

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION INTO EXCESSIVE)
WATER LOSS BY KENTUCKY'S JURISDICTIONAL) CASE NO.
WATER UTILITIES) 2019-00041

NOTICE OF FILING

Notice is given to all parties that the transcript of the July 9, 2019 Cawood Water District hearing prepared by Todd & Associates Reporting, Inc. has been filed into the record of this proceeding.


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DATED **OCT 07 2019**

cc: Parties of Record



Transcript of the Testimony of **PSC Hearing**

Date: July 9, 2019

Case: In Re: Cawood Water District

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COMMONWEALTH OF KENTUCKY
KENTUCKY PUBLIC SERVICE COMMISSION

CASE NO. 2019-00041

IN RE:

CAWOOD WATER DISTRICT

* * * * *

HEARING HELD ON:

JULY 9, 2019

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1 P R O C E E D I N G S

2 CHAIRMAN SCHMITT: We're now on the record.
3 This is the Kentucky Public Service
4 Commission. My name is Michael Schmitt.
5 I'm chairman of the Commission. Seated to
6 my left is Dr. Talina Mathews. Vice
7 Chairman Robert Cicero is currently in
8 Hearing Room 1 completing the hearing on
9 Martin County Water -- not Martin County,
10 Morgan County Water District.

11 DR. TALINA: Rolls off the tongue.

12 CHAIRMAN SCHMITT: Freudian slip. I just
13 can't -- I just can't get over Martin
14 County. It's good to finally get into
15 Harlan County for a change because the last
16 three have been showing the county I grew
17 up in and live in. I'm trying -- I'm
18 trying to get away from this without any --
19 much success.

20 We're here this afternoon for the
21 purpose of taking evidence in Case
22 No. 2019-00041, investigation into excessive
23 water loss by Kentucky's Jurisdictional
24 Water Utilities.

25 We are here today to obtain

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1 information from the Cawood Water District.
2 There are 10 other water districts that are
3 part of this proceeding and they are Morgan
4 County, North Manchester Water Association,
5 Estill County Water District, Farmdale Water
6 District, Southern Water District,
7 Hyden-Leslie Water District, Rattlesnake
8 Ridge Water District, Big Sandy Water
9 District, Milburn Water District, West
10 Carroll Water District, and there are two
11 others which are not part of this proceeding
12 but -- or which are part of this process
13 because there are other cases pending with
14 them, and one is Cannonsburg Water District,
15 and the other is Martin County Water
16 District.

17 We -- because there are 11 cases in
18 this group, we have determined to hold two
19 hearings per day. One starting at 9:00 a.m.
20 in the large hearing room and the other is
21 supposed to start here at 1:00 p.m. today
22 for Cawood. The hearing in this room is not
23 streamed live over the Internet because this
24 room doesn't have the capacity. There's no
25 discrimination involved by accident because

1 the feed to the Internet is broken and won't
2 work in the large conference room -- large
3 hearing room anyway. But the video of this
4 proceeding will be on the Public Service
5 Commission's website sometime late this
6 afternoon or early this evening.

7 Unlike our usual practice of having a
8 log made or a brief summary of the testimony
9 to go along with the video, which is the
10 official record, the Commission has hired
11 court reporters in these cases and so our
12 court reporter will be taking down a
13 transcript, which along with the video will
14 be the official transcript or record of this
15 hearing. And when that is typed, it will be
16 available to the parties and their counsel.

17 All right. At this time would counsel
18 for Cawood Water District please identify
19 himself, his client, and the witnesses that
20 he has with him here today.

21 MR. GOSS: Good afternoon, Mr. Chairman,
22 Commissioner. My name is Mark David Goss
23 of the law firm of Goss Samford in
24 Lexington, Kentucky. I represent Cawood
25 Water District. With me today is Howard

1 Farmer, Jr., who is seated to my left.
2 He's the chairman of the Board of
3 Commissioners. Also with me is Mr. Grant
4 Cooper, who is the system manager or plant
5 manager for Cawood District. And also,
6 even though he -- Commission by order
7 didn't specifically ask that he come, we've
8 also brought Mr. Richard Scruggs, who does
9 the accounting/finance work for the water
10 district just in case there are questions.
11 We also have a couple of commissioners here
12 who we won't call as a witnesses but who
13 are very interested in the process,
14 Mr. Kent Taylor and Mr. Harold Sellers.
15 All of these gentleman have signed into the
16 sign-in sheet. So we have -- we have a
17 handful of people here from Cawood. It's
18 nice to see you, Mr. Chairman. Thank you.
19 CHAIRMAN SCHMITT: Thank you. All right.
20 For the Kentucky Attorney General who is an
21 intervener in this case, Mr. Chandler,
22 would you please identify yourself for the
23 record?
24 MR. CHANDLER: Yeah, good afternoon,
25 Chairman, Commissioner. Kent Chandler on

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1 behalf of the Kentucky Office of the
2 Attorney General. He's not in the hearing
3 room today but depending on what happens in
4 the other hearing, I may be assisted by
5 co-counsel, Justin McNeil.

6 CHAIRMAN SCHMITT: And for staff.

7 MS. KOENIG: Brittany Koenig for the Office
8 of General Counsel, and Ariel Miller from
9 the Financial Analysis Department for the
10 PSC.

11 CHAIRMAN SCHMITT: Thank you. I know that
12 notice of this proceeding was given, I
13 guess appeared in the -- is it the Harlan
14 Enterprise now?

15 MR. GOSS: Harlan Daily.

16 CHAIRMAN SCHMITT: Harlan Daily Enterprise.

17 MR. GOSS: Yes, sir.

18 CHAIRMAN SCHMITT: And I know for a long
19 time I guess Harlan, other than Ashland,
20 was the only community in Eastern Kentucky
21 that had a daily newspaper. Is it still a
22 daily or --

23 MR. GOSS: I don't think it's a daily
24 anymore.

25 MR. FARMER: It's not daily anymore.

1 MR. GOSS: Twice a week?

2 MR. FARMER: Twice a week, yes, sir.

3 CHAIRMAN SCHMITT: For our procedure, I
4 guess, because this is more of an inquiry
5 or investigation than an evidentiary
6 proceeding, we will begin with staff
7 counsel conducting the examination,
8 followed by commissioners, Office of the
9 Attorney General, and then counsel for
10 Cawood can follow up and ask any other
11 questions that you might want or anything
12 that you might want to put into evidence.

13 I would ask that Ms. Koenig, on behalf
14 of General Counsel's Office, identify who
15 she'd like to testify first, and if counsel
16 would call -- for Cawood to call the witness
17 to the stand, I would swear in the witness,
18 and then ask some preliminary questions on
19 identification and so forth so that -- then
20 we turn it over to Ms. Koenig for her
21 cross-examination or questioning.

22 MR. GOSS: Mr. Chairman, I do have one
23 housekeeping matter to make. Commission
24 entered an order on July 1st asking each
25 district to provide -- well, No. 1 said to

1 provide the chairman and general manager,
2 but 2, 3 and 4 require us to provide
3 documentary evidence, which we have ready
4 to submit. Does the chairman want that
5 done at the very beginning, to put that in
6 the record, or do you want that put in
7 through the witness?

8 CHAIRMAN SCHMITT: You can put it in now or
9 you can put it in at the end just as long
10 as it gets -- as you file it. I'm not sure
11 anybody can deal with it now unless
12 Mr. Chandler and Ms. Koenig, do you have
13 a preference as to how that's done?

14 MR. GOSS: That's the meeting minutes, the
15 water loss reports up to the current date,
16 and then the analysis of the, you know, the
17 dollar value loss. And I'm happy to do
18 either, just want to make sure it gets in
19 the record.

20 MS. KOENIG: Counsel was kind enough to
21 send us some of the analysis last night so
22 we might refer to the analysis, but the
23 board reports and the water loss reports,
24 just as long as they get in the record, I
25 don't have a preference, if they go in.

1 CHAIRMAN SCHMITT: Okay. So that we don't
2 forget, why don't we just go ahead,
3 Mr. Goss, just go ahead and file it now.

4 MR. GOSS: Mr. Chairman, I already have
5 exhibit stickers on the original, may I go
6 ahead and just put Cawood 1, start with
7 Cawood 1?

8 CHAIRMAN SCHMITT: Yes, you may.

9 Let me say also at this time, I
10 haven't introduced myself to the court
11 reporter. I'm Michael Schmitt. If sometime
12 during this proceeding, if you need a break
13 or need to stop something, just raise your
14 hand or let me know. Okay.

15 MR. GOSS: Mr. Chairman, for the record, I
16 would proffer as Cawood Exhibit 1 the board
17 meeting minutes from January 1, 2018 to
18 date. Mr. Chairman, I didn't bring enough
19 for the commissioners. I didn't figure you
20 want --

21 CHAIRMAN SCHMITT: That's okay. That's
22 fine. We can look at them -- we can look
23 at them in the record later.

24 MR. GOSS: Secondly, Your Honor, I would
25 proffer for entry into the record Cawood

1 Exhibit 2, which are the monthly water loss
2 reports compiled subsequent to those that
3 are previously -- have been previously
4 filed in the case. Cawood 2. Actually, I
5 apologize, this actually goes with that as
6 well, okay?

