage reports, it says yes.

1:41:47 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela So presumably there is a penalty that could be assessed against these fire departments if they don't provide it. But for years somebody, not the fire department presumably, somebody has been putting 60 million gallons of water use by fire departments every single year. When there is no evidence to support what that usage was.

1:42:31 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Did you know that non of those things were being done? But those figures were being used?

1:43:02 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Sometimes you have to exact the price of people that don't do what you need them to do?

1:43:11 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Why don't you start charging them for the water? I would not let them have the water. Its the Commissioners job to see that this district is properly run. In any event it is no excuse. Ultimately when somebody says well this is all okay, what you don't realize is all of your pipes in the ground are rotting. It's a hard job is what I am saying.

1:44:35 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela I asked one of our people to see what the fire department usage would normally be expexted to be. And I was told about 3 million gallons a year. I don't know if that is accurate but I throw it out there for what it is worth. But obviously its not 60 million every year.

1:45:32 PM Vice-Chairman Cicero - witness Johnson  
Note: Fields, Angela So can I just add one thing. If your water loss is 60% at what cost to your rate payers are you delivering at?

1:47:49 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela We got some information in the rate case a schedule of salaries for Southern Water employees. And they were on a hourly basis. Are all employees paid by the hour?

1:49:12 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Some of the cutomers were upset not just because of the rate increase, but they claim that you meter readers don't ever read the meters. Have you heard that before?

1:50:09 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Well just let me just read one, from Rosetta Tacket [Chairman Schmitt reading out loud].

1:51:17 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela That question have you contacted the utility about the problem? And she said yes. I don't know if she did.

1:51:22 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela But there are several that say that the meters were not being read.

1:52:46 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela You testified about the transfer of the sewer assets and the water distribution assets to Prestonsburg Utility. You seem to indicate that it was the County Judge Executive and Fiscal Court which were the prime movers in pushing that transaction. Is that correct?

1:53:54 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela That's your board right?

1:53:59 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Then explain to me why those two water assets were transfered? I assume Prestonsburg wanted those?

1:54:53 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela I assume at the time you expected that if the water assets were transfered to Prestonsburg that you would no longer have those expenses and that it would be a wash. And that you actually wouldn't lose any money as a result of transfereing those assets to Prestonsburg.

1:55:24 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Did your accountant or anything run any numbers or give you any advice about the economics of that?

1:55:47 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Was the impetuou, or the reason behind trying to get rid of the sewer assets because you were inquiring numerous violations and possible civil penalties?

1:56:03 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela I think that in one of these filings maybe the 2017 case, it suggested that maybe it might go into the hundreds of thousand of dollars.

1:56:34 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela How are your sewer rates compared to your water rates in Whalen?

1:56:53 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Was is 50% of the water rate? Or was it the same as the water rate?

1:57:16 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Until Mr. Campbell testified this morning that Prestonsburg was not being paid its sewer rates in Whalen and Eastern, were you aware of that?

1:57:36 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Can you explain to the Commission why Southern has not been paying Prestonsburg the rate for sewage use that it is entitled to?

1:58:37 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Tell me about the negotiations?

1:58:53 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Do you think Prestonsburg still owes you money?

1:58:58 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Okay, what do they owe you money for?

1:59:02 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela And you're thinking well we need the money and I can kind of hold our sewer rates?

1:59:34 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Have you all had any direct conversations with Helda Lay?

2:00:09 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela I tried to call them yesterday but all it kept saying was we are furlough until the budget crisis is over.

2:00:31 PM Vice-Chairman Cicero - witness Johnson  
Note: Fields, Angela I have to be a little critical here because you talked about consistently that the loss of the water revenue has caused your problem.

2:00:46 PM Vice-Chairman Cicero - witness Johnson  
Note: Fields, Angela It contributed to your loss. But I can't believe that there was never a due diligence done that said when I lose these customers this is my loss of revenue and this is what I expect my income statement to look like once I lose those. And that this wasn't done before this deal was entered into. And it doesn't appear that happened?

2:01:18 PM Vice-Chairman Cicero - witness Johnson  
Note: Fields, Angela But a make good analysis done by somebody that looked at the numbers and prepared a pro forma income statement. It does not appear that ever occurred, because now you are saying after those customers were transferred this loss of revenue has caused your financial problems. It's no different now than it was before the transfer occurred. But it appears that never happened?

2:01:50 PM Vice-Chairman Cicero - witness Johnson  
Note: Fields, Angela It was discussed but never done in a format that allowed people to make a decision based on actual numbers that's the problem right now and the 1.9 million dollars that is now contingent to be owed to Southern that number was never ever discussed but now it comes up because RD has a problem?

2:02:23 PM Vice-Chairman Cicero - witness Johnson  
Note: Fields, Angela What is the monthly payment that goes to pay that loan? What is the cash flow impact of that loan repayment?

2:02:34 PM Vice-Chairman Cicero - witness Johnson  
Note: Fields, Angela The RD. The 3 and a 1/2 million dollars of which they are still looking for a 1.9 million contribution from Prestonsburg to pay that down.

2:02:51 PM Vice-Chairman Cicero - witness Johnson  
Note: Fields, Angela My only point is the amount associated with the cash flow on that loan on an annual basis is not causing the problems that Southern is experiencing. And I think one of the things that's being overlooked here is you would have had a major outflow had you had to pay for the sewer problems that were coming up with the Department of Water at the Cabinet. Because those were going to be penalties that you were going to have to pay. This problem is way worse than we ever thought that it could possibly be. Because from a management perspective I am not sure that you guys have a handle on what is going on. it appears that decisions were made without checking the impact of what was going to occur. And that is a big concern from my perspective anyways. I do not have anything else.

2:03:54 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela I guess Southern Water pumps and treats most of the water that it sells from the Big Sandy River, right? You got your own plant. And then you buy water from Prestonsburg and Pikeville? Is that correct?

2:04:19 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Do you have a contract with Prestonsburg and a contract with Pikeville for the purchase of that water from them?

2:04:30 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Let me ask you and your counsel if you would supply us later, we'll have a formal Data Request, with copies of those two contracts.

2:04:44 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela I noticed that Pikeville apparently raised its rate in maybe September and you don't object to that raise? You know the Public Service Commission can control those things after a hearing. But as far as you are concerned that rate increase is not to high?

2:05:15 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Southern has asked for an increase in rates for its own residential and business customers, correct? But Southern also sells water at whole sale to the city of Hindman, to Knott County Water District, and to the town of Wheelwright, correct?

2:05:51 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Do they get water from a mine?

2:06:08 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela You don't have a contract with Wheelwright?

2:06:30 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Do you have a contact with the city of Hindman and with the Knott County Water District? May we ask that you file copies of those contracts as well?

2:06:43 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela The last question I have is. When you sought the rate increase on the residents in your service territory, why did you not seek a rate increase for the whole sale water rates for Hindman and Knott County? Do you know?

2:07:06 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela I don't have anything else. Do you have any other questions? Any questions?

2:07:15 PM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela During the break counsel for Mr. Campbell gave us signed copies of both the water and sewer operating agreement. If I may approach the witness?

2:07:38 PM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela Please review those.

2:08:00 PM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela Is your signature on both the operating agreement for the sewer and for the water system?

2:08:16 PM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela To your knowledge are those both accurate copies? Take as much time as you need to review them.

2:08:28 PM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela Mr. Chairman I ask to move these into the record.  
Note: Fields, Angela Staff Exhibits 1 & 2

2:08:51 PM Atty. Bowker Public Service Commission - witness Johnson  
Note: Fields, Angela I have no further questions.

2:08:56 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Mr. McNeil any questions?

2:08:58 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Any direct of your witness?

2:09:04 PM Chairman Schmitt - witness Johnson  
Note: Fields, Angela Is there any reason why Mrs. Johnson should not be permitted to step down and be excused? You may step down Mrs. Johnson you are excused.

2:10:50 PM Chairman Schmitt - witness Jacobs  
Note: Fields, Angela Swearing Mr. Jacobs in.

2:11:02 PM Chairman Schmitt - witness Jacobs  
Note: Fields, Angela Would you state your name and business address for the record please?

2:11:20 PM Chairman Schmitt - witness Jacobs  
Note: Fields, Angela Are you now or have you been a member or a Commissioner for the Southern Water and Sewer District?

2:11:44 PM Chairman Schmitt - witness Jacobs  
Note: Fields, Angela When you walked in here this morning did you still believe that you were a member of this commission?

2:12:03 PM Chairman Schmitt - witness Jacobs  
Note: Fields, Angela From whom did you learn that you apparently are no longer a commissioner?

2:13:58 PM Chairman Schmitt - witness Jacobs  
Note: Fields, Angela So how long did you serve as a Commissioner?

2:14:15 PM Chairman Schmitt - witness Jacobs  
Note: Fields, Angela That's Ben Hale right?

2:14:18 PM Chairman Schmitt - witness Jacobs  
Note: Fields, Angela Did you replaced someone else whos term had expired, or who died, or quit, or do you know?

2:14:28 PM Chairman Schmitt - witness Jacobs  
Note: Fields, Angela You heard some of these question to Mrs. Johnson about who served what term, and when they were actually up. And right now we don't know. And all you know is you were appointed in December probably of 2014?

2:15:00 PM Chairman Schmitt - witness Jacobs  
Note: Fields, Angela But Mr. Hale did not call you and tell you that you were no longer on one?

2:15:06 PM Chairman Schmitt - witness Jacobs  
Note: Fields, Angela And neither did anybody else?

2:15:19 PM Chairman Schmitt - witness Jacobs  
Note: Fields, Angela Were you apart or present for any negotiations with the City of Prestonsburg Utility with respect to the transfer of the water and sewer assets?

2:16:00 PM Chairman Schmitt - witness Jacobs  
Note: Fields, Angela What was your feelings?

2:17:00 PM Chairman Schmitt - witness Jacobs  
Note: Fields, Angela Do you understand that the duty of the Water Distirct Commissioner is to the water district as if he was a member of the board of directors of the corporation?

2:17:18 PM Chairman Schmitt - witness Jacobs  
Note: Fields, Angela Do you have an opinion, or an observation, or impression, as to whether there pressure from the County Judge Executive and Fiscal Court to facilitate this transaction as soon as possible?

2:17:54 PM Chairman Schmitt - witness Jacobs  
Note: Fields, Angela Is that the bond issue where the money went to a Southern Sewer and Water District project were apparently there was nothing in writing and basically Southern was not to be responsible for the paid part of it?

2:18:54 PM Chairman Schmitt - witness Jacobs  
Note: Fields, Angela As far as you know has Southern Water and Sewer District been making any payments since you have been on the commission to the Floyd Fiscal Court?

2:20:19 PM Chairman Schmitt - witness Jacobs  
Note: Fields, Angela I don't think I have any other questions. Mr. Cicero.

2:20:25 PM Vice-Chairman Cicero - witness Jacobs  
Note: Fields, Angela Does the Water District Commission keep track of their meetings?

2:28:00 PM Vice-Chairman Cicero - witness Jacobs  
Note: Fields, Angela Response to witness Jacobs.

2:30:06 PM Vice-Chairman Cicero - witness Jacobs  
Note: Fields, Angela I asked you the question about whether you ran the commission according to Robert's Rules of Order.

2:30:22 PM Vice-Chairman Cicero - witness Jacobs  
Note: Fields, Angela So we can probably obtain a copy of those minutes right? I would like to see the minutes that are associated with this transaction when it was going on, and the commission was making a determination of whether to proceed with it or not. and I would also like to know if there was a vote taken by the commission that said yes I am in agreement or no I oppose it. Or whether the deal was done with the fiscal court and the commission was stuck with it. Does that exist? Was there a vote taken? So those minutes do exist?

2:31:12 PM Vice-Chairman Cicero - witness Jacobs  
Note: Fields, Angela I don't have anything else.

2:31:19 PM Chairman Schmitt - witness Jacobs  
Note: Fields, Angela Do you as a Commissioner have you been told or has the fiscal court ever indicated to you that they have title to or own some of the assets of Southern Sewer and Water District?

2:32:14 PM Vice-Chairman Cicero - witness Jacobs  
Note: Fields, Angela Commissioner Mathew? Mr. Bowker? Mr. McNeil? Questions?

2:32:24 PM Vice-Chairman Cicero - witness Jacobs  
Note: Fields, Angela May Mr. Jacobs stand down and may he be excused?

2:32:50 PM Chairman Schmitt - witness D. Hall  
Note: Fields, Angela Swearing in.

2:33:03 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela May I approach?

2:33:25 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela Mr. Hall will you state your full name and work address for the record please?

2:33:39 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela How long have you been at that same job?

2:34:57 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela Were you in the hearing room when I was asking questions to Mrs. Johnson regarding water line loss?

2:35:30 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela Did you specifically hear the questions that I was asking her regarding this letter?

2:36:30 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela The projects and the efforts in reducing Southern District's water line loss as described in this letter. Did you become apart of those efforts when you came on board?

2:39:26 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela Regarding the hydraulics issue you just touched one. Southern District also has that issue where you fix a leak at one point in the line and then that causes it to break somewhere else down the line?

2:40:08 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela What are in your opinion the worst areas regarding water line loss?

2:40:50 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela What kind of assistance have you requested and received from Kentucky Rual Water regarding trying to fix water line loss?

2:41:35 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela Have you found there assistance to be helpful?

2:41:50 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela Are there any other projects that are not mentioned in the letter that we are referring to, any other specific projects that you have been involved in that you have consulted with the board of commissioners with that you have taken on in order to reduce water line loss?

2:42:55 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela When you told the Commissioners that you were out of compliance with the testing of the meters, did you get a response?

2:43:35 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela When did you bring that issue up with the Commissioners?

2:45:35 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela So essentially the commission would say that we just do not have the funds?

2:46:14 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela What is the process for reading all of their meters?

2:47:55 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela Do you have your employees come back and state that they could not get to all of the meters because of the geography of the county and the customers are so spread out? Do they ever tell you that they could not read all of the meters that they are supposed to read?

2:49:03 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela Does Southern have a complete mapping of the system? Do you know where all of the service lines are in the ground?

2:50:43 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela Going back to this letter again from Mr. Hubert Halbert. Mrs. Johnson was stating on the stand that she believed that these projects had been completed. Is that accurate? Do you know if these projects were all completed?

2:52:51 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela As far as the flow test that was done on the master meter at the water treatment plant it showed that it was inaccurate possibly running 11 to 13% fast will be corrected with the Rual Development Project. Was that done?

2:53:36 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela Do you still have the crews who go out and find leaking lines?

2:54:44 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela But you still have a crew of employees that go out and find leaks?

2:55:56 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela Do you have to pay those employees overtime on a regular basis?

2:56:03 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela Is that due to the emergency nature to get the lines fixed?

2:56:48 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela I have no further questions Mr. Chairman.

2:57:02 PM Asst. Atty. Gen. McNeil - witness D. Hall  
Note: Fields, Angela Are you personally aware of Southern providing free water to any customers without meters?

2:57:11 PM Asst. Atty. Gen. McNeil - witness D. Hall  
Note: Fields, Angela Are you personally aware of Southern providing free water to customers that might have a meter in exchange for services?

2:57:37 PM Asst. Atty. Gen. McNeil - witness D. Hall  
Note: Fields, Angela Do you currently have a written water loss management plan?

2:57:58 PM Asst. Atty. Gen. McNeil - witness D. Hall  
Note: Fields, Angela Do you know if those have been entered into the record in this case yet?

2:58:08 PM POST DATA REQUEST  
Note: Fields, Angela Written Water Loss Management Plan.  
Note: Fields, Angela Asst. Atty. Gen. McNeil - witness D. Hall

2:58:17 PM Asst. Atty. Gen. McNeil - witness D. Hall  
Note: Fields, Angela Do you have any idea of any timelines in those prevention plans for reducing leaks?

2:59:16 PM Vice-Chairman Cicero - witness D. Hall  
Note: Fields, Angela 30% is worth about \$126,000.00 or so actually double that at \$250,000.00 there is \$386,000.00 being loss.

3:01:21 PM Asst. Atty. Gen. McNeil - witness D. Hall  
Note: Fields, Angela Understood thank you. That's all I have Chairman.

3:01:25 PM Chairman Schmitt  
Note: Fields, Angela Commissioner Cicero questions?

3:01:29 PM Vice-Chairman Cicero - witness D. Hall  
Note: Fields, Angela I guess in your opinion there is really nothing the district can do to reduce water loss beyond some range at that top. That 30% would be the best you can do?

3:02:08 PM Vice-Chairman Cicero - witness D. Hall  
Note: Fields, Angela So you have some kind of a capital plan that ? 5 year plan, a 10 year plan, that says I am going to do this much this year or whatever. You have put together some kind of a plan that says where I am going to attack the issue?

3:03:00 PM Vice-Chairman Cicero - witness D. Hall  
Note: Fields, Angela When you went to KIA for a loan, did they not require some kind of plan for the project that the money was going to be spent on?

3:04:30 PM Vice-Chairman Cicero - witness D. Hall  
Note: Fields, Angela So there might be a capital plan as a general manager I would think that you would have some input into that or would know if that exist or not. But going to the other side KIA did the make good analysis that I referred to before. And decided that the revenue loss was so great that you would not qualify for a loan. But someone did a make good analysis but apparently it was after the fact. Because your loan was denied because of revenue loss.

3:05:11 PM Vice-Chairman Cicero - witness D. Hall  
Note: Fields, Angela Have you done any type of an estimate of what it would cost to replace your meters?

3:05:21 PM Vice-Chairman Cicero - witness D. Hall  
Note: Fields, Angela So you have a number?

3:05:23 PM Vice-Chairman Cicero - witness D. Hall  
Note: Fields, Angela And you gave that to the board and the board has told you no that we cannot afford it?

3:05:34 PM Vice-Chairman Cicero - witness D. Hall  
Note: Fields, Angela So has there been an analysis done of your meters? To say if I eliminate three meter readers and I improve my water revenue by 10 to 15 percent because my meters are reading low this is the benefit that I receive that offsets the cost of the meters.

3:05:55 PM Vice-Chairman Cicero - witness D. Hall  
Note: Fields, Angela I just don't know how Southern operates? Discussion.

3:07:53 PM Vice-Chairman Cicero - witness D. Hall  
Note: Fields, Angela I don't have anything else Chairman.

3:07:55 PM Chairman Schmitt  
Note: Fields, Angela Commissioner Mathews questions?

3:08:00 PM Commissioner Mathews - witness D.Hall  
Note: Fields, Angela If a rate increase is granted as a result of this ?, you will apply for the KIA loan or it will go back in the offer?

3:08:14 PM Commissioner Mathews - witness D.Hall  
Note: Fields, Angela How much of the water loss might be fixed if you replaced that Lackey to Whalen line?

3:09:09 PM Commissioner Mathews - witness D.Hall  
Note: Fields, Angela That's all I have.

3:09:13 PM Chairman Schmitt - witness D. Hall  
Note: Fields, Angela I guess you were here when Mr. Campbell testified earlier today that in the two water distribution areas that Prestonsburg took over from Southern that they found about 40 people who were taking water but apparently had no meter. Do you recall that testimony?

3:09:46 PM Chairman Schmitt - witness D. Hall  
Note: Fields, Angela How can you explain that in three, or four, five months Prestonsburg found these people who were getting water, but were never metered? And Southern for years had apparently allowed this to happen and never found the same thing?

3:11:54 PM Chairman Schmitt - witness D. Hall  
Note: Fields, Angela So we are talking about people who are receiving the benefit of Southern's water and the cost that were being born by the other rate payers but there was no meter? Some how they could tap into the water line right?

3:12:29 PM Chairman Schmitt - witness D. Hall  
Note: Fields, Angela Have you seen some of that? Do you watch any of the Martin County cases?

3:13:16 PM Chairman Schmitt - witness D. Hall  
Note: Fields, Angela Mr. McNeil from the Attorney General's Office asked you if you knew about anybody that was getting water in exchange for something else. Have you personally ever been interviewed by a police officer or somebody from the Attorney General's Office investigating a complaint that you were allowing people to receive water free in exchange for some benefit for you or your family?

3:13:42 PM Chairman Schmitt - witness D. Hall  
Note: Fields, Angela You ever hear that before I told you today?

3:14:11 PM Chairman Schmitt - witness D. Hall  
Note: Fields, Angela You were never notified that a complaint had been made or anything?

3:15:35 PM Chairman Schmitt - witness D. Hall  
Note: Fields, Angela During the ordinary course of business does Southern Water District ever contract with third parties for services like excavation, laying lines, and doing leak repairs?

3:15:56 PM Chairman Schmitt - witness D. Hall  
Note: Fields, Angela So all the work done by or for Southern Water District is done by Southern's employees? Is that correct?

3:16:27 PM Chairman Schmitt - witness D. Hall  
Note: Fields, Angela Do you contract with anybody to do work for or on behalf of Southern Water District for sums less than 20,000 dollars? Do you ever work with somebody under twenty thousand dollars?

3:17:08 PM Chairman Schmitt - witness D. Hall  
Note: Fields, Angela Is someone at Southern your engineer or you responsible for seeing that the projects are bid, advertised in the newspaper, and so fourth?

3:17:32 PM Chairman Schmitt - witness D. Hall  
Note: Fields, Angela Do you know whether or not the Southern Water and Sewer District operates under the Kentucky Model Procurement Code?

3:17:52 PM Chairman Schmitt - witness D. Hall  
Note: Fields, Angela I guess when Mrs. Johnson was on the stand I asked her about some of these statements that apparently appeared in the most recent Public Service Commission inspection of Southern Water District. Such as utility stated that they have five thousand meters that are thirteen to fifteen years old that have never been tested and five hundred meters that are less than two years old. Would that be essentially accurate or not?

3:18:30 PM Chairman Schmitt - witness D. Hall  
Note: Fields, Angela And that's why because of those older meters you'd rather have new meters radio AMR meters then you would testing all of these others that are probably toward the end of their useful life? Right sir?