7 And then, Your Honor, I'd proffer for
8 entry into the record Cawood Exhibit No. 3,
9 which is the analysis of the dollar value to
10 the utility of the amount of water loss in
11 excess of 15 percent. It's a two-page
12 exhibit.

13 Okay, Mr. Chairman, that's all the
14 housekeeping I've got right now.

15 CHAIRMAN SCHMITT: Okay. Ms. Koenig, would
16 you identify the witness you prefer to
17 question?

18 MS. KOENIG: I'm sorry. Yes, we'd like to
19 have Mr. Farmer testify first, please.

20 CHAIRMAN SCHMITT: Mr. Farmer, would you
21 please take a seat over to your right?

22 (Witness is sworn.)

23 CHAIRMAN SCHMITT: Mr. Goss?

24 EXAMINATION

25

1 BY MR. GOSS:

2 Q. Mr. Farmer, would you please
3 state your full name for the record?

4 A. Howard Farmer, Jr.

5 Q. And where do you reside,
6 Mr. Farmer?

7 A. I reside in Cawood, Kentucky.

8 Q. And are you employed?

9 A. No, I'm retired, retired coal
10 miner.

11 Q. All right. And are you
12 affiliated with Cawood Water District?

13 A. Yes, I'm chairman of the board
14 there.

15 Q. And how long have you been
16 chairman of the board?

17 A. A little over a year.

18 Q. All right. Were you -- prior to
19 being chairman of the board, were you actually a
20 commissioner, a non-chairman prior to that?

21 A. Yeah, non-chairman, correct.

22 Q. For how many years?

23 A. Probably about -- right at about
24 a year, I guess, and then I've been a chairman of the
25 board now for about a year and two or three months.

1 Q. Okay. All right. Have you
2 caused to be filed responses to data requests in the
3 record in this case? Actually, let me back up. I
4 don't think you were actually responsible for any
5 data request responses, were you?

6 A. No.

7 Q. You've been asked to be present
8 here by order of the Commission; is that correct?

9 A. Yes. Yes.

10 MR. GOSS: All right. I suppose,
11 Mr. Chairman, other than that, I'll pass
12 the witness for cross-examination.

13 CHAIRMAN SCHMITT: Okay. Ms. Koenig,
14 questions?

15 MS. KOENIG: Thank you. Your Honor, I
16 would like to offer -- I've provided for
17 counsel the Commission's Exhibits 1 through
18 7, and I've set them up next to the witness
19 for reference. And I would like to offer
20 to enter those as a group exhibit. They
21 include correspondence with our inspectors
22 by Cawood staff, and inspection reports,
23 and also other official records of the PSC,
24 and others that are filed in other cases.
25 But for ease and for reference, we would

1 ask that those be entered.

2 CHAIRMAN SCHMITT: Have you seen those,
3 Mr. Goss?

4 MR. GOSS: Yes, I have.

5 CHAIRMAN SCHMITT: Do you have any
6 objection?

7 MR. GOSS: I have no objection.

8 CHAIRMAN SCHMITT: Mr. Chandler, do you
9 have any objection to any of that?

10 MR. CHANDLER: No, Chairman.

11 CHAIRMAN SCHMITT: Okay. Let those
12 exhibits be filed as -- it looks like
13 they're PSC 1 through, what, seven?

14 MS. KOENIG: Yes, sir.

15 CHAIRMAN SCHMITT: Okay. Go ahead.

16 EXAMINATION

17 BY MS. KOENIG:

18 Q. Hi, Mr. Farmer.

19 A. Hello.

20 Q. Thanks for being here today.

21 A. Thank you.

22 Q. So I just talked about the
23 exhibits to your right that I might be referring to
24 and you can use those to help refresh your memory or
25 for reference. So, first of all, I'd like to refer

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1 to the PSC's Exhibit 1. It's the final order and the
2 Case No. 2017-309, the rate case for Cawood. Are you
3 familiar with this case?

4 A. The rate?

5 Q. The rate case? Okay. So this is
6 the final order for the rate case, and this was filed
7 last year and the rates went into effect
8 January 2018?

9 A. Yeah. Yes, ma'am.

10 Q. Okay. In that final order staff
11 pointed out, I believe it's on the front page, that
12 reducing water loss to the allowed amount would save
13 approximately \$42,780. Do you recall that or do you
14 see that on the front page there?

15 A. Yes, I do.

16 Q. Okay. As a member of the board,
17 do you recall discussing that amount or the water
18 loss in terms of the value, the money value to the
19 water district?

20 A. I think we did discuss it in one
21 of our board meetings, yeah, went over that -- that
22 process.

23 Q. Okay. Okay. So you're chairman
24 of the board, how long have you been chairman of the
25 board?

1 A. Probably about a year and two or
2 three months, something of that nature.

3 Q. Okay. And how long have you been
4 on the board since -- or before that?

5 A. My three -- my three-year term
6 will be up in September of this year, late September
7 of this year.

8 Q. Okay. So -- so you've seen a few
9 things happen, a few changes happen at the district?

10 A. Yes, I have.

11 Q. Okay. So the majority of what's
12 sitting beside you are a few different inspection
13 reports, and they really only go back until about
14 2017, but you've had a lot of -- a lot of personnel
15 changes, right?

16 A. Yes. Yes, we have. Uh-huh.

17 Q. Okay. So these are documents
18 that would have been shared with the general manager
19 and to certain board members. Were you ever present
20 for these inspections or -- or involved; do you get
21 these reports?

22 A. I was -- I was on the board at
23 the time, but they met with the water plant manager
24 and, you know, asked for certain items to be, you
25 know, presented when they come to the Cawood Water

1 District.

2 Q. Okay. So did the board --

3 A. I wasn't physically present at
4 that time.

5 Q. Okay. Okay. Did the board
6 discuss the inspections and deficiencies and --

7 A. Yes, we went over these, I think,
8 with the water plant manager at the time, which I'm
9 thinking would be --

10 Q. Well, I think you're getting to
11 my next question.

12 A. Oh, okay. I'm sorry.

13 Q. No, that's okay. That's exactly
14 what I'm going to talk about. And so if you want to
15 start with Exhibit No. 6 in your stack there. It's
16 the inspection dated May 11th, 2017. I believe the
17 inspector just put the date on the wrong line. So it
18 starts out October 28th, 2014 as the first date you
19 see on the top.

20 A. Okay.

21 MS. KOENIG: So if you don't mind, may I
22 approach?

23 CHAIRMAN SCHMITT: Yes, you may.

24 BY MS. KOENIG:

25 Q. Okay. I just want to show you.

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1 So these are numbered and if you can't read my
2 handwriting, I understand, so that's No. 6.

3 A. Okay.

4 Q. And so we're just going to walk
5 through here. So there's the date that I was talking
6 about.

7 A. Okay.

8 Q. Okay. So you see this is a
9 periodic compliance inspection from the Public
10 Service Commission?

11 A. Right.

12 Q. It's dated May 11th, 2017. Do
13 you know who the general manager was at this time? I
14 believe it says it right on the page there at the
15 bottom.

16 A. Chris McLane.

17 Q. Yes, Mr. McLane. So is he the --
18 let's see. Is he about two managers back, would you
19 say?

20 A. Yes. Yes, ma'am.

21 Q. Okay.

22 A. We've had a couple since Chris.

23 Q. Right. Okay. Well, I'll get to
24 that. Did Mr. McLane, was he fired for --

25 A. Yes, he was.

1 Q. Okay. Do you know why?

2 A. He -- the board caught him in
3 several lies, and he wasn't being forthcoming and
4 upfront to us, and his -- his lack of attention to
5 detail. You know, when we had a major leak one time,
6 he was very lax and, you know, being able to, you
7 know, put all of his efforts toward that and --

8 Q. Okay.

9 A. -- he -- he was fired because of
10 that reason.

11 Q. Okay. And the major leak that
12 you're talking about, would that be the leak that was
13 under the plant?

14 A. Yes.

15 Q. Okay. Could you describe that
16 and how that came about?

17 A. That was a very complex --

18 Q. The events?

19 A. That was a very complex leak.
20 That was the main line. It come through an elbow.
21 There was an elbow coming out of the plant -- it come
22 out of the plant straight, and then there was an
23 elbow that it went out toward the main line, and
24 there was probably about 12 or 14 inches of concrete
25 that had to be busted up to be able to get to the

1 line, and it was a very complex leak.

2 Q. Okay. So how did you find out
3 about the leak? Let's just start at the beginning.

4 A. Well, they had searched, you
5 know, the whole system trying to find it, and they
6 just -- I reckon Mr. McLane claimed that he found it,
7 you know. When he walked outside the building, he
8 heard the -- you know, he heard the water and he
9 heard the -- you know, he seen the stream of water
10 going down toward the river.

11 Q. Okay. So there wasn't any --
12 there weren't any personnel that discovered an
13 imbalance in the meter readings or something like
14 that, it was so severe that he heard water going?

15 A. Oh, yeah. Oh, yeah. It was
16 major. It was major.

17 Q. Okay.

18 A. And he claimed that he was the
19 one that found it, so --

20 Q. Okay. Okay. And when he found
21 it, what are the series of events that took place?
22 Like, is there a policy or, you know, a phone tree or
23 something, emergency response when somebody finds a
24 leak of that caliber?