3:18:52 PM Chairman Schmitt - witness D. Hall  
Note: Fields, Angela Utility stated the average distribution and service line in the system is fifty years old. Is that about right too?

3:19:09 PM Chairman Schmitt - witness D. Hall  
Note: Fields, Angela And I guess being in the utility business for years you'd acknowledge that they are approaching the end of their useful life? Right?

3:19:19 PM Chairman Schmitt - witness D. Hall  
Note: Fields, Angela And that good business practice would involve having some kind of a plan moving forward to identify the areas that needed to be replaced sooner rather than later and if no money was available start thinking about where the money would come from. Correct?

3:19:44 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	Of course if you could borrow money from Rual Devcelopment or Kentucky Infrastructure Authority you might be able just to tell them what you are going to use it for, but they probably never monitor you to see that you actually used it for that purpose. Would they?
3:20:21 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	But if you came before the Public Service Commission and had to account for a pipeline replacement program like the largest utilities in this state do. They come in and they have a plan and every year or so they come in and we know what they done they produce receipts and we approve their true-ups for what money they spent? Is there any reason why a small utility like Southern Water and Sewer District couldn't do that to? I mean you could do that couldn't you?
3:21:15 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	Here's an issue.
3:22:36 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	Has Southen been negotiating at all with any private company or anyone else with respect to managing the district or selling the assets to somebody?
3:23:29 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	Have you been involved in any of that? Do you know if there are any ongoing negotiations or plans?
3:24:06 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	Do you ever get to see any of the orders that come out of the PSC? Or anything like the comments to the the Staff Report that the Attorney General's Office files? One of the suggestions that the Attorney General's Office made was maybe the commission ought to consider trying to merge Southern Water with somebody else?
3:24:29 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	I take it that you and maybe the commissioners of your district would be in favor of that?
3:25:03 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	You don't think that a company with the managerial expertise and resources that was able to spread the unit cost of operating a system over thousands of customers as opposed to five thousand custmers would be better able to serve the people of Floyd County?
3:26:48 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	Mr. Hall how long did you say you have been with Southern Water and Sewerr District and its predecessor?
3:27:11 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	What are the various positions that you've actually held?
3:27:26 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	How long did you work in that position?
3:28:35 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	At one time Mr. Halbert was the General Manager, when he was, what was your position?
3:28:59 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	Other than the work you've done at Southern Water and Sewer Distirct. have you had any formal education or training in business management or accounting?
3:29:22 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	What is it in?
3:29:34 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	It had your 2018 pay rate at \$32.76 an hour. Is that correct? Are you an hourly employee?

3:30:20 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	Do you get paid overtime?
3:30:23 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	In your job as General Manager or administrator are you eligible for a bonus of any kind?
3:30:35 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	Do you ever get a bonus?
3:30:40 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	Do any of your employees ever get a bonus Christmas or for you know great service?
3:31:06 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	What is it that you get?
3:31:26 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	Do they withhold for that? Or is that something that is outside?
3:31:36 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	As apart of your job do you have a company vehicle to drive?
3:31:41 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	And you can drive that home?
3:31:46 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	Are you allowed to drive that for like your personal benefit?
3:31:53 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	So you don't use it at any time for any kind of personal use at all?
3:32:19 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	Other than you are there other employees of Southern who are provided a company vehicle that they take home at night?
3:33:07 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	Can you tell me the names of those people who are entitled to five vehicles?
3:33:28 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	And only at those times are they permitted to take the vehicles home at night, correct?
3:33:40 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	Basically your total salary would be what sixty five to seventy thousand dollars a year?
3:34:13 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	Do you know where that figure came from? Or who it is that is responsible for plugging that figure in?
3:35:18 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	Well I was wondering because it hadn't always been in the annual report.
3:35:51 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	You were not the General Manager then I understand that Mr. Hall.
3:36:25 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	And what is that estimate?
3:36:50 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	.03 x monthly sales = fire dept. usage.
3:37:39 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	You know the size of the opening of the hydrant?
3:38:12 PM	Chairman Schmitt - witness D. Hall Note: Fields, Angela	Okay. I have no further questions. Any questions from you?
3:38:17 PM	Atty. Strobo Southern Water Sewer District - witness D. Hall Note: Fields, Angela	Do you work with Kentucky Engineering?
3:38:46 PM	Atty. Strobo Southern Water Sewer District - witness D. Hall Note: Fields, Angela	Who do you work with at Kentucky Engineering?

3:39:16 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela And what do they help you with?

3:39:39 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela Do they help you prioritize what projects you need to have done?

3:39:55 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela So Kentucky Engineering do they do some of the design work for the projects as well?

3:40:04 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela And this KIA loan that we have been talking about all day that is currently on hold. Did Kentucky Engineering assist you with that?

3:40:15 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela Have they assisted you with any other projects that are currently on hold?

3:40:26 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela Describe that to us.

3:41:23 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela Is it your understanding that if you get a rate increase as you have requested would that allow those loans to move forward?

3:41:43 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela Were you assisting with the negotiations?

3:42:33 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela Did you have an opinion on whether or not Southern should follow through with the purchase?

3:43:36 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela Do you express your concerns at board meetings?

3:43:42 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela Did you have any option on how that may impact future loans?

3:44:38 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela How long have you personally been working with them at Southern?

3:45:00 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela It is your understanding that Southern is a member of the Kentucky Rual Water Association?

3:45:07 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela And through that membership you get services from rual water?

3:45:14 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela As of two years ago your point person was who?

3:45:36 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela But more recently you have been working with Danny?

3:45:39 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela And they are here in the room today?

3:45:46 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela Handing out exhibit. I would like to enter this into the record.

3:46:10 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela Are you familiar with the document I just handed you?

3:46:13 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela And what is it?

3:46:19 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela And did you work on this document yourself?

3:46:46 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela Who was it prepared by?

3:46:52 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela Generally can you tell us how this procedure works?

3:47:33 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela Is this written policy different from what you were doing prior to having this written policy?

3:47:55 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela Do you think this plan helps you prioritize the problem areas on your system?

3:48:06 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela Have you seen any successes so far with following this policy?

3:49:20 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela Do you know if this is a procedure that Kentucky Rual Water Association uses at other districts as well?

3:49:36 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela So this is probably a procedure that has shown to work for them?

3:49:42 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela Have you with Kentucky Rual Water Association been able to estimate what you think you can do to reduce water loss pursuant to this procedure?

3:50:16 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela Have you or Kentucky Rual Water Association tried to do a timeline on how long that will take you to get to 30%?

3:50:30 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela Sitting here today can you estimate a timeline on how long it would take you to get to 30%?

3:50:51 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela Have you had any discussion with your board to possibly hire somebody else to help with water loss and infrastructure needs?

3:51:26 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela But you have discussed that with your board?

3:51:43 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela October 2018 appraisal.

3:52:00 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela And we've been talking about this figure \$656,122.00. Do you recall that figure?

3:52:11 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela And what is your opinion of where that figure comes from?

3:52:20 PM SWSD Atty Strobo - witness D. Hall  
Note: Fields, Angela Do you think that this figure was taken from your rate case application that was prepared by your engineer Holly?

3:52:33 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela And do you know where she got her number from?

3:52:49 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela If I told you that, that number came just from the water customers would you agree with me?

3:53:01 PM Chairman Schmitt  
Note: Fields, Angela Any other questions?

3:53:05 PM Vice-Chairman Cicero - witness D.Hall  
Note: Fields, Angela Last comments. Staff Data Request #2.

3:53:51 PM Vice-Chairman Cicero - witness D.Hall  
Note: Fields, Angela Do you have any contract employees?

3:54:08 PM Vice-Chairman Cicero - witness D.Hall  
Note: Fields, Angela Clarifying that if there is no contract employees, then all you need to do is send a response saying that there are no contract employees.

3:55:05 PM POST DATA REQUEST  
Note: Fields, Angela The fourth quarter monthly calculations using your formula for water loss the 3% for fire department usage and whatever the formula is that you are using for the internal flushing for system usage.  
Note: Fields, Angela Vice-Chairman Cicero - witness D.Hall

3:55:50 PM Vice-Chairman Cicero - witness D.Hall  
Note: Fields, Angela Comments about exhibit that Atty Strobo handed out.

3:57:26 PM Vice-Chairman Cicero - witness D.Hall  
Note: Fields, Angela One last curiosity question.

3:58:09 PM Vice-Chairman Cicero - witness D.Hall  
Note: Fields, Angela What was the outcome of that?

3:59:18 PM Atty. Strobo Southern Water Sewer District - witness D. Hall  
Note: Fields, Angela Introduce Southern's exhibit 1

3:59:23 PM Vice-Chairman Cicero - witness D.Hall  
Note: Fields, Angela Completes his questions.

3:59:25 PM Commissioner Mathews - witness D. Hall  
Note: Fields, Angela Just to clarify.

3:59:56 PM Commissioner Mathews - witness D. Hall  
Note: Fields, Angela Was the private entity that has been talking to the board talking about a purchase or management contract?

4:00:30 PM Commissioner Mathews - witness D. Hall  
Note: Fields, Angela How many people do you prosecute for water theft?

4:02:08 PM Commissioner Mathews - witness D. Hall  
Note: Fields, Angela Has bad debt expense been increasing? Are you seeing people not paying their bills more often as the economic climate has gotten worse?

4:04:50 PM Chairman Schmitt - witness D. Hall  
Note: Fields, Angela Anything further from this witness?

4:04:57 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela Did you state that you use deposits to offset disconnect debt?

4:05:12 PM Atty. Bowker Public Service Commission - witness D. Hall  
Note: Fields, Angela No questions.

4:05:14 PM Chairman Schmitt - witness D. Hall  
Note: Fields, Angela Anything further? Any reason why Mr. Hall cannot be excused?

4:05:37 PM Session Paused

4:20:06 PM Session Resumed

4:24:12 PM Chairman Schmitt - witness Osborne  
Note: Fields, Angela Swearing in/Introduction of witness

4:24:56 PM Chairman Schmitt - witness Osborne  
Note: Fields, Angela How long have you been a Commissioner of Southern Water and Sewer District?

4:25:15 PM Chairman Schmitt - witness Osborne  
Note: Fields, Angela Was the person who was in that position before you were appointed, did they die, retire, or did their term expire? Do you know?

4:25:50 PM Chairman Schmitt - witness Osborne  
Note: Fields, Angela Do you know when your term is supposed to end?

4:25:58 PM Chairman Schmitt - witness Osborne  
Note: Fields, Angela Okay, then you were appointed then in November with Mrs. Johnson?

4:26:14 PM Chairman Schmitt - witness Osborne  
Note: Fields, Angela Were you involved and if so to what extent in the negotiations with the City of Prestonsburg Utilities for the sale of the sewer and water distribution assets?

4:26:34 PM Chairman Schmitt - witness Osborne  
Note: Fields, Angela Did you all meet in any type of joint session?

4:27:25 PM Chairman Schmitt - witness Osborne  
Note: Fields, Angela At this point and time are you satisfied with that transaction?

4:27:28 PM Chairman Schmitt - witness Osborne  
Note: Fields, Angela Why not?

4:27:45 PM Chairman Schmitt - witness Osborne  
Note: Fields, Angela You think it is worth more than the 4.1 million dollars?

4:27:51 PM Chairman Schmitt - witness Osborne  
Note: Fields, Angela But Southern has been paid? In cash kind and paid off some of their loans? You recognize that Prestonsburg has paid some money?

4:28:08 PM Chairman Schmitt - witness Osborne  
Note: Fields, Angela Do you think that the amount ought to be more than what Prestonsburgh now says it is? Is that correct?

4:28:26 PM Chairman Schmitt - witness Osborne  
Note: Fields, Angela The US Department of Agriculture Rual Development says that they want an extra1.85 million is that in the ballpark of what you think the value is or ought to be?

4:28:52 PM Chairman Schmitt - witness Osborne  
Note: Fields, Angela Have you ever suggested to your fellow Commissioners that maybe you ought to see about another appraisal?

4:29:09 PM Chairman Schmitt - witness Osborne  
Note: Fields, Angela But in your opinion is it fair?

4:29:44 PM Chairman Schmitt - witness Osborne  
Note: Fields, Angela At some point in some resonable period of time this transaction has to be either concluded or unwound. Have you thought about how that could be done?

4:30:39 PM Chairman Schmitt - witness Osborne  
Note: Fields, Angela Anything else you'd like to tell the Commission about the transaction or about Southern Water and Sewer District your water loss problems, management issues, anything you care to relate to us?

4:31:41 PM Chairman Schmitt - witness Osborne  
Note: Fields, Angela You just didn't have the cash flow that was necessary after the water assets were transfered and Prestonsburg started receiving payments?

4:31:57 PM Chairman Schmitt - witness Osborne  
Note: Fields, Angela Commissioner Cicero any questions for this witness?

4:32:00 PM Vice-Chairman Cicero - witness Osborne  
Note: Fields, Angela So how did you vote when the transaction came up for a vote?

4:32:10 PM Vice-Chairman Cicero - witness Osborne  
Note: Fields, Angela So you indicated that 1.9 million or more is what you believe Prestonsburg owes to finish the deal?

4:32:40 PM Vice-Chairman Cicero - witness Osborne  
Note: Fields, Angela Have you done an analysis for that number? Consulted an expert? Reviewed any documents?

4:32:49 PM Vice-Chairman Cicero - witness Osborne  
Note: Fields, Angela So you know when they talk about due diligence, due diligence is not depending on somebody's elses organization but your own organization.

4:32:59 PM Vice-Chairman Cicero - witness Osborne  
Note: Fields, Angela I don't have any other questions.

4:33:02 PM Chairman Schmitt  
Note: Fields, Angela Commissioner Mathews

4:33:04 PM Commissioner Mathews - witness Osborne  
Note: Fields, Angela So the section of the system the water cutomers, you believe that was the best part of the system in that it had fewer leaks?

4:33:44 PM Commissioner Mathews - witness Osborne  
Note: Fields, Angela So you could have forseen that you would be losing revenue and really not reducing cost by a similar amount that would not be a loss?

4:34:07 PM Commissioner Mathews - witness Osborne  
Note: Fields, Angela That's all.

4:34:09 PM Chairman Schmitt - witness Osborne  
Note: Fields, Angela From ? up to the Pike County line is pretty densely populated when compared to the rest of your system? Would you agree to that?

4:34:44 PM Chairman Scmitt  
Note: Fields, Angela Mr. Bowker any questions?

4:34:46 PM Atty. Bowker Public Service Commission - witness Osborne  
Note: Fields, Angela Do you go to water district commissioner training every year to get your six hours every year?

4:34:52 PM Atty. Bowker Public Service Commission - witness Osborne  
Note: Fields, Angela Did you get your initial twelve hours?

4:34:57 PM Atty. Bowker Public Service Commission - witness Osborne  
Note: Fields, Angela That's all I have. Thank you.

4:34:58 PM Chairman Schmitt  
Note: Fields, Angela Mr. McNeil?

4:35:03 PM Chairman Schmitt  
Note: Fields, Angela May this witness be excused?

4:37:48 PM Chairman Schmitt - witness Hamilton  
Note: Fields, Angela Swearing in/Introduction

4:38:33 PM Chairman Schmitt - witness Hamilton  
Note: Fields, Angela So how long have you been a Commissioner on the board of Southern Water and Sewer District?

4:38:59 PM Chairman Schmitt - witness Hamilton  
Note: Fields, Angela When you were appointed do you know who held the seat prior to your appointment?

4:39:11 PM Chairman Schmitt - witness Hamilton  
Note: Fields, Angela Do you know if Mr. Fraizers term expired, or if he resigned, or if he passed away?

4:39:21 PM Chairman Schmitt - witness Hamilton  
Note: Fields, Angela So you would of filled his unexpired term persumably?

4:39:28 PM Chairman Schmitt - witness Hamilton  
Note: Fields, Angela Where you told when you came on board when his unexpired term would expire?

4:40:01 PM Chairman Schmitt - witness Hamilton  
Note: Fields, Angela So have you been re-appointed?

4:40:05 PM Chairman Schmitt - witness Hamilton  
Note: Fields, Angela When were youo re-appointed?

4:40:22 PM Chairman Schmitt - witness Hamilton  
Note: Fields, Angela And you were appointed by Judge Executive Ben Hale?

4:40:28 PM Chairman Schmitt - witness Hamilton  
Note: Fields, Angela And that appointment was confirmed by the Fiscal Court?

4:40:36 PM Chairman Schmitt - witness Hamilton  
Note: Fields, Angela Were you there at the meeting when this was done?

4:40:43 PM Chairman Schmitt - witness Hamilton  
Note: Fields, Angela So how did you learn about it?

4:41:00 PM	Chairman Schmitt - witness Hamilton Note: Fields, Angela	Will Mr. Akers be serving on the Fiscal Court for the next four years?
4:41:11 PM	Chairman Schmitt - witness Hamilton Note: Fields, Angela	Do you know if any other people were appointed to serve as Commissioners of Southern Water and Sewer District at the December Fiscal Court meeting other than you?
4:42:26 PM	Chairman Schmitt - witness Hamilton Note: Fields, Angela	When did you resign?
4:42:40 PM	Chairman Schmitt - witness Hamilton Note: Fields, Angela	Why did you resign in October/November of 2018?
4:42:55 PM	Chairman Schmitt - witness Hamilton Note: Fields, Angela	Why did you accept the re-appointment from Judge Hale and the out going Fiscal Court?
4:43:09 PM	Chairman Schmitt - witness Hamilton Note: Fields, Angela	Would that have been Judge Hale?
4:43:16 PM	Chairman Schmitt - witness Hamilton Note: Fields, Angela	One could look at that transaction and concluded that you resigned so that Ms. Hall could then be appointed and fill your un-expired term and you could unbeknownst to Mr. Jacobs you would succeed him in a full four year term. Was that ever discussed with you at all?
4:43:55 PM	Chairman Schmitt - witness Hamilton Note: Fields, Angela	Were you involved at all in the negotiations with Mr. Campbell or Prestonsburg City Utility Commission?
4:44:12 PM	Chairman Schmitt - witness Hamilton Note: Fields, Angela	You never met with anybody privately or at the Floyd County Courthouse or anything like that?
4:44:22 PM	Chairman Schmitt - witness Hamilton Note: Fields, Angela	Were you for this sale of the water distribution assetes and the sewer assets?
4:44:36 PM	Chairman Schmitt - witness Hamilton Note: Fields, Angela	Well did you vote for it?
4:44:39 PM	Chairman Schmitt - witness Hamilton Note: Fields, Angela	Why did you vote for it?
4:45:03 PM	Chairman Schmitt - witness Hamilton Note: Fields, Angela	Why did they care one way or the other? Everbody says they were pushing this. Why were they pushing it. Did they say?
4:45:27 PM	Chairman Schmitt - witness Hamilton Note: Fields, Angela	That in doing that, somehow Prestonsburg would come up with whatever money you received would go to the Floyd County Fiscal Court? Is that what you are saying?
4:46:40 PM	Chairman Schmitt - witness Hamilton Note: Fields, Angela	I thought the purpose of the bonds that were sold was to raise money for the water district?
4:47:05 PM	Chairman Schmitt - witness Hamilton Note: Fields, Angela	Did you feel any loyalty to Judge Executive Hale and the Fiscal Court to kind of go along with what they wanted you all to do?
4:47:28 PM	Chairman Schmitt - witness Hamilton Note: Fields, Angela	Were there any members of your commision that expressed any misgivings about doing this before the vote was taken?
4:48:05 PM	Chairman Schmitt - witness Hamilton Note: Fields, Angela	But now you got a problem right?
4:48:20 PM	Chairman Schmitt - witness Hamilton Note: Fields, Angela	And you've agreed to take it?
4:48:38 PM	Chairman Schmitt - witness Hamilton Note: Fields, Angela	Did you know that?

4:48:42 PM Chairman Schmitt - witness Hamilton  
Note: Fields, Angela You don't want to give the money back?

4:49:18 PM Chairman Schmitt - witness Hamilton  
Note: Fields, Angela Right now, if you had to vote to either keep the deal or try to rescind it? What would you do?

4:49:29 PM Chairman Schmitt - witness Hamilton  
Note: Fields, Angela Have you given any thought if the deal was rescinded how it could be unwound?

4:50:05 PM Chairman Schmitt - witness Hamilton  
Note: Fields, Angela Mr. Campbell said that Southern owes Prestonsburg over ninety thousand dollars in sewer rates for the Eastern and the Whalen customers. Were you aware of that? That would be apart of the deal to, that they would get paid going forward right?

4:50:45 PM Chairman Schmitt - witness Hamilton  
Note: Fields, Angela Commissioner Cicero any questions?

4:50:49 PM Vice-Chairman Cicero - witness Hamilton  
Note: Fields, Angela So what do you believe the value of the transaction is?

4:51:02 PM Vice-Chairman Cicero - witness Hamilton  
Note: Fields, Angela The appraiser number 4.1 more than that?

4:51:14 PM Vice-Chairman Cicero - witness Hamilton  
Note: Fields, Angela Did you consult with an expert to come up with your 4.3?

4:51:36 PM Vice-Chairman Cicero - witness Hamilton  
Note: Fields, Angela So it is not based on an analysis, it's a gut feeling on your part that it is worth about 4.3?

4:51:44 PM Vice-Chairman Cicero - witness Hamilton  
Note: Fields, Angela So when the vote was taken for this transaction was it a unanimous vote? All yes, some nos, do you remember?

4:52:00 PM Vice-Chairman Cicero - witness Hamilton  
Note: Fields, Angela So a unanimous vote, everybody on the Southern Water Board was convinced that this was a great deal, and they were able to obtain a unanimous vote on a transaction that everyone now believes is a bad deal?

4:52:20 PM Vice-Chairman Cicero - witness Hamilton  
Note: Fields, Angela Do you think that the board did their due diligence with this transaction?