25 A. Oh, yeah, I think the judge

1 executive was contacted. The board members were --
2 at the time I was a board member, we were all
3 contacted. Which we went down there to offer any
4 kind of help or support that we could -- that we
5 could do to help them, you know, at the time.

6 Q. Okay. And do you know about the
7 date? I know it's 2017, but do you know about when
8 that leak was, the dates?

9 A. I'm not exactly sure.

10 Q. Okay. That's okay. Well, so
11 when this -- when this happened and you were alerted,
12 did the water district have the equipment to address
13 the leak?

14 A. I think we had trouble with a --
15 with a saw that we were trying to get to -- to cut
16 the pipe to be able to fix it. We went through
17 several different -- several different saws to where
18 we was able to finally, you know, finally get to
19 where we could cut the -- cut the pipe, you know. It
20 was a very huge pipe, you know. And, again, we had
21 trouble, you know, in matching it up to the elbow and
22 getting the proper pressure that we needed on it, you
23 know. And I think we put it together once and then
24 it started leaking again and had to go through that
25 process again, you know, so --

1 Q. But did you have that saw as part
2 of your --

3 A. We had a saw, but it wasn't
4 working, so we went and got other -- I think it
5 was -- he was sent out to get other saws to --

6 Q. Did you have to borrow equipment
7 from the Department of Transportation at the time or
8 --

9 A. I think he was -- he asked to
10 borrow something from the Department of
11 Transportation.

12 Q. Okay.

13 A. Just to kind of speed the process
14 up at the time, you know, because we didn't have
15 that -- you know, the one they had wasn't working.

16 Q. Okay. How was it -- how was it
17 finally resolved?

18 A. Well, we finally got it cut
19 properly and put back together properly, and then
20 put, you know, all the concrete and everything back
21 on it. You know, poured the concrete back on it to
22 where it kept the -- you know, kept the pressure and
23 everything on it, you know, to finally get it fixed.
24 But it was -- it was kind of a slow process.

25 Q. Was there a realization from the

1 board or anything said by Mr. McLane that you had
2 this major leak and you didn't have equipment to deal
3 with it?

4 A. He never -- he never told the
5 board anything about not having the equipment. The
6 board was never informed that we didn't have the
7 equipment.

8 Q. Okay. And so at the time, I
9 believe that you had either a manager or a financial
10 officer named Lana Pace?

11 A. Yes, ma'am.

12 Q. Okay. Could you explain her
13 involvement in the district and then also in that
14 leak incident?

15 A. Well, she was constantly calling
16 up there on the phone trying to, you know, see, you
17 know, how it was coming, how long it was going to
18 take before it was fixed, and contacting the paper
19 and everything, you know, and, you know, all the --

20 Q. What is she to the district?
21 What was she to the district, was she a financial --

22 A. Yeah, financial, yeah.

23 Q. So did she give reports to the
24 board?

25 A. Yeah. Yeah, she gave monthly

1 reports to the board, and also during the process of
2 this major leak.

3 Q. And what kind of control did she
4 have at the -- at the plant and with Mr. McLane?

5 A. Well, I think she took it upon
6 herself to really have more control than what she
7 actually did. She got a little more involved, you
8 know, I guess because she had been there for, you
9 know, a certain amount of years, you know, 20-some
10 years, 24, 25 years. So she is -- you know, she --
11 she just assumed more responsibility, I guess, than
12 what she really actually had.

13 Q. And so during the incident you
14 said she was calling the paper, why was she --

15 A. Well, I mean, she -- you know,
16 she called all the people that -- you know, let all
17 the people know, you know, all the things, you know,
18 about the leak and kept the public informed and
19 everything on how the process was going, you know,
20 and --

21 Q. So was there an outage because of
22 the leak?

23 A. Oh, yeah, absolutely.

24 Q. For how long?

25 A. I think it went on for a couple

1 days or more.

2 Q. Okay. And do you have a protocol
3 that you use when there's an outage for the rate
4 payors when the water stops?

5 A. Oh, yeah. Yeah.

6 Q. Okay. Okay. Well, so looking
7 back at Exhibit 6, we've addressed Mr. McLane was the
8 general manager at the time, and he's no longer with
9 the district because he was fired?

10 A. Right.

11 Q. And then we talked about
12 Ms. Pace, and I'm not sure that she's named in the
13 report, but she is listed as a financial officer at
14 the time. I'd like to direct you to Page 16 of that
15 report, Exhibit 6. And it is the -- it's a list of
16 deficiencies and additional inspector comments.

17 So it talks about Mr. McLane being promoted
18 in this inspection report, so this was before the
19 incident. So in your recollection, did -- was it,
20 you know, his behavior surrounding that leak incident
21 that --

22 CHAIRMAN SCHMITT: Is this on Page 16 of
23 the inspection report?

24 MS. KOENIG: Yes. May I approach?

25 CHAIRMAN SCHMITT: Yes.

1 BY MS. KOENIG:

2 Q. Okay.

3 A. Right here, 16?

4 Q. Yes. There we go. Yes.

5 A. Okay.

6 Q. So Mr. McLane was promoted --

7 A. Uh-huh.

8 Q. -- in February. So he was

9 doing --

10 CHAIRMAN SCHMITT: Wait, let me ask: This
11 is the inspection report of May 11 or March
12 29th?

13 MS. KOENIG: No, it's Exhibit 6. This one.

14 CHAIRMAN SCHMITT: Oh. Okay. You're on
15 Exhibit 6?

16 MS. KOENIG: Yes.

17 CHAIRMAN SCHMITT: Okay. Sorry.

18 MS. KOENIG: So Page 16.

19 BY MS. KOENIG:

20 Q. Okay. So he was doing okay and
21 then --

22 A. Well, the reason he was -- the
23 reason -- he had all his certifications and
24 everything, and during one of our board meetings, our
25 water plant manager at this time resigned during one

1 of our board meetings, so Mr. McLane had been with
2 the water board for several years. He had his
3 certifications and we -- we thought that he would
4 pick up, you know, and take from, you know -- so he
5 was relegated then to plant manager, when we had a
6 resignation that night from our water board -- I
7 mean, our plant manager, Mr. Dean.

8 Q. Okay. Okay. Mr. Dean?

9 A. Uh-huh.

10 Q. Okay. Do you recall how long
11 Mr. Dean had been there before Mr. McLane?

12 A. I have no idea.

13 Q. That's okay.

14 A. I just know he was there before I
15 ever come on the board.

16 Q. Okay. Okay. That's fine. Okay.

17 So the other thing -- the comment right
18 below the promotion of Mr. McLane was that the
19 Cumberland Valley Area Development District was
20 working with the utility to GPS all of its meters,
21 valves and hydrants; do you see that?

22 A. Yes, ma'am.

23 Q. Okay. So I have several
24 questions, I have several inspection reports, so as
25 we go through that that's a comment that keeps coming

1 up. But then, also, in your responses to the recent
2 data requests for this case, you talked about that
3 you were -- that your -- that you don't have -- your
4 system is not mapped, it's not GPS-mapped, and the
5 valves are not GPS-mapped yet?

6 A. No, ma'am.

7 Q. Okay. So this was in 2017,
8 Cumberland Area Development is working with you, but
9 it's just taking that long, or are they still working
10 with you, or how is that?

11 A. Well, I'd rather refer that
12 question to our plant -- current plant manager, he
13 would know more.

14 Q. Mr. Cooper?

15 A. Yeah, Mr. Cooper.

16 Q. Okay. Sure. All right.

17 Still -- okay. Let's see. Also on Page
18 16, your water loss at the time was 45.06 in 2015 and
19 in 2014 it was 42.52 percent?

20 A. Yes.

21 Q. So pretty big water loss problem
22 at that time as well?

23 A. Since I've been on the board,
24 it's ranged from that -- from that, except for the
25 last, maybe, year and a half, it's ranged in that

1 area, from 44.1, before I come on the board, to
2 everything that I've seen since I've been on the
3 board, you know. At that period in time, you know,
4 it's ranged from that -- since '16, it ranged from
5 the 42 to 45 percent.

6 Q. Okay. And have you been trying
7 to combat the water loss from that time and --

8 A. Oh, yes, absolutely. You know,
9 we discuss it every -- every board meeting.

10 Q. Okay.

11 A. You know, the processes that
12 we're going through and --

13 Q. Okay. Well, we might come back
14 to that, but you can set Exhibit 6 aside for the time
15 being. And then the next exhibit, as far as like in
16 a chronological order for the inspections, is the
17 response to that, and it looks like -- so it's
18 Exhibit No. 4.

19 A. Okay. I got it here.

20 Q. Just make sure that's the same
21 one. Okay. So that was filed on July 3rd, 2017; do
22 you see that date stamped on there, Mr. Farmer?

23 A. Yes.

24 Q. Okay. So do you know who wrote
25 this or who filed this? It says it's a response to

1 the May 11th, 2017 inspection. Do you know who would
2 have done this? It doesn't have a name or --

3 A. I'm not exactly sure.

4 Q. Okay. Well, in the content of it
5 there, it also says -- it talks about that you're
6 getting ready to file for that rate increase and then
7 that you're working on meter records, but you've had
8 a lot of turnover, you've had, like, four clerks in
9 the last two years, and then it talks about meter
10 testing, that you're going to make a change in the
11 tariff, and then in the last bullet point there -- do
12 you mind to read that last bullet point there
13 into the record?

14 A. Cawood Water District has had
15 several changes over the past year that have made us
16 unable to replace meters as received. Since the
17 management staff has changed, we are now able to do
18 meter changes better. We are changing as many as
19 possible now.

20 Q. Okay. Why -- why weren't you
21 able to do meter replacement with the management that
22 you had, and was that Mr. McLane; is that what it's
23 referring to?

24 A. Yes, him and Mr. Dean both. I
25 think -- I think both of them were a little lax with

1 their duties, as far as, you know, putting a -- you
2 know, with getting stuff done, you know, that needed
3 to be done, done, but --

4 Q. Did Ms. Pace have any involvement
5 in the replacement of meters?

6 A. I wouldn't think that she would
7 have other than just, you know, the financial part of
8 replacement, you know, the money to buy them with,
9 you know, replace them.

10 Q. Okay. You had four different
11 clerks at that time, and then as we go through the
12 inspection report, you're going to have a couple
13 other managers. Do you have any opinion as to why
14 there's so much turnover?

15 A. To me, I'm not sure why there had
16 been -- well, our plant manager before Mr. Cooper, he
17 -- he was on the job for about a year, things really,
18 really took off, and he went aggressively at it. He
19 had a good repertoire between, you know, the water
20 plant and the customers. And his man -- he got some
21 new -- some new, you know, staff and everything, you
22 know. And he -- he went after water loss pretty
23 aggressively, you know.

24 Q. Is this Mr. Grant Cooper, your
25 current manager?

1 A. No, this was Mr. Ronnie Williams.
2 Q. Okay. So --
3 A. And the reason Ronnie left, he
4 was there for about a year, Mr. Williams left because
5 he had pastoral duties, and when he took the water
6 plant manager, he found out that there was so much
7 time involved, it took away from his pastoral duties.
8 So he -- he rendered his resignation, but he -- he
9 stayed on for another three or four months until we
10 was able to get another water plant manager in place,
11 which was Mr. Cooper, up to date was Mr. Cooper.
12 Q. Okay. So if you'll look at
13 Exhibit No. 3 and No. 5, sorry, somehow they got out
14 of order, but No. 5, you'll see is an e-mail from
15 Mr. Williams, and it's in response to Exhibit No. 3,
16 which is an inspection report.
17 A. Number 3?
18 Q. Uh-huh.
19 A. Okay.
20 Q. And as you just said, I think, on
21 the front cover it says that Ronnie Williams is now
22 the general manager?
23 A. Uh-huh.
24 Q. And the date of this inspection
25 is March 29th, 2018?

1 A. Uh-huh.

2 Q. About a year since the last one.
3 And so still has some deficiencies there listed on
4 the front page, and it says, failure to report loss
5 of service to the Commission. Do you know what that
6 was? Because this is after the major leak there at
7 the plant. Do you think that that's what it's
8 referring to?

9 A. I would say. I'm not certain.
10 You know, I didn't have anything to do with this.

11 Q. So, really, in the protocol that
12 you talked about, as far as reporting a leak, that
13 would be like a general manager would be on the front
14 lines for complying with that?

15 A. Yes, ma'am. Yes, ma'am.

16 Q. Okay. And you already said
17 Mr. McLane was not fulfilling his duties?

18 A. No, not at all.

19 Q. Okay. So just to be clear, it
20 goes Mr. McLane and then Mr. Williams, Ronnie
21 Williams?

22 A. Yes, ma'am.

23 Q. Okay. And then Mr. Cooper?

24 A. Mr. Cooper now, yes, ma'am, up to
25 date.

1 Q. Okay. And that's the order of
2 managers?

3 A. Yeah.

4 Q. And so since May 2017, you've had
5 three different general managers?

6 A. Yes, ma'am.

7 Q. Okay. All right. So on -- still
8 looking at that same exhibit, I've looked, on the
9 second page it says that Lana Pace is still there
10 and --

11 A. She was. Her last -- her last
12 day was December the 31st of 2018.

13 Q. Okay. Why did she leave?

14 A. Well, we just felt like that, you
15 know, she had health problems and she just -- she
16 couldn't come to a lot of the meetings. She'd send
17 her paperwork up and we just felt like she wasn't
18 able to fulfill her duties.

19 Q. Okay. And her duties were
20 finances --

21 A. Finances, yeah.

22 Q. -- bookkeeping?

23 A. Bookkeeping. Yes, ma'am.

24 Q. Okay. She didn't come to the
25 meetings you said?

1 A. She didn't come to a lot of the
2 meetings. She'd go, you know, maybe two or three
3 board meetings, and then she would -- you know, she
4 would come, you know, if -- you know, she'd come if
5 she felt like it or was able, you know. And this --
6 this caused a problem to the board, not having her
7 physically there, you know, to be able to, you know,
8 answer some questions that we'd have to ask for and
9 stuff. She'd send the paperwork up, you know, but it
10 presented a problem to us.

11 Q. Okay.

12 CHAIRMAN SCHMITT: Well, let me ask you
13 this: It was more than that, wasn't it?
14 Didn't she have your records at her house?
15 Didn't she keep the official Cawood Water
16 District records in her home?

17 THE WITNESS: She did.

18 CHAIRMAN SCHMITT: And her home was not in
19 the district.

20 THE WITNESS: No, sir. Well, it was in the
21 district, it just wasn't -- you know, it
22 was about a 7-mile --

23 CHAIRMAN SCHMITT: Yeah.

24 THE WITNESS: -- venture to where she lived
25 to where the water plant was.

1 CHAIRMAN SCHMITT: I mean, actually, the
2 relationship of Ms. Pace to the district
3 was that everybody just hated to let her go
4 or hurt her feelings because she had been
5 there so long, and her dad or somebody
6 wanted --

7 THE WITNESS: Well, when they first -- to
8 my recollection, what I was told, when they
9 first started the Cawood water plant, her
10 father let them run the business out of his
11 business, you know, and supply the place
12 for them until they actually built the
13 water plant and everything. And she had
14 been with it since the -- since it was
15 formed, you know. And she had been -- you
16 know, she had been -- you know, I don't
17 know this because I'm, you know -- I'm, you
18 know, just like two years in, but from what
19 I know and know her family, she was a great
20 service to the water system for a long,
21 long time. And, yeah, she served -- she
22 served well. She just got the last year or
23 two to where she wasn't able to fulfill the
24 duties, you know, that she had.

25 CHAIRMAN SCHMITT: Well, wasn't -- at one

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1 time, wasn't she a commissioner? Wasn't
2 she a water district commissioner at some
3 point in the distant past?

4 THE WITNESS: That I'm not sure of. I'm
5 not aware of that.

6 CHAIRMAN SCHMITT: At some point was she
7 the general manager or office manager of
8 the district as well?

9 THE WITNESS: She could have been, I'm not
10 sure of that.

11 CHAIRMAN SCHMITT: I know that -- just what
12 I read in the newspapers, and they said,
13 well, maybe the district would be better
14 off if you ran it more like a business and
15 not so as to offend somebody or hurt their
16 feelings because of things that had gone on
17 in past years.

18 THE WITNESS: Yeah. You know, back then,
19 at that time, I was working 10, 12 hours a
20 day.

21 CHAIRMAN SCHMITT: Well, I understand.

22 THE WITNESS: And, you know, I was one of
23 the people that was a customer that was
24 tickled to death to get city water, because
25 if you ever had sulfur water, it was -- it

1 wasn't a pleasant thing and so I was
2 tickled to death to get city water. It's
3 been a blessing for me and other customers
4 that's on there.

5 And, you know, when I was asked three
6 years ago -- almost three years ago if I
7 would sit on the board, you know, be a
8 commissioner, I said, if there's anything I
9 can do to help, you know, and to make it a
10 better -- better system, I'd be glad to try
11 it, you know, so --

12 CHAIRMAN SCHMITT: Do you have a bookkeeper
13 now?

14 THE WITNESS: Would that fall under Tammy
15 or -- be Richard, Mr. Scruggs, Mr. Richard
16 Scruggs?

17 CHAIRMAN SCHMITT: I just saw one of your
18 fellow commissioners point to him. That's
19 how you knew he was the bookkeeper?

20 THE WITNESS: Yeah.

21 CHAIRMAN SCHMITT: He's the treasurer,
22 right?

23 THE WITNESS: Yes, sir. Yes, sir.

24 CHAIRMAN SCHMITT: Okay.

25

1 BY MS. KOENIG:

2 Q. Okay. And so the records are
3 kept on-site now?

4 A. Yes, ma'am.

5 Q. At the very least --

6 A. Everything -- everything we have
7 is on-site now. And Richard -- of course,
8 Mr. Scruggs' office is not -- it's in the City of
9 Harlan, but everything is in -- everything is on-site
10 now.

11 Q. And so -- and so this might be a
12 better question for Mr. Scruggs, so you have a little
13 bit better internal controls then?