4:52:30 PM Vice-Chairman Cicero - witness Hamilton  
Note: Fields, Angela You said that you had a balanced budget and everything was going well. If you still had the sewer assets and at the time of the transaction it was the sewer assets that were trying to be moved. Because of the potential thousands of dollars in fines Southern was facing for that plant. Did that play some kind of role in this whole idea in whether you should do the deal or not?

4:54:03 PM Commissioner Mathews - witness Hamilton  
Note: Fields, Angela When you say you think it is a bad deal, is it the sale of the water and sewer, or is the water part that makes you think that it is a bad deal?

4:54:57 PM Commissioner Mathews - witness Hamilton  
Note: Fields, Angela I don't have anything else.

4:55:01 PM Atty. Bowker Public Service Commission - witness Hamilton  
Note: Fields, Angela Are you up to date on your commissioner training? Do you get your six hours every year? Did you get your initial twelve hours within the first twelve months you were commissioner?

4:55:48 PM Chairman Schmitt - witness Hamilton  
Note: Fields, Angela May this witness be excused?

4:56:09 PM	Chairman Schmitt - witness B. Hall Note: Fields, Angela	Swearing in/Intorduction
4:57:11 PM	Chairman Schmitt - witness B. Hall Note: Fields, Angela	How long have you been a member of the Board of Commissioners of Southern Water and Sewer District?
4:57:25 PM	Chairman Schmitt - witness B. Hall Note: Fields, Angela	Someone held this position before you did. Do you know who that was?
4:57:56 PM	Chairman Schmitt - witness B. Hall Note: Fields, Angela	Do you know when your term expires?
4:58:32 PM	Chairman Schmitt - witness B. Hall Note: Fields, Angela	What extent if at all were you involved in negotiations with Prestonsburg City Utilities with respect to the transfer or sale of the sewer and the water assets?
4:59:04 PM	Chairman Schmitt - witness B. Hall Note: Fields, Angela	Was this at regular scheduled meeting or just a impromptu meeting where you just got together?
4:59:14 PM	Chairman Schmitt - witness B. Hall Note: Fields, Angela	Who was there from Southern?
4:59:42 PM	Chairman Schmitt - witness B. Hall Note: Fields, Angela	Is that the only meeting you attended? Where this discussion took place.
4:59:51 PM	Chairman Schmitt - witness B. Hall Note: Fields, Angela	What was your position going in to this meting?
5:00:31 PM	Chairman Schmitt - witness B. Hall Note: Fields, Angela	Do you have any recollection as to the approximate cost of basically rehabilitating the Whalen Sewer Plant as to what the engineer told you?
5:00:54 PM	Chairman Schmitt - witness B. Hall Note: Fields, Angela	Others have said that basically Judge Executive Hale and Fiscal Court members were basically encouraging the water commission to basically work out some deal with Prestonsburg?
5:01:24 PM	Chairman Schmitt - witness B. Hall Note: Fields, Angela	Before any agreements were signed what did you think about it yourself?
5:01:57 PM	Chairman Schmitt - witness B. Hall Note: Fields, Angela	How has it turned out in your opinion? Has it turned out to be a win win ?
5:02:09 PM	Chairman Schmitt - witness B. Hall Note: Fields, Angela	What is it about it, in your view that makes it not a win win?
5:02:41 PM	Chairman Schmitt - witness B. Hall Note: Fields, Angela	If this transaction had never taken place and we take the sewer sytems out of it. Do you think Southern would have made the improvments Prestonsburg has to these parts of the system by putting in new smart meters and all of the upgrades?
5:03:03 PM	Chairman Schmitt - witness B. Hall Note: Fields, Angela	Do you think you would of done that?
5:03:13 PM	Chairman Schmitt - witness B. Hall Note: Fields, Angela	You couldn't have done it, Prestonsburg could do it because they had the money, but Southern did not have the money?
5:03:39 PM	Chairman Schmitt - witness B. Hall Note: Fields, Angela	So going forward what is your position with respect to how this ends?

5:04:52 PM Chairman Schmitt - witness B. Hall  
Note: Fields, Angela And pay them back, and they get paid for their sewer rates, but you expect them to keep the sewer system and you all would do their billing for them for a 3% fee?

5:05:18 PM Chairman Schmitt - witness B. Hall  
Note: Fields, Angela I have no further questions Commissioner Cicero.

5:05:20 PM Vice-Chairman Cicero - witness B. Hall  
Note: Fields, Angela So who initiated the contact? Was it Judge Hale or Mr. Campbell from Prestonsburg?

5:05:50 PM Vice-Chairman Cicero - witness B. Hall  
Note: Fields, Angela You indicated that you are losing \$40,000 a month.?

5:07:12 PM Vice-Chairman Cicero - witness B. Hall  
Note: Fields, Angela I don't have any other questions.

5:07:23 PM Chairman Schmitt - witness B. Hall  
Note: Fields, Angela May this witness be excused?

5:08:14 PM Chairman Schmitt - witness Blanton  
Note: Fields, Angela Swearing in

5:08:28 PM Atty. Bowker Public Service Commission - witness Blanton  
Note: Fields, Angela Introduction of witness

5:08:55 PM Atty. Bowker Public Service Commission - witness Blanton  
Note: Fields, Angela Have you developed a relationship over the years with Southern Water District?

5:09:02 PM Atty. Bowker Public Service Commission - witness Blanton  
Note: Fields, Angela When did that relationship begin?

5:09:13 PM Atty. Bowker Public Service Commission - witness Blanton  
Note: Fields, Angela Can you give the commission a brief history of what you have been doing with Southern District throughout the years to help them?

5:09:43 PM Atty. Bowker Public Service Commission - witness Blanton  
Note: Fields, Angela Any specific projects with Southern District that you've been involved with to help with their percentage of water line loss?

5:10:15 PM Atty. Bowker Public Service Commission - witness Blanton  
Note: Fields, Angela Do you go out in the field with employees of Southern District to try to show them different techniques? Do you do that fairly regularly?

5:10:27 PM Atty. Bowker Public Service Commission - witness Blanton  
Note: Fields, Angela Have those employees been receptive to what you have tried to teach them? Have they caught on to the methods that you've tried to teach them to find leaks?

5:10:43 PM Atty. Bowker Public Service Commission - witness Blanton  
Note: Fields, Angela How would you gauge the progress they've made with your assistance over the decade that you've been working with them?

5:11:25 PM Atty. Bowker Public Service Commission - witness Blanton  
Note: Fields, Angela Do you currently have a relationship with them ongoing or has Mr. Stinson taken over what you have been doing with Southern?

5:12:09 PM Atty. Bowker Public Service Commission - witness Blanton  
Note: Fields, Angela When do you expect that to occur?

5:12:15 PM Atty. Bowker Public Service Commission - witness Blanton  
Note: Fields, Angela Do they have substantial issues regarding hydraulics in their geographic area?

5:12:31 PM Atty. Bowker Public Service Commission - witness Blanton  
Note: Fields, Angela That are different to other parts of the state, correct?

5:12:35 PM Atty. Bowker Public Service Commission - witness Blanton  
Note: Fields, Angela Were you apart of putting together the leak detection standard operating procedure that has been handed out as an exhibit today?

5:13:14 PM Atty. Bowker Public Service Commission - witness Blanton  
Note: Fields, Angela Does Mr. Hall reach out to you on a fairly frequent basis for your advice, for assistance in ongoing matters?

5:13:28 PM Atty. Bowker Public Service Commission - witness Blanton  
Note: Fields, Angela Do you know about how often you receive a call from Mr. Hall for assistance? You also have other areas you work with as well, you just don't work with Southern District I assume?

5:14:17 PM Atty. Bowker Public Service Commission - witness Blanton  
Note: Fields, Angela The different projects that have been mentioned here today. Were you apart of those projects as well with Mr. Halbert?

5:15:20 PM Atty. Bowker Public Service Commission - witness Blanton  
Note: Fields, Angela I have no further questions. Thank you.

5:15:32 PM Asst. Atty. Gen. McNeil - witness Blanton  
Note: Fields, Angela In your opinion can you estimate how long it would take Southern to get down to a water loss of about 30%?

5:16:07 PM Asst. Atty. Gen. McNeil - witness Blanton  
Note: Fields, Angela Even with a process in place you couldn't have a good estimate for a lot long while? Is that right?

5:16:33 PM Asst. Atty. Gen. McNeil - witness Blanton  
Note: Fields, Angela Nothing further Chairman.

5:16:40 PM Vice-Chairman Cicero - witness Blanton  
Note: Fields, Angela How would Southern compare to other water districts that you have helped out?

5:17:08 PM Vice-Chairman Cicero - witness Blanton  
Note: Fields, Angela Are you the source of the 3% for fire usage?

5:17:41 PM Vice-Chairman Cicero - witness Blanton  
Note: Fields, Angela That's a Kentucky Rual Water Association number?

5:17:52 PM Vice-Chairman Cicero - witness Blanton  
Note: Fields, Angela How about the system usage formula are you the source for that?

5:18:38 PM Vice-Chairman Cicero - witness Blanton  
Note: Fields, Angela The formulat that is used to develop the flushing of the hydrants? Did you come up with that or is it apart of the software that you are talking about?

5:18:52 PM Vice-Chairman Cicero - witness Blanton  
Note: Fields, Angela That's all I have.

5:19:20 PM Chairman Schmitt - witness Stinson  
Note: Fields, Angela Swearing in of witness.

5:19:31 PM Atty. Bowker Public Service Commission - witness Stinson  
Note: Fields, Angela Introduction of witness.

5:19:51 PM Atty. Bowker Public Service Commission - witness Stinson  
Note: Fields, Angela How long have you had a relationship with Southern Water and Sewer District?

5:21:28 PM Atty. Bowker Public Service Commission - witness Stinson  
Note: Fields, Angela Was it your idea to come up with the leak detection standard operating procedure? Or were you asked by Southern District to come up with that? Or did you think that, that was something they just needed to have?

5:22:13 PM Atty. Bowker Public Service Commission - witness Stinson  
Note: Fields, Angela So you saw some issues with that and then asked Mr. Hall or someone at Southern District whether they had a plan in place or not? A written plan. And when they said no, you suggested that they might want to have a standard operating procedure for leak detection?