14 A. Yes, ma'am, absolutely.

15 Q. And there's not just one person
16 who's overseeing it?

17 A. Absolutely.

18 Q. There's staff that's involved.
19 And so if there's a billing problem, the -- the data
20 requests weren't very clear about what your procedure
21 is as far as fixing a -- or finding a billing problem
22 and fixing a billing problem. The response was more
23 about finding the leaks and noting meter problems.
24 But if there's a problem with billing, who does a
25 customer go to and how do they get that straightened

1 out?

2 A. I will say they call the water --
3 the water plant, and our secretary would take that --
4 would take that question and that complaint and we'd
5 deal with it.

6 Q. Who? Would that be sent to
7 Mr. Scruggs or --

8 A. Yes.

9 Q. So he does the billing and
10 everything too?

11 A. Uh-huh.

12 Q. Not just the records for the
13 district?

14 A. Yes, ma'am.

15 Q. Okay. Okay. And so on this
16 inspection, the March 29th inspection, at Page 16
17 again, it discusses that maybe --

18 A. Page 16 on 6?

19 Q. Sixteen on 3?

20 A. Three. Okay.

21 Q. The deficiencies are kind of the
22 same that we'll see repeated, but talks about that
23 you haven't submitted a quarterly meter report and
24 cites the reg that that's violating. The water loss
25 exceeding 15 percent, which is a repeat. And then it

1 talks about your meters that have been in service for
2 ten years without being tested. And I know that
3 Mr. Cooper sent an update as recent as yesterday to
4 our inspection department and that's Exhibit No. 2.
5 It says that you've made lots of gains in your meter
6 testing.

7 A. Yes. He's made great progress.
8 He's vigorously -- he's vigorously went after, you
9 know, getting these meters, you know, replacing these
10 meters, and he's -- you know, he's pretty well got a
11 handle on, you know, getting all of these replaced.

12 Q. Okay. And so -- and so you'll
13 see through the different exhibits and the different
14 inspection reports we've listed here about the meters
15 being an issue for a long time?

16 A. Right.

17 Q. And then Mr. Cooper has come on
18 and he's done a better job of pulling it together.
19 So would you attribute that to his experience, maybe
20 Mr. Williams and Mr. McLane didn't have the
21 experience to understand how to handle the problems
22 or --

23 A. I think -- I think Mr. Williams
24 did. I think with his -- you know, I think toward
25 the end he was -- you know, he was -- like I said, it

1 took so much of his time, he was -- that's the reason
2 he resigned to start with, was because of his
3 pastoral duties. And Mr. Williams probably didn't
4 have the management -- the overall management skills
5 that Mr. Cooper has because of his past, you know,
6 employment.

7 Q. Okay. And why would our
8 inspection staff be advised not to send a report to
9 Ms. Pace; why was that an instruction given?

10 A. I have no idea.

11 Q. Okay. So was there any type -- I
12 mean, I think the chairman touched upon there were
13 maybe hard feelings or didn't want to hurt feelings,
14 but was there a divide between management and the
15 board or Ms. Pace; were there different camps?

16 A. No, just may be the fact that she
17 was -- you know, that she was going to be ending her
18 tenure with the Cawood Water District that they
19 didn't want to send her anything. I don't know. I
20 don't know that reason.

21 Q. Okay. But she didn't hold up the
22 meter replacement process at all?

23 A. Huh?

24 Q. She did not hold up the meter
25 replacement process?

1 A. Oh, no, I don't think she balked
2 at the meters. She always put a dollar value on
3 everything, you know, the cost and what's our cost
4 and all that stuff, you know, informed the board on
5 the cost of, you know -- you know, replace so many at
6 a time or whatever, you know. She was just by the
7 cost estimates, you know.

8 Q. Okay. And by this time, you had
9 your rate case had gone into effect and they had
10 given you an amount of how much it was costing you,
11 the water loss thing. So did the -- you said the
12 board discussed that it was an amount, was it the
13 priority to address water loss or what were the
14 priorities discussed at the meetings?

15 A. No, we've all took water loss
16 very seriously, you know. That -- that's been
17 something since I've been on the board that we
18 stress, we've got to get our water loss down, we've
19 got to, you know, our cost, you know, and our water
20 loss as well.

21 Q. Okay. So --

22 A. We had made a lot of progress
23 under Mr. Williams, you know, towards, you know,
24 gaining, you know, an upper hand on a lot of this
25 water loss. He found a major, major leak, and

1 then -- and then Mr. Cooper has found two major leaks
2 since he's been, you know. But that's -- that's in
3 an area that we've had our most -- our most problems,
4 you know, the stretch on 421, you know, that -- that
5 we've -- we've supplied exhibits of, you know, the
6 problems that we've had.

7 Q. Okay. Is that -- is that the
8 Appalachian Challenge Academy leak?

9 A. That was one of them Mr. Williams
10 found, uh-huh. That was part of that stretch of line
11 replacement that goes down to that area.

12 Q. Okay. All right. So
13 Mr. Williams filed the response, and in the response,
14 one of the -- one of the things that he talked about
15 were certified operators and taking tests and getting
16 their certifications?

17 A. Certifications, uh-huh.

18 Q. Your issues with turnover, do you
19 find that you have a problem with hiring people and
20 they get their certifications and then leave for
21 other jobs?

22 A. We haven't had as much problem
23 with that, but there's -- there's a -- we've added
24 in -- we've put it in to our app -- to our -- to our
25 new hires, that if we -- you know, if we pay for --

1 if we pay for certification, they get their
2 certification, we pay for the whole certification,
3 they have to -- you know, they have to stay a certain
4 length of time. You know, they're obligated to stay
5 a certain length of time to recover the cost of that
6 training and that --

7 Q. Okay. Okay. And then the last
8 exhibit, the last inspection report was done in
9 February of 2019, and it was in follow-up to the
10 March 29th inspection. And it's pretty much the same
11 except that now Mr. Cooper is there, he's the
12 manager?

13 A. Yes.

14 Q. And then Ms. Pace is not?

15 A. No.

16 Q. Okay. And -- and then you had
17 already, in the March 29th inspection, already said
18 that you were shutting down for a few hours during --
19 during the day for maintenance, where you hadn't been
20 able to before?

21 A. No, since I had been there, we
22 had never been able to shut the plant down at all,
23 and since Mr. Cooper and -- since Mr. Cooper has been
24 there, now we're able to shut the plant down for
25 eight hours a day.

1 Q. Okay.

2 A. Which has also lowered the cost
3 of our treatment and our chemicals and everything,
4 you know, and wear and tear on our plant.

5 Q. Okay. All right. So just to go
6 back to the water loss issue. So I'm going to go to
7 the data responses now, and I might -- I'll point out
8 the number if you need a reference. But, in general,
9 in your responses on this case, there were a couple
10 of -- a couple of questions --

11 MR. GOSS: Counselor, I'm sorry, he looks
12 confused. May I approach the witness, Your
13 Honor? I think he thinks you're going to
14 talk about the exhibits you gave him.
15 You're going to be talking about data
16 requests? That's in this folder here.

17 MS. KOENIG: Yes, I'm switching over to
18 those now.

19 MR. GOSS: Sorry to interrupt, Counselor.

20 MS. KOENIG: Oh, you're fine.

21 BY MS. KOENIG:

22 Q. So just in general, in your
23 responses -- I think Mr. Goss said that maybe you
24 weren't involved in these responses?

25 A. No.

1 Q. So I'll make these a little bit
2 more general. There are a few plans that are filed
3 in there, capital improvement plan and operating
4 procedures, and they seem to be like one-page typed
5 up things, and I just wondered, do you know, were
6 those policies just prepared in response to these
7 in -- staff's requests, or do you have a packet of
8 standard operating procedures that the district has
9 or do you know?

10 A. I'd rather refer that to
11 Mr. Cooper.

12 Q. Sure. Okay. That's fine. All
13 right.

14 A. He'd be better equipped to answer
15 that -- that response.

16 Q. Okay. Okay. All right. So you
17 said that the board made water loss a priority at
18 every meeting?

19 A. Yes. Yes.

20 Q. Okay. So did you have a water
21 loss improvement plan or a plan, a policy in place,
22 written policy to address water loss?

23 A. Well, other than just to -- you
24 know, to stress the importance of the water plant
25 manager and him to -- you know, to have employees.

1 You know, we've had to walk lines. We've had to --
2 you know, we bought some devices to better -- you
3 know, to help us -- you know, a listener to help us
4 detect some of this water -- you know, this water
5 loss. And we've tried to, as a board, to fund
6 whatever was needed to -- you know, to -- whatever
7 tools were out there that we could supply our plant
8 manager and workers with anything they could do to --

9 Q. Did you rely on the manager to
10 tell you what you needed to do to improve the water
11 loss, or how did you go about figuring out what you
12 needed to do? Did you have training or what?

13 A. Well, yeah, I had training, yeah.
14 I mean, not training toward -- you know, of course,
15 being a board member, I had to have the training, 12
16 hours of training, you know.

17 Q. Right, commissioner training.

18 A. Yeah.

19 Q. But what about water leaks, did
20 any state agencies help you as far as -- did the
21 board have any training or did the general manager?