5:22:33 PM	Atty. Bowker Public Service Commission - witness Stinson Note: Fields, Angela	Can you go into a little bit of detail regarding how you all came up with the plan/procedure?
5:24:35 PM	Atty. Bowker Public Service Commission - witness Stinson Note: Fields, Angela	Any other insights as far as how Southern District could reduce their water line loss in a shorter amount of time then what we have been discussing here today? Since you know the geography of the area and anything else we have left out? That you have thought of?
5:26:09 PM	Atty. Bowker Public Service Commission - witness Stinson Note: Fields, Angela	I have no further questions for you.
5:26:16 PM	Vice-Chairman Cicero - witness Stinson Note: Fields, Angela	So your analysis kind of confirms that there could be meters that are not being read and estimated?
5:27:18 PM	Chairman Schmitt - witness Stinson Note: Fields, Angela	So you suspect there is? That's more than a possibility that's a probability? More likely than not?
5:27:35 PM	Chairman Schmitt - witness Stinson Note: Fields, Angela	No further questions.
5:27:42 PM	Atty. Strobo Southern Water Sewer District - witness Stinson Note: Fields, Angela	Have you been working with Dean?
5:27:49 PM	Atty. Strobo Southern Water Sewer District - witness Stinson Note: Fields, Angela	Have you talked to Dean about it?
5:27:55 PM	Atty. Strobo Southern Water Sewer District - witness Stinson Note: Fields, Angela	Is there a way that Southern can kind of isolate and try to figure out where this issue is within the system?
5:28:23 PM	Atty. Strobo Southern Water Sewer District - witness Stinson Note: Fields, Angela	Have you gotten that far in your discussion with Mr. Hall?
5:28:30 PM	Atty. Strobo Southern Water Sewer District - witness Stinson Note: Fields, Angela	So this is a new problem that you just discovered? And Mr. Hall is he open to working with you?
5:28:49 PM	Atty. Strobo Southern Water Sewer District - witness Stinson Note: Fields, Angela	Going back to the leak detection plan. Have you seen improvements in the short time, that the plan has been put into place?
5:30:51 PM	Atty. Strobo Southern Water Sewer District - witness Stinson Note: Fields, Angela	Is it your expectation that if they continue to follow this plan that they will see substantial improvements in water loss?
5:31:00 PM	Atty. Strobo Southern Water Sewer District - witness Stinson Note: Fields, Angela	No further questions.
5:31:06 PM	Commissioner Mathews - witness Stinson Note: Fields, Angela	Your assumption that your anomaly was theft. Could that also be aged meters that are reading slow?
5:31:20 PM	Commissioner Mathews - witness Stinson Note: Fields, Angela	Or a combination of the two?
5:31:30 PM	Commissioner Mathews - Stinson Note: Fields, Angela	Maybe that's the baseline and the other anomalies are ??
5:31:53 PM	Commissioner Mathews - witness Stinson Note: Fields, Angela	Because the net affect on the utility for an underperforming meter and theft is the same. It shows up as water loss.
5:32:11 PM	Commissioner Mathews - witness Stinson Note: Fields, Angela	And if you take that to the five thousand that are left?
5:32:26 PM	Chairman Schmitt - witness Stinson Note: Fields, Angela	May this witness be excused?
5:32:56 PM	Chairman Schmitt - witness Nicholas Note: Fields, Angela	Swearing in

5:33:06 PM	Atty. Bowker Public Service Commission - witness Nicholas Note: Fields, Angela	Witness introduction.
5:33:51 PM	Atty. Bowker Public Service Commission - witness Nicholas Note: Fields, Angela	Reading into the record part of our staff report in this case 2018-00230 page 6.
5:35:00 PM	Atty. Bowker Public Service Commission - witness Nicholas Note: Fields, Angela	How did you come up with \$656,122.00?
5:36:05 PM	Atty. Bowker Public Service Commission - witness Nicholas Note: Fields, Angela	So it was entirely historical in nature from what Southern District provided, that number?
5:36:26 PM	Asst. Atty. Gen. McNeil - witness Nicholas Note: Fields, Angela	Just to clarify are you an engineer?
5:36:30 PM	Asst. Atty. Gen. McNeil - witness Nicholas Note: Fields, Angela	What is your title at Kentucky Engineering?
5:37:03 PM	Asst. Atty. Gen. McNeil - witness Nicholas Note: Fields, Angela	Is it corect that you also helped prepare Southern's application in this matter?
5:37:10 PM	Asst. Atty. Gen. McNeil - witness Nicholas Note: Fields, Angela	Did you have any legal assistance in preparing it?
5:37:36 PM	Asst. Atty. Gen. McNeil - witness Nicholas Note: Fields, Angela	That's all I have your honour.
5:37:41 PM	Vice-Chairman Cicero - witness Nicholas Note: Fields, Angela	So has anyone ever come back and questioned your number of \$656,122.00?
5:37:52 PM	Vice-Chairman Cicero - witness Nicholas Note: Fields, Angela	Its never been re-audited or verified?
5:38:21 PM	Vice-Chairman Cicero - witness Nicholas Note: Fields, Angela	Are you running the calculation that she's run, or are you accepting her number?
5:39:06 PM	Atty. Strobo Southern Water Sewer District - witness Nicholas Note: Fields, Angela	Going back to Mr. Fife. Are you familiar with his evaluation that was performed?
5:39:13 PM	Atty. Strobo Southern Water Sewer District - witness Nicholas Note: Fields, Angela	And you reviewed that?
5:39:16 PM	Atty. Strobo Southern Water Sewer District - witness Nicholas Note: Fields, Angela	So this number that we are talking about \$656,122.00. What is the source of that? Is that water customers only in your opinion?
5:39:33 PM	Atty. Strobo Southern Water Sewer District - witness Nicholas Note: Fields, Angela	And as far as you know, no other number was considered by Mr. Fife in his appraisal?
5:39:45 PM	Atty. Strobo Southern Water Sewer District - witness Nicholas Note: Fields, Angela	No further questions.
5:39:52 PM	Chairman Schmitt Note: Fields, Angela	May this witness be excused?
5:39:56 PM	Chairman Schmitt Note: Fields, Angela	Are there any other witnesses that are here that haven't testified?
5:40:06 PM	Chairman Schmitt Timeline Note: Fields, Angela	On Post Hearing Data Request can those be filed by the end of day on 01/10/19? Would you be able to file responses by the end of the day on the 15th? Can you have something to us by the 17th? If the Attorney General's Office could get their Intervene Order in by the 23rd? And then they could reply by the 25th?
5:44:05 PM	Chairman Schmitt Note: Fields, Angela	Is there anything else that counsel would like to bring before the commission?

5:44:11 PM Atty. Strobo Southern Water Sewer District  
Note: Fields, Angela As far as getting Mr. Fife here. Do you want us to reach out to try and get him here?

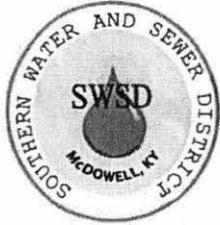
5:45:01 PM Chairman Schmitt Hearing is in recess  
Note: Fields, Angela Rather than adjourned because we're going to get Mr. Fife in here at some point.

5:45:15 PM Session Paused

5:47:19 PM Session Ended



<b>Name:</b>	<b>Description:</b>
Public Service Commission Exhibit 2	Operating Agreement
Public Service Commission Exhibit 3	Operating and Maintenance Agreement
PUBLIC SERVICE COMMISSION Exhibit1	Letter from Hubert Halbert
Southern Water and Sewer District Exhibit 01	Leak Detection Standard Operating Procedure



# SOUTHERN WATER & SEWER DISTRICT

P.O. Box 610  
245 KY Rt. 680  
McDowell, KY 41647

Ph. (606) 377-9296

Fax. (606) 377-9286

October 7, 2013

Mr. Jeff Derouen  
Executive Director  
Public Service Commission  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, KY 40602

**RECEIVED**

OCT 09 2013

PUBLIC SERVICE  
COMMISSION

RE: **PSC Order**

Dear Mr. Derouen,

Pursuant to the PSC order on July 12, 2013, Southern Water and Sewer District has revised its accounting procedures and internal controls to include methods and practices that reasonably and fairly allocate and assign revenues and expenses between its water and sewer operations, it has been since put in effect and adopted by the Board of Commissioners at its August board meeting.

Also, Southern Water and Sewer District is currently working on funding through USDA Rural Development to replace its main distribution line from the Water plant to the main storage tank at Martin, it will consist of five miles of new ductile iron water main with all new service connections, and also all branch lines will have a bypass/leak detection meter installed on them for leak detection. Hopefully this will begin within the next 120 days, Rural Development has notified us that we were on top of the priority list.

Kentucky Rural Water has been working with us to identify some of our unaccounted for water loss. In a comparison flow test the master meter at the water treatment plant showed it was inaccurate, probably as a result of original incorrect plumbing. It is estimated that it is approximately eleven to thirteen percent fast, this will be corrected within the Rural Development project.

A leak detection crew has been formed and will be working no less than three nights a week to help identify water leaks.

Leaks on small service lines are the leading contributors to our water loss and we are now replacing these lines if we encounter more than one leak on a service line.

A second work crew has been established to replace the leaky service lines.

Also, master meters throughout the system are having comparisons done through flow rates.

EQUAL OPPORTUNITY EMPLOYER

We have been in contact with multiple professional leak detection experts and are currently pursuing ways to find funding to possibly use them.

Southern Water and Sewer District will keep the PSC updated in any and all progress made in respect to lowering our monthly water loss.

We will continue to strive to make Southern Water and Sewer District a utility that really believes that our customers really do come first and stay in compliance with all PSC and other state and federal agencies. Please don't hesitate to contact me if you need any further information.

Sincerely,

A handwritten signature in black ink, appearing to read "Hubert Halbert". The signature is written in a cursive style with a large, sweeping initial "H".

Hubert Halbert  
Manager

## **OPERATING AGREEMENT**

This is an Operating Agreement, having an effective date of July 1, 2016, made and entered into by and between the **SOUTHERN WATER AND SEWER DISTRICT**, P. O. Box 610, McDowell, Kentucky 41647, hereinafter referred to as “Southern”; and the **PRESTONSBURG CITY’S UTILITY COMMISSION**, 2560 South Lake Drive, Prestonsburg, Kentucky 41653, hereinafter referred to as “PCUC”;

### **WITNESSETH**

**WHEREAS**, the Southern Water and Sewer District (the “Southern”) is a water district organized under the provisions of KRS Chapter 74;

**WHEREAS**, Southern currently owns and operates water supply, treatment, and distribution facilities (the “Southern Water System”) and wastewater collection and treatment facilities (the “Southern Wastewater System”);

**WHEREAS**, the Prestonsburg City’s Utility Commission (the “PCUC”) is a duly organized and existing independent, component unit and agency of the City of Prestonsburg;

**WHEREAS**, PCUC currently owns and operates both water supply, treatment, and distribution facilities (the “PCUC Water System”) and wastewater collection and treatment facilities (the “PCUC Wastewater System”);

**WHEREAS**, portions of the PCUC Water System are adjacent to the Southern Water System and portions of the PCUC Wastewater System are adjacent to the Southern Wastewater System;

**WHEREAS**, Southern is facing imminent enforcement actions by the Division of Enforcement of the Kentucky Energy and Environment Cabinet (the "DOE") for alleged wastewater violations;

**WHEREAS**, the DOE is likely to view favorably PCUC's proposed operation and maintenance of Southern's Wastewater System and PCUC's proposed rehabilitation of the Wayland Wastewater Treatment Plant and lift stations;

**WHEREAS**, the consolidation of Southern's Wastewater System with PCUC's Wastewater System will achieve greater economies of scale, will mitigate any civil penalties arising from any administrative or legal proceedings concerning the operation of Southern's Wastewater System, and will allow the combined wastewater systems to be managed, operated, and maintained in a more cost effective manner;

**WHEREAS**, PCUC employs more experienced, certified wastewater treatment plant operators and other wastewater personnel than does Southern;

**WHEREAS**, PCUC has greater financial resources than Southern;

**WHEREAS**, PCUC is willing to operate and maintain Southern's Wastewater System, if there is a plan in place to ultimately transfer ownership of Southern's Wastewater System to PCUC;

**WHEREAS**, PCUC is willing to undertake, at its own expense, the immediate rehabilitation of the Wayland Wastewater Treatment Plant and lift stations, if there is a plan in place to ultimately transfer ownership of Southern's Wastewater System to PCUC;

**WHEREAS**, on June 2, 2016, the Parties executed a Statement of Intent whereby Southern declared and stated its intent to transfer and convey its Wastewater System to PCUC and PCUC declared and stated its intent to acquire Southern's entire Wastewater System, subject to the terms, conditions, and provisions set forth in the Statement of Intent;

**WHEREAS**, as set forth in paragraph 5 of the Statement of Intent, it will be mutually advantageous to the Parties if PCUC commences, on July 1, 2016, managing, operating, repairing, and maintaining Southern's Wastewater System while they negotiate the detailed terms of the Asset Purchase Agreement (the "Agreement") and obtain approval of the proposed transfer of Assets from Southern's creditors and the Kentucky Public Service Commission (the "PSC");

**WHEREAS**, it is uncertain when approval of the proposed transfer by Southern's creditors and the PSC will be obtained;

**WHEREAS**, PCUC has made plans and taken steps to commence managing and operating Southern's Wastewater System on July 1, 2016;

**WHEREAS**, KRS 74.414 authorizes a water district's Board of Commissioners to contract with a city for the operation of the district's wastewater system; and

**WHEREAS**, the Parties desire for PCUC to manage, operate, repair, and maintain Southern's Wastewater System beginning July 1, 2016.

**NOW, THEREFORE, FOR AND IN CONSIDERATION** of the mutual promises, covenants, and conditions contained herein and in the Statement of Intent, the Parties agree as follows:

1. **Defined Terms.** The terms used in this Operating Agreement and not defined herein shall have the meanings assigned to them in the Statement of Intent.

2. **Affirmation of Preamble.** The facts, recitals, and statements contained in the foregoing preamble of this Operating Agreement are true and correct and are hereby affirmed and incorporated as a part of this Operating Agreement.

3. **General Benefits.** In accordance with KRS 74.414, Southern's Board of Commissioners has determined, and does hereby declare, that it is necessary, desirable, in the public interest, in the best interests of its customers, and for the general benefit of the water district itself to contract with PCUC to manage, operate, repair, and maintain Southern's Wastewater System.

4. **Ownership of Assets.** During the term of this Operating Agreement, Southern shall retain ownership of all its Water and Wastewater assets, including the Assets described in paragraph two (2) of the Statement of Intent.

5. **Closing.** Transfer of ownership of the Assets and final closing of the transaction contemplated by the Statement of Intent (the "Closing") cannot take place until: (a) the Parties negotiate and execute an Asset Purchase Agreement; (b) Southern's creditors approve the proposed transfer of Assets; (c) the PSC approves the proposed transfer of Assets; and (d) certain other Closing requirements have been satisfied.

6. **Term.** The term of this Operating Agreement shall commence on July 1, 2016, and shall continue until the Closing as defined in the preceding paragraph of this Operating Agreement; PROVIDED, HOWEVER, in the event no Closing occurs before June 30, 2018, this Operating Agreement shall expire on that date unless the Parties negotiate a new Operating Agreement.

7. **Operation and Maintenance of Assets.** During the term of this Operating Agreement, PCUC shall manage, operate, repair, and maintain Southern's Wastewater System, which consists of the Assets described in paragraph 2B of the Statement of Intent. Beginning July 1, 2016, PCUC shall be responsible, except as stated below in this Operating Agreement, for all expenses incurred in the operation, repair, and maintenance of Southern's Wastewater System.

8. **Compensation.** As consideration for PCUC undertaking the management, operation, repair, and maintenance of Southern's Wastewater System, Southern shall pay PCUC a monthly fee of \$3,000.00. This fee shall be paid on or before the last business day of the following month (e.g., July's fee shall be paid on or before August 31).

9. **Revenues.** Southern shall continue to receive all revenues for wastewater services rendered during the term of this Operating Agreement.

10. **Billing and Collection.** During the term of this Operating Agreement, Southern shall continue to read its water meters, bill for water service and wastewater service, and collect the water and wastewater revenues.

11. **Utilities.** Southern shall continue to be responsible for the costs of all utility services incurred during the term of this Operating Agreement.

12. **Debt Service.** During the term of this Operating Agreement, Southern shall remain responsible for making: (a) all its required monthly or semi-annual debt service payments; (b) all required transfers to its Depreciation Reserve Fund and other Sinking Funds; and (c) all other transfers or payments required by its Bond Resolutions and loan agreements.

13. **Capital Improvements.** PCUC shall commence, at its own expense, the immediate rehabilitation of the Wayland Wastewater Treatment Plant and lift stations, and PCUC shall undertake other major repairs and capital improvements (the "Capital Improvements") to the Assets during the term of this Operating Agreement. Southern hereby consents to, and authorizes PCUC to make, these Capital Improvements. PCUC acknowledges that it will be making these Capital Improvements at its own risk and expense. PCUC shall not seek reimbursement from Southern for the cost of these Capital Improvements.

14. **Cooperation.** Southern and PCUC shall cooperate with DOE and jointly negotiate with DOE to mitigate the scope and cost of the corrective actions that DOE may require to avoid or resolve any administrative or civil proceedings brought by DOE to enforce state and federal water quality laws and to minimize the fines and penalties that could result from such proceedings.

15. **Customer Deposits.** Southern shall **not** transfer any customer deposits to PCUC during the term of this Operating Agreement.

16. **Insurance.** During the term of this Operating Agreement, Southern shall, at its expense, keep the Assets insured with an insurance company or companies against fire and such other hazards as are included within extended coverage in an amount at least equal to the amount that Southern currently carries on the Assets. PCUC shall, at its expense, maintain comprehensive public liability insurance in an amount not less than \$1,000,000 combined single limits for each occurrence for claims for bodily injury or death and property damage along with excess liability coverage (umbrella policy) of not less than \$2,000,000. All such insurance policies shall name Southern as an additional insured or certificate holder.

17. **Indemnification.** PCUC hereby agrees to indemnify Southern for, and hold Southern harmless from, any and all losses, liabilities, costs and expenses (including, but not limited to, reasonable attorneys' fees) incurred by Southern as a result of any negligence or willful misconduct by PCUC, its employees, contractors, and agents, arising from PCUC's management, operation, repair, and maintenance of the Assets pursuant to the provisions of this Operating Agreement. To that end, immediately upon notification by Southern, PCUC shall assume, at its own cost, the defense of any such action or suit which may be brought against Southern because of PCUC's operation and maintenance of the Assets.

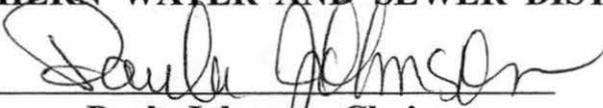
18. **No Transfer of Ownership or Control.** This Operating Agreement does not transfer ownership of any of Southern's Assets nor does it grant PCUC any right to control Southern as "control" is defined in KRS 278.020(6) and (7). Once the Parties negotiate the terms of the Asset Purchase Agreement and it has been approved by their respective governing bodies, the Parties shall file a joint Application with the PSC seeking approval of the transfer of ownership of Southern's entire Wastewater System and certain portions of its Water System as described in paragraph 2 of the Statement of Intent.

19. **No Assignment.** PCUC shall not assign this Operating Agreement.

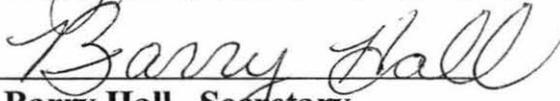
**[Remainder of page intentionally left blank.]**

IN TESTIMONY WHEREOF, this Operating Agreement has been executed in multiple counterparts, each of which is deemed to be an original, by the duly authorized officers and officials of the Parties, as of its effective date.

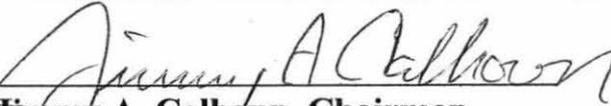
**SOUTHERN WATER AND SEWER DISTRICT**

BY:   
**Paula Johnson, Chairperson**

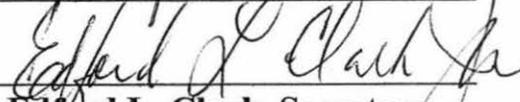
DATE: June 27<sup>th</sup> 2016

ATTEST:   
**Barry Hall, Secretary**

**PRESTONSBURG CITY'S UTILITY COMMISSION**

BY:   
**Jimmy A. Calhoun, Chairman**

DATE: 6/28/16

ATTEST:   
**Edford L. Clark, Secretary**

# OPERATING AGREEMENT

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## **OPERATING AND MAINTENANCE AGREEMENT**

This is an Operating and Maintenance Agreement (the "O&M Agreement"), having an effective date of July 1, 2017, made and entered into by and between the **SOUTHERN WATER AND SEWER DISTRICT**, P. O. Box 610, McDowell, Kentucky 41647, hereinafter referred to as "Southern District"; and the **PRESTONSBURG CITY'S UTILITIES COMMISSION**, 2560 South Lake Drive, Prestonsburg, Kentucky 41653, hereinafter referred to as "PCUC";

### **WITNESSETH**

**WHEREAS**, the Southern Water and Sewer District (the "Southern District") is a water district organized under the provisions of KRS Chapter 74;

**WHEREAS**, Southern District currently owns and operates both water supply, treatment, and distribution facilities (the "Southern Water System") and wastewater collection and treatment facilities (the "Southern Wastewater System");

**WHEREAS**, the Prestonsburg City's Utilities Commission (the "PCUC") is a duly organized and existing independent, component unit and agency of the City of Prestonsburg;

**WHEREAS**, PCUC currently owns and operates both water supply, treatment, and distribution facilities (the “PCUC Water System”) and wastewater collection and treatment facilities (the “PCUC Wastewater System”);

**WHEREAS**, the Parties executed an Asset Purchase Agreement (the “Agreement”), effective January 1, 2017, whereby Southern District agreed to transfer and convey its entire Wastewater System and certain water system assets described in paragraph 3 of the Agreement (the “Designated Water Assets”) to PCUC and PCUC agreed to acquire Southern District’s entire Wastewater System and the Designated Water Assets, subject to the terms, conditions, and provisions set forth in the Agreement;

**WHEREAS**, by Order dated May 2, 2017, the Kentucky Public Service Commission (the “PSC”) authorized Southern District to transfer its entire Wastewater System and the Designated Water Assets to PCUC, subject to the terms, conditions, and provisions set forth in the Agreement;

**WHEREAS**, the Closing cannot take place until the Parties obtain approval of the proposed loan assumptions and transfer of Assets from Southern District’s creditors and PCUC has obtained the necessary funds from the Kentucky Rural Water Finance Corporation;

**WHEREAS**, the Parties were planning for the Closing to take place on or before July 1, 2017;

**WHEREAS**, because of unforeseen circumstances, these approvals have been delayed and will not be obtained until after July 1, 2017;

**WHEREAS**, it is uncertain when approval by Southern District's creditors will be obtained;

**WHEREAS**, Southern District and PCUC have made plans and taken certain steps for PCUC to commence, starting on July 1, 2017, managing, operating, repairing, and maintaining the Southern Wastewater System and the Designated Water Assets;

**WHEREAS**, KRS 74.414 authorizes the Board of Commissioners of a water district to contract with a city whereby the city will operate all or a portion of that district's water distribution system and wastewater system; and

**WHEREAS**, the Parties desire for PCUC to commence, starting on July 1, 2017, managing, operating, repairing, and maintaining the Southern Wastewater System and the Designated Water Assets.