22 A. The general manager.

23 Q. Okay.

24 A. Kentucky Water had been working
25 diligently with our plant manager and the workers.

1 Q. How long has that been going on,
2 past managers or just Mr. Cooper?

3 A. No, with Mr. Williams and
4 Mr. Cooper.

5 Q. Okay.

6 A. And also with Mr. McLane too.

7 Q. Okay. And just to recap, in the
8 responses, which I know you didn't prepare, but it
9 says that Cawood's biggest obstacles to improving
10 water loss, your response was Old US Highway 421, old
11 valves and old service line.

12 A. That's been our most problematic
13 area. And we never had any manager that I know of
14 except for Mr. Cooper now has a plan to where we're
15 going to -- you know, where he's going to have a --
16 have a plan set up to where valves constantly, you
17 know, they'll be on a systematic plan to rework the
18 valves, you know, each month, I guess, or two months,
19 you know, to keep them in working order, and he -- he
20 can better answer that.

21 Q. Sure. And you did file a
22 schedule and things like that, so --

23 A. Yes, ma'am.

24 Q. Okay. But I will say, so in that
25 early inspection that we -- that we read the

1 deficiencies and the notes, comments, it said that
2 Cumberland Valley Development District was helping
3 replace these valves and stuff. So are we talking
4 about the same valves, and this has just been an
5 issue for that long and --

6 A. I'm not aware of that.
7 Mr. Cooper can better answer that question.

8 Q. Okay. So 421, Old US Highway
9 421, you mentioned it before, that's not the same as
10 the academy, Appalachian Challenge Academy, it's
11 not --

12 A. It's a little farther down the
13 line, maybe --

14 Q. Is that -- does Mr. Goss have
15 exhibits on that for later; is that what you have
16 pictures of?

17 MR. GOSS: No, we were going to bring a
18 map, but we didn't bring it. It's --

19 MS. KOENIG: I've got a map actually.

20 THE WITNESS: Okay.

21 MS. KOENIG: It's not an exhibit, but if
22 you could describe it -- may I approach?

23 CHAIRMAN SCHMITT: Sure.

24 MS. KOENIG: For the record, it's the map
25 prepared by the PSC staff based on WRIS

1 records of the Cawood system.

2 BY MS. KOENIG:

3 Q. Do you mind to point out where
4 the Old Highway 421 issues are? And that's okay if
5 I -- I didn't prepare it as an exhibit, so if you
6 can't, don't worry about it.

7 A. You're going toward -- this don't
8 have us -- this doesn't have us on there. This don't
9 have our system on there.

10 Q. Cawood Water District -- Cawood
11 Water District, Pathfork, and Pineville --

12 A. Water System. That's the
13 Black -- that's the Black -- I mean, that's the
14 Pathfork system.

15 Q. This is the water district in
16 purple. It's hard to see. That's okay. It's --

17 (Cross-talking.)

18 CHAIRMAN SCHMITT: Wait. Mr. Goss, can you
19 tell me where 421 runs in Harlan County,
20 from where to where?

21 MR. GOSS: Yes, sir, Mr. Chairman. It
22 basically bisects the entire county. It
23 runs from the Virginia line all the way --
24 I'm not sure where it -- where does it
25 terminate on the west side of the county?

1 THE WITNESS: Probably -- this is going up
2 towards 119 --
3 MR. GOSS: Excuse me just a second.
4 THE WITNESS: That's going up toward the
5 Cumberland area. This right here is
6 Pineville.
7 CHAIRMAN SCHMITT: Does it run into Bell
8 County on the Virginia line?
9 MR. GOSS: Yes, sir, it runs from the
10 Virginia line up -- 421 goes to Virginia.
11 THE WITNESS: Yeah, yeah, it goes to
12 Virginia.
13 MR. GOSS: I'm not sure where it ends up.
14 Does it go into Leslie?
15 THE WITNESS: No.
16 MS. KOENIG: It's okay. I don't know that
17 it's going to get --
18 CHAIRMAN SCHMITT: I know, but I want to
19 know. I want to know.
20 MS. KOENIG: Oh, sure. Sure.
21 THE WITNESS: I was looking at the wrong
22 area, ma'am. I'm sorry, I apologize.
23 MS. KOENIG: That's okay.
24 MR. GOSS: Mr. Chairman, it's an old -- it
25 was the old highway that connected

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1 basically Norton, Virginia, Appalachia,
2 Virginia, through Harlan County. It goes
3 right through the middle of the center of
4 Harlan.

5 CHAIRMAN SCHMITT: Yeah, that comes from,
6 like, Pennington Gap and the Virginia line
7 down through town.

8 MR. GOSS: Yes, sir.

9 CHAIRMAN SCHMITT: I was just trying to
10 remember if that's where you go left then,
11 you go into --

12 MR. GOSS: Well, it's actually --

13 (Cross-talking.)

14 CHAIRMAN SCHMITT: I'm sorry.

15 MR. GOSS: That's actually US Highway 119.
16 Where is 421?

17 CHAIRMAN SCHMITT: Are they saying it goes
18 to Whitesburg, is that --

19 MR. GOSS: Yeah. So it comes in from
20 Whitesburg across Pine Mountain.

21 CHAIRMAN SCHMITT: Down by Cumberland?

22 MR. GOSS: Down by Cumberland to Harlan,
23 through the middle of the City of Harlan
24 all the way to the Virginia line.

25 CHAIRMAN SCHMITT: All right.

1 MR. CHANDLER: And can I clarify -- can I
2 clarify, Chairman, at the Virginia line,
3 does it go to Pennington Gap, is that where
4 it goes?

5 MR. GOSS: Yes, Pennington Gap, yes.

6 CHAIRMAN SCHMITT: Okay. All right. I
7 know that because that's where it said
8 there was highway construction and so
9 forth.

10 THE WITNESS: Yeah.

11 CHAIRMAN SCHMITT: As I understand it. And
12 I'm familiar with that road.

13 BY MS. KOENIG:

14 Q. So is it the terrain that makes
15 it such a bad area? Is that why you're having so
16 much trouble there? That's what I was trying to get
17 to.

18 A. The road, they built a new bypass
19 for 421 that starts at -- it starts at the Grays Knob
20 area and comes all the way to Cranks Creek, which is
21 probably about three miles from the Virginia line.

22 And when they did that, they -- there was
23 about a two-mile stretch of that that the highway
24 department or the construction department that was
25 building the bypass dumped, where our lines were

1 around four-foot deep, four to five-foot deep, they
2 dumped another seven or eight foot of dirt on top of
3 it, which is in the exhibit Mr. Goss provided.

4 Q. Okay.

5 A. Which made our lines now 10- to
6 12-foot deep under dirt, which causes not only, you
7 know, forever to find a leak, but also it's dangerous
8 to the people trying to fix it with 12 foot of dirt
9 all around them.

10 CHAIRMAN SCHMITT: Was your lines -- were
11 your lines on the state highway
12 right-of-way?

13 THE WITNESS: Yeah.

14 CHAIRMAN SCHMITT: And then, basically,
15 when they came in, they dumped extra dirt
16 or fill on top --

17 THE WITNESS: On top of it. On top of it.
18 And we found a whole lot of other things.
19 Probably rocks as big as the desk and
20 divider -- big concrete dividers were
21 shoved down too, just pushed over on top of
22 our lines and found a whole lot of stuff on
23 top of them.

24 CHAIRMAN SCHMITT: They didn't contact you
25 or anything about moving your lines?

1 THE WITNESS: No.

2 CHAIRMAN SCHMITT: Raising your lines or
3 anything?

4 THE WITNESS: No, not that I'm aware of.
5 It was --

6 CHAIRMAN SCHMITT: Let me ask you: As far
7 as you know, have you made any claim to
8 compensate --

9 MR. GOSS: Let him finish his question
10 before you --

11 THE WITNESS: Okay. I'm sorry.

12 CHAIRMAN SCHMITT: Yeah. Have you made a
13 claim against the Transportation Cabinet or
14 the contractor or anybody to get recompense
15 for this damage they caused you?

16 THE WITNESS: Yes, sir, we've been -- we've
17 been -- we've been in talks with the state.
18 We've met with them three or four different
19 times, and they realize that we do have a
20 problem and they were part of the problem,
21 and we're -- we're working on trying to get
22 that part replaced and they're -- you know,
23 they're going to help us.

24 CHAIRMAN SCHMITT: Well, how did that --
25 how did what the additional fill over top

1 of your line, if it did, are you saying
2 that that caused more leaks or, basically,
3 how did that -- how did that adversely
4 affect you in terms of water loss, if it
5 did?

6 THE WITNESS: Well, it's -- if you have
7 a -- if you have a break or, you know, a
8 leak, it's just so hard to detect under
9 that much earth, you know. And, you know,
10 you're just -- it's a guessing game where
11 you're digging, trying to, you know, to
12 guess -- you imagine moving that much dirt,
13 you know, to get to your actual line, and
14 that's caused a big problem for our -- for
15 our water district, you know.

16 And, yes, I'd say that's part of the
17 problem of some of the leaks that we've
18 incurred. I know we found two leaks that's
19 significantly dropped our water loss since
20 we found them and fixed them.