**NOW, THEREFORE, FOR AND IN CONSIDERATION** of the mutual promises, covenants, and conditions contained herein and in the Agreement, it is agreed by and between the Parties as follows:

1. **Defined Terms.** The terms used in this O&M Agreement and not defined herein shall have the meanings assigned to them in the Agreement.
2. **Affirmation of Preamble.** The facts, recitals, and statements

contained in the foregoing preamble of this O&M Agreement are true and correct and are hereby affirmed and incorporated as a part of this O&M Agreement.

3. **General Benefits.** In accordance with KRS 74.414, Southern District's Board of Commissioners has determined, and does hereby declare, that it is necessary, desirable, in the public interest, in the best interests of its customers, and for the general benefit of the water district itself to contract with PCUC to manage, operate, repair, and maintain the Southern Wastewater System and the Designated Water Assets (collectively, the "Assets") until the Closing.

4. **Ownership of Assets.** During the term of this O&M Agreement, Southern District shall retain legal ownership of the Assets, but PCUC shall be the beneficial owner.

5. **Closing.** Conveyance of legal title to the Assets and final closing of the transaction contemplated by the Agreement (the "Closing") cannot take place until: (a) Southern District's creditors approve the proposed transfer of Assets; and (b) certain other Closing requirements have been satisfied. The Closing shall take place at a mutually convenient date, time, and place once the Closing requirements have been satisfied.

6. **Term.** This O&M Agreement is a month-to-month agreement, commencing on July 1, 2017 and ending on July 31, 2017. Thereafter, it shall be automatically renewed on a month-to-month basis until the Closing takes place.

7. **Operation and Maintenance of Assets.** During the term of this O&M Agreement, PCUC shall manage, operate, repair, and maintain the Assets, which consist of the assets described in paragraphs 2 and 3 of the Agreement. From and after the effective date of this O&M Agreement, PCUC shall be responsible for all expenses incurred in the operation, repair, and maintenance of the Assets.

8. **Revenues.** As consideration for PCUC undertaking the management, operation, repair, and maintenance of the Assets, PCUC shall receive all the water and sewer revenues for water and sewer services rendered on and after July 1, 2017.

9. **Billing and Collection.** During the term of this O&M Agreement, Southern District shall provide billing and collection services for PCUC for the wastewater customers served by the Eastern and Wayland Wastewater Treatment Plants. Southern District shall receive a billing and collection fee in an amount equal to 3% of the wastewater revenues which it actually collects. Southern District shall remit the net wastewater revenue to PCUC on a monthly basis on or before the last business day of each month.

10. **Utilities.** The Parties shall notify and instruct all applicable utility companies to transfer the electric and telephone service to the Assets from Southern District to PCUC, effective July 1, 2017. PCUC shall be responsible for

the costs of all utility services incurred on and after July 1, 2017.

11. **Debt Service.** Southern District shall be responsible for making its interest payments on all its Rural Development (the "RD") loans on or before July 1, 2017. Thereafter, PCUC shall be responsible for assuming payment of RD Loan No. 91-05 in the approximate amount of \$489,125. As provided in paragraph 4 of the Agreement, PCUC shall be responsible for: (a) making all the required semi-annual debt service payments to the Kentucky Infrastructure Authority (the "KIA") for KIA Loan No. A04-06 in the approximate principal amount of \$28,860, which was incurred for the Wayland WWTP; and (b) making all the required semi-annual debt service payments to KIA for KIA Loan No. A11-16 in the approximate principal amount of \$642,654, which was incurred for the Harold WWTP.

12. **Capital Improvements.** The Parties contemplate that PCUC will immediately undertake, at its own expense, major repairs, replacements, and other capital improvements (the "Capital Improvements") to the Assets. Southern District hereby consents to, and authorizes PCUC to make, these Capital Improvements. PCUC acknowledges that it will be making these Capital Improvements at its own risk and expense and will not seek reimbursement from Southern District for the cost of these Capital Improvements.

13. **Cooperation.** To facilitate a smooth transition of the water and wastewater customers that are being transferred to Southern District, the Parties

agree to cooperate and coordinate customer communications.

14. **Customer Deposits.** Southern District shall **not** transfer any customer deposits to PCUC during the term of this O&M Agreement. The Customer Deposits shall be transferred at the Closing pursuant to the terms of paragraph 5 of the Agreement.

15. **Insurance.** During the term of this O&M Agreement, PCUC shall, at its expense, keep the Assets insured with an insurance company or companies against fire and such other hazards as are included within extended coverage. PCUC shall, at its expense, maintain comprehensive public liability insurance in an amount not less than \$1,000,000 combined single limits for each occurrence for claims for bodily injury or death and property damage along with excess liability coverage (umbrella policy) of not less than \$2,000,000. All such insurance policies shall name Southern District as an additional insured or certificate holder.

16. **Indemnification.** PCUC hereby agrees to indemnify Southern District for, and hold Southern District harmless from, any and all losses, liabilities, costs, and expenses (including, but not limited to, reasonable attorneys' fees) incurred by Southern District as a result of any negligence or willful misconduct by PCUC, its employees, contractors, and agents, arising from PCUC's management, operation, repair, replacement, and maintenance of the Assets pursuant to the provisions of this O&M Agreement. To that end, immediately

upon notification by Southern District, PCUC shall assume, at its own cost, the defense of any such action or suit which may be brought against Southern District because of PCUC's operation and maintenance of the Assets.

17. **Existing Operating Agreement Terminated.** PCUC has been managing, operating, repairing, and maintaining the Southern Wastewater System pursuant to an Operating Agreement dated July 1, 2016 (the "Existing Operating Agreement"). The Existing Operating Agreement is hereby terminated.

18. **No Assignment.** PCUC shall not assign this O&M Agreement.

**[Remainder of page intentionally left blank]**

IN TESTIMONY WHEREOF, this O&M Agreement has been executed in multiple counterparts, each of which is deemed to be an original, by the duly authorized officers and officials of the Parties, as of its effective date.

**SOUTHERN WATER AND SEWER DISTRICT**

BY: Paula Johnson  
Paula Johnson, Chairperson

DATE: 7-3-17

ATTEST: Barry Hall  
Barry Hall, Secretary

**PRESTONSBURG CITY'S UTILITIES COMMISSION**

BY: Jimmy Calhoun  
Jimmy A. Calhoun, Chairman

DATE: 6-29-17

ATTEST: Edford L. Clark Jr.  
Edford L. Clark, Secretary

# OPERATING AGREEMENT

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## Leak Detection Standard Operating Procedure

- From routine data analysis (tank draw-downs, master meter readings, ect..), determine which pressure zone (tank zone) is losing the most water based off of customer connections and pre-determined demand factors. In most cases, a Demand Factor of 0.1 gallons per minute per customer will suffice in getting an approximate expected flow rate for a zone.
  - Demand factors can be determined by the following formula.
    - $A = \text{Total Water Sold in Zone}$
    - $B = \text{Number of Active Customers}$
    - $A/B = C$  (Monthly Customer Demand)
    - Demand Factor =  $C / \# \text{ of days in billing period} / 1440$
    - For example,  $A = 21,000,000$  gallons,  $B = 5439$  customers. Monthly Customer Demand =  $21,000,000 / 5439 = 3,861$  gallons per customer. Demand Factor =  $3,861 / \# \text{ of days in billing period} (30) / 1440$  (minutes in a day) = .089 gallons per minute per customer. The Customer Demand Factors equal .09-.1, in most cases. However, a Demand Factor of .08 or below may be indicative of an existing issue with meter validity. A Demand Factor of .125 or greater can usually be attributed to a large user in the area, e.g. hospitals, nursing homes, production plants, ect..
  - It will be advantageous to consider the source of the water. For example, let's say you are purchasing water for \$3.50/1k gallons to supply a zone that has been determined to have 40 gallons per minute excess flow. You are also producing water at \$1.75/1k to a zone that has been determined to have 60 gallons per minute excess flow. Initially, you may think the 60 gallons per minute loss should be assessed first. However, when analyzing the direct loss in monetary form, the 40 gallons per minute loss is costing \$201.60 per day while the zone with 60 gallons per minute loss is costing \$151.20 per day.
- At a point on the main line which supplies water to the zone (preferably close to the tank), use the portable ultrasonic flow-meter to verify data analysis of the zone.
  - All pumps feeding to or pulling from the tank are recommended to be shut down during this application if at all possible. Planning ahead to allow this situation to occur is preferred.
- Once data analysis is verified, station 1 employee at the meter while 1 (preferably 2) employee isolates sections of the zone with valve cuts.
  - To increase efficiency of time spent detecting, it is preferred to start at the end of the zone and work your way towards the flow meter with the valves remaining off until the zone has been completely assessed. This has been shown to reduce water fluctuations in the line, which in-turn reduces the fluctuations of flow on your portable flow meter.
  - It is crucial that the use of a leak detection device (listening device) be utilized in the valve cuts to determine with certainty that valves are truly off.
  - The number of customers between valves should determine the decrease in "gallons per minute" flow that will be shown on the portable flow meter. For example, at a

demand factor of 0.1 gpm for each customer, a valve cut that eliminates 100 customers from the search area should be equivalent to a 10 gpm (100 customers X 0.1 gallons per minute demand=10 gallons per minute) decrease in flow on the portable flow-meter. Any excess decrease in flow can be attributed to a leak within the area.

- Continue with valve cuts and data analysis until all excess flow has been isolated into smaller sections of the zone.
- Once the excess flow has been located to a smaller section of the zone, assess the area with your listening devices.
  - Results show that by listening to items that are part of the distribution system first (e.g. meters, hydrants, valves, ect.), you stand a greater chance of finding the leak.
  - Once you have located a leak noise, assess items in the immediate area for noise as well. \*\*\*If the leak is on a service line to a meter, you may be able to determine the location of the Corp Stop (connection to main) by using your ground mic while walking along the main line. This is because water going past the connection will cause a sound similar to a leak.
  - In most cases, wherever your highest leak index is found, your leak is in the immediate vicinity. If you are uncertain of exact location of the distribution system components that are beneath the ground, access the area using your ground mic in a grid to get an exact location of the leak.
- Once leak is located, mark with blue paint or flag. Create a work order for leak repair crews describing the leak and location.
  - \*\*\* Don't forget to call 811 and/or the appropriate organizations for line locates to prevent damage to any other underground utilities that may be in the area.



Prepared by: Danny Stinson-KRWA Circuit Rider

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