21 CHAIRMAN SCHMITT: Were they underneath
22 this fill area?

23 THE WITNESS: Yes. Yes, sir.

24 CHAIRMAN SCHMITT: Okay. I'm sorry, go
25 ahead.

1 MS. KOENIG: No, that's okay.

2 BY MS. KOENIG:

3 Q. So this is -- how recent did this
4 happen, did the highway construction project happen?

5 A. There was a couple of them -- oh,
6 you're talking about the leaks?

7 Q. No, I'm talking about the fill
8 and how they put -- when they put the dirt on there
9 and caused the problem with getting to the pipes.

10 A. I'm not exactly sure how long
11 that's been, but, you know, we have pictures and
12 exhibits of -- you know, of the --

13 Q. Okay. Well, do you know how old
14 the pipe would be in that area?

15 A. I would say since we -- since we
16 took on the additional --

17 Q. Line?

18 A. -- line that we went down to 421
19 and then we went up to the Catter's Creek area.

20 Q. And you don't know when that
21 project was?

22 A. I don't know when that part --
23 no, that was long before my --

24 Q. Okay. Well, speaking of
25 projects, you have about six or -- yeah, six RD loans

1 on the books right now, do you -- do you know how
2 those came about? Were those all different projects
3 or new lines or --

4 A. Probably before I ever came
5 along, yeah.

6 Q. They were all before you?

7 A. They were all before me.

8 Q. Okay. So do you have a
9 relationship with RD? I mean, did they -- if these
10 loans were taken out before you, I mean, do they
11 approach you about loans or do you --

12 A. I've not seen anybody from RD
13 since I've been on the board, unh-unh.

14 Q. Okay. So for three years. Okay.

15 Okay. In your responses to staff's data
16 requests it said that Cawood District had not -- the
17 Board of Commissioners had not discussed the rate
18 increase since the last rate case, and the increase
19 that went into effect in 2018, do you -- so does the
20 board take into account annually whether you have
21 enough to pay to meet the needs of the district; do
22 you review your rates annually?

23 A. Well, we live in a very
24 impoverished area, you know, we have a lot of low
25 income, you know, and a lot of retirees and

1 everything, you know, and we -- we think about our
2 rates. You know, we took all of that into
3 consideration when we -- you know, when we
4 implemented the one in 2018, where we get the one in
5 2018. And it's just -- you know, we -- you know,
6 we -- we look at the strain on the system and on the
7 people that's on the, you know, on the water
8 district.

9 Q. But do you -- do you have an
10 annual analysis of your financials to make sure that
11 your district is financially sound, if you're making
12 enough rates to keep your district viable?

13 A. We have been. We have been,
14 yeah.

15 Q. Is that Mr. Scruggs or Ms. Pace?

16 A. Mr. Scruggs, yeah.

17 Q. Okay. So I did mention about the
18 GPS, and that that's an ongoing project. It's been
19 for several years that you've been trying to map your
20 system. And there was a little bit of a confusing
21 answer. But we can't figure out how you would
22 respond to an 811 dig, a line locate, if you haven't
23 mapped your system. And then at the bottom
24 there's -- the response to DR2, 21B, your response
25 was, Cawood has already put in place maps of the

1 lines. Can you explain that? Does that make sense?

2 A. That would be a question I'd
3 refer to --

4 Q. Mr. Cooper?

5 A. -- Mr. Cooper, yeah, he'd be
6 better equipped to answer that question.

7 Q. Okay. All right. So what
8 agencies, what state agencies help the board or have
9 helped the district? You mentioned Kentucky Rural
10 Water Association.

11 A. Kentucky Rural Water.

12 Q. And what do they do?

13 A. They come in to provide
14 assistance in training and trying to make -- you
15 know, trying to get these valves workable, or have --
16 you know, the ones that we had to replace, and
17 they've been a big help to our plant manager,
18 Mr. Cooper, and to our employees.

19 Q. Okay.

20 A. And also they offer -- you know,
21 they offer -- they've been very good about helping us
22 detect leaks, and the process of detecting leaks.

23 Q. Okay. So as far as financing and
24 funding measures to address the water loss, has that
25 been specifically discussed by the board? How you

1 would fund it.

2 And, again -- so at the beginning we talked
3 about the final order from the rate case, and that
4 gave an amount, that 42,000 that it was costing you.
5 And then I know that Mr. Goss had entered an exhibit
6 that gave an estimate about -- and I think your
7 estimate was higher than the 42,000 --

8 A. Yeah.

9 Q. -- that it was costing you. So
10 my question was going to be: Have you thought about
11 your water loss in terms of the numbers? And how
12 much --

13 A. Oh, yes, yes.

14 Q. So it looks like that --

15 A. Yes.

16 Q. And so in the response to the
17 questions about hiring -- hiring a leak detection
18 consultant and hiring another employee, is that --
19 who does the cost analysis for if it's costing the
20 district so much per water loss, if you, you know,
21 paid that money or less to hire somebody to help you
22 out, you know, who does that type of analysis?

23 A. I'd say Mr. Scruggs and
24 Mr. Cooper.

25 Q. Okay. I saw that you had a

1 capital improvement plan, would that be a question
2 for Mr. Scruggs?

3 A. Yes, ma'am.

4 Q. Did he prepare that?

5 Okay. And depreciation questions, would
6 that be Mr. Scruggs?

7 A. Yes, ma'am.

8 Q. Okay. So you have an ongoing
9 case on merger, the feasibility of merger with Black
10 Mountain. And it came out of the 2017 rate case, it
11 came after that, to look at the feasibility with
12 merging with a neighboring water district. Do you
13 have any thoughts on that? What's your opinion on if
14 you could save by merging with another district and
15 -- or whether that's feasible as far as the distance
16 to the next --

17 A. I just don't think for us that
18 would be a good -- for our customers, that would be a
19 good -- that would be a merger.

20 Q. Is that because they would have
21 to drive so far to pay their bills and things or what
22 -- why?

23 A. Well, I think they've had their
24 set of problems too, you know. I think they've have
25 had their own set of problems that they're dealing

1 with now, you know, currently. And we -- we just
2 feel like the changes that we made in the last year
3 and a half or so has got us on the right track to
4 improving our system, being able to manage our system
5 better.

6 Q. Okay.

7 A. To -- you know, just to have an
8 overall better system. I think we got the man in
9 place now that's really -- that's really going to get
10 us there. I think he's -- I think he's been a great
11 hire for our board and for our district and --

12 Q. Okay. Do you anticipate any
13 changes in your customer base in the next ten years?

14 A. Well, I'm not -- I'm not sure,
15 you know. We just lost 700 jobs in the county, you
16 know, that could go down. You know, we had a major
17 coal company that shut down. It's been in the news.
18 And you just don't know, you know. People have to go
19 where jobs are and you don't know -- you know, we've
20 lost a whole lot of people in our county over the
21 last -- since '95, and we don't know how this is
22 going to affect us. It's usually a trickle-down
23 effect, you know. And we just don't know how this is
24 going to affect us overall, you know.

25 Q. But you are -- you do analysis to

1 see how that is going to affect your district, and
2 Mr. Scruggs would be the person that --

3 A. Yes.

4 CHAIRMAN SCHMITT: You haven't done any
5 analysis on your customer count, have you?

6 THE WITNESS: No. No, sir.

7 CHAIRMAN SCHMITT: But Harlan County, over
8 the last 15, 20 years has lost a lot of
9 population?

10 THE WITNESS: Yes, sir.

11 CHAIRMAN SCHMITT: Ten or 15 percent
12 anyway?

13 THE WITNESS: Yes, sir. My son is a school
14 teacher and they used to have, when they
15 opened the new school up there, they had
16 1,400 students, and now they're down to
17 about 700, so --

18 CHAIRMAN SCHMITT: In Harlan County High
19 School?

20 THE WITNESS: In the Harlan County High
21 School, yes, sir.

22 CHAIRMAN SCHMITT: And I remember -- of
23 course, I'm old, when I was in high school
24 there must have been six or seven high
25 schools in Harlan County.

1 THE WITNESS: Yes.

2 CHAIRMAN SCHMITT: And we had the
3 misfortune of playing Lynch. Go ahead.

4 BY MS. KOENIG:

5 Q. But that's why you do the
6 cost-benefit analysis; is that correct, so that you
7 can make account for those things?

8 A. Yes, ma'am.

9 Q. Okay. As far as -- I mean, you
10 just talked about the economic development issues in
11 the area, but has anyone from area development or
12 maybe Cumberland District Development, have they
13 talked about making the water district, you know,
14 fortifying it so that it's more of an
15 industry-friendly area, or that that is something
16 that they want to focus on to make the area more
17 friendly for --

18 A. I'm not sure of that, ma'am.

19 Q. That's not been a goal or talked
20 about?

21 A. No.

22 Q. Have any state agencies talked to
23 you about like an emphasis in extending service or --
24 over other projects?

25 A. Not in the last -- not since I've

1 been on the board, I'll say that.

2 MS. KOENIG: Okay. Thank you very much. I
3 have no further questions.

4 CHAIRMAN SCHMITT: Ms. Mathews, any
5 questions?

6 EXAMINATION

7 BY DR. MATHEWS:

8 Q. What percentage of the folks in
9 the area that you serve have city water?

10 A. I'm sorry?

11 Q. What percentage of folks in the
12 area you serve have city water? Have you about
13 hooked everybody up or are there still areas that
14 don't have it?

15 A. Not that I'm aware of. We've got
16 a project where we have a -- we've got a project that
17 we're working on that we're going to pick up another
18 six or eight families that's in great need of water,
19 and we've got that in place that we're going to pick
20 that community up, they specified they want city
21 water. So that's the only one right now that we
22 have, you know. Everybody -- everybody has it.

23 Q. It seems to be easier to get
24 money to extend lines than it is to get money to fix
25 what's already been extended.

1 A. Yes. I agree with that.

2 DR. MATHEWS: I don't have anything else.

3 EXAMINATION

4 BY CHAIRMAN SCHMITT:

5 Q. When -- my recollection is, and I
6 could be wrong, that when you had the water leak that
7 was behind the office was maybe in November of 2017?

8 A. Yes.

9 Q. The reason I remember that is I
10 know when Mr. Goss was chairman, I'm sure they told
11 him don't answer the phone and he listened, but I
12 didn't.

13 A. Yeah.

14 Q. And so I got a lot of calls about
15 your line.

16 A. Yeah.

17 Q. I mean, it was my recollection --
18 correct me if I'm wrong, I well could be -- the
19 water, you had a number of customers off for several
20 days, correct?

21 A. Oh, yes. Yes, sir.

22 Q. And then when -- I mean, the
23 school superintendent was saying you've got to do
24 something because we can't have school because we've
25 had, you know, intermittent water use.

1 A. Absolutely --

2 Q. -- right?

3 A. Absolutely.

4 Q. So as I recall after that,
5 Mr. Lyons, basically who's over our division of
6 inspectors and is the deputy executive director,
7 maybe -- I don't know if he went or our inspector
8 went, but went down to see what was going on. And,
9 apparently, the leak -- I don't know who found it --
10 but the leak was behind your all's office and it had
11 been leaking for several days before somebody --
12 maybe a tree fell or a light pole went over or
13 something?

14 A. Yeah, it was -- it was at least a
15 day. They searched at least a day before they were
16 able to find it. And the plant manager at the time,
17 Mr. McLane, claims that he walked to the back there
18 and that's when he seen the water, you know. And
19 what we were told, he seen the water, and that's when
20 they detected the leak.

21 Q. But I know, I guess the county
22 judge, Judge Mosley --

23 A. Yes, Dan Mosley.

24 Q. -- basically sent a backhoe and
25 some equipment and something up so that you could get

1 down to the line --

2 A. Get down to it.

3 Q. -- and get the line fixed; isn't
4 that correct?

5 A. Yes, sir.

6 Q. And that's because the district
7 didn't have the equipment needed to get to the line
8 and fix it; is that fair to say?

9 A. I think at the time it was,
10 probably.

11 Q. Well, I mean, what I'm saying is,
12 is that like a lot of rural water districts, and I
13 guess I'm going to ask you later or somebody else,
14 that in terms of having equipment and inventory,
15 you're probably short of what you actually need to
16 have?

17 A. Yes.

18 Q. Would that be true?

19 A. Yes, sir.

20 Q. So I know -- I guess when we had
21 sent somebody down a couple times to see what was
22 happening, or if we could help or find out what was
23 going on, and we were told maybe that your vehicles,
24 you only had two or three trucks or something, and
25 that maybe one or so was disabled, and you were using

1 it for spare parts; is that true?

2 A. Yes. Yes, sir.

3 Q. So how many trucks did you -- do
4 you still have those same number of vehicles?

5 A. No, we have -- we have two new
6 vehicles now. We purchased two new vehicles. We had
7 to have the vehicles for our water plant.

8 Q. Okay. Well, then the vehicles
9 was how many -- somebody said, well, you had one
10 vehicle that was running and maybe one that was down.

11 A. Yeah.

12 Q. And the vehicle had maybe
13 240,000 miles. It was -- you got good use out of it,
14 but it was old?

15 A. Yeah. To my knowledge -- to my
16 remembrance, yes, that's the best I can remember,
17 yeah, that they were having a lot of trouble with
18 their vehicles.

19 Q. What kind of equipment do you
20 have now? How many vehicles do you have?

21 A. We have two -- two new vehicles.

22 Q. Okay. And you have an excavator,
23 backhoe or something, right?

24 A. Yeah, backhoe, yes, sir.

25 Q. Do you have a trailer so you can

1 tow the backhoe --

2 A. Yes, sir.

3 Q. -- and get it where it needs to
4 go?

5 A. Yes, sir. We made a great effort
6 to upgrade our -- you know, our --

7 Q. Well, what about meters? I know
8 you got -- let's see -- 1,654 customers; is that
9 about right?

10 A. Yeah. Yeah.

11 Q. So all of -- are you sure that
12 all of your customers are metered?

13 A. Yeah.

14 Q. The reason I ask is because we've
15 asked that of more than two or three districts, and
16 they always say yes, and then later we find out from
17 Kentucky Rural Water or from somebody else who's
18 there that actually they may have 40 or 50 people who
19 get water but they don't have a meter, and then a
20 bunch more who have a meter but they never read it or
21 they only pay the minimum bill.

22 Are you sure that your water -- all of your
23 customers have water meters, and that the ones who
24 do, that their water meters are being accurately
25 read?

1 A. To the best of my knowledge, sir,
2 yes.

3 Q. You've got meter readers, right?

4 A. Yes.

5 Q. How many employees do you have on
6 the outside? You have so many in the office, I
7 guess? So how many total employees do you have?

8 A. I think there's eight
9 altogether -- nine.

10 Q. Nine. Okay. So you've got --
11 some of them read meters, or maybe all of them do, I
12 don't know, they're outside people?

13 A. Yes.

14 Q. Do you have AMR meters, where you
15 drive by, or do they have to manually read them?

16 A. No, they have to manually read
17 them.

18 Q. And are meters read every month
19 or every two or three months?

20 A. No, every month.

21 Q. Do you know if your meter readers
22 are reassigned to different locations periodically
23 throughout the county? You know why I'm asking that
24 question.

25 A. Yeah, I'd say so, yeah.

1 Q. In terms of meters and inventory,
2 do you actually have meters in inventory in a
3 warehouse or on your property?

4 A. Yes, sir, at the water plant.

5 Q. Do you know how many meters you
6 have in inventory?

7 A. Well, Mr. Cooper would be better
8 suited to answer that question for you. He knows the
9 exact amount.

10 Q. I noticed on your -- from going
11 back, I guess, in some of the records that are in
12 this case here, at least 2012, '13, '14, before you
13 were -- before you were on the Commission?

14 A. Yes.

15 Q. I mean, they were talking about
16 water loss, you know, 30 percent up to 35, 40, and it
17 gets up to like you say, between 42 and 45 percent.
18 And then we see here in -- I know you say you made
19 progress, but in April of 2019, it shows
20 10.8 percent. Is that what -- is that what you're
21 saying the water loss -- your non-revenue water loss
22 was in April of this year, 10.8?

23 A. Mr. Cooper would be better off
24 answering that. I think it dropped dramatically.

25

1 Q. Well, I'd say it has, if it
2 dropped by 30 percent or more in a period of a few
3 months. The reason I was asking you is, did you know
4 how you all calculated water loss? Do you know
5 what -- do you know how water loss -- I guess there
6 can be differences of opinion in how water loss is
7 calculated.

8 A. Right.

9 Q. What I'm asking you is: Do you
10 know how Cawood Water District calculated water loss?

11 A. Myself, we depend on Mr. Cooper
12 to give us that information every board meeting.

13 Q. Okay. So you don't -- the answer
14 is no, you don't know, but Mr. Cooper would know?

15 A. Mr. Cooper would know, yes,
16 sir --

17 Q. -- probably? Okay.

18 Now, sometime -- I was thinking it was in
19 the summer of 2017, that the Harlan County Fiscal
20 Court voted, I guess, asking Cawood Water District
21 and Black Mountain Water District to merge; you're
22 aware that the fiscal court did that, at least at
23 that time?

24 A. Yes, sir.

25 Q. And do you know what the fiscal

1 court's position is now on it?

2 A. I think they've changed their
3 position a little bit on that now.

4 Q. Do you know if they've ever
5 revoked that -- undone the minutes of the meeting or
6 had another vote on the issue of merger?

7 A. I'm not sure of that. I don't
8 think they have.

9 Q. Do you know how many different
10 water -- how many different water districts and
11 municipal water systems are there in Harlan county?

12 A. You've got Black Mountain and us
13 and the city, Harlan City.

14 Q. Harlan?

15 A. You've got Evarts. And I'm not
16 sure, I think Cumberland has got their own system,
17 Cumberland, Benham and Lynch.

18 Q. Do you know if there's been any
19 efforts -- because we don't regulate Benham, Lynch,
20 Cumberland or Harlan, any efforts on behalf of County
21 Judge Mosley to try to get those municipal systems to
22 somehow merge or merge management?

23 A. He's been working with us pretty
24 extensively on the improvements we've made and
25 everything, and he -- he is -- he's very tickled

1 right now with the direction that we're going in with
2 the Cawood Water District.

3 Q. I guess the only concern, at
4 least, I have is, is that you're a really small
5 system. I mean, you have 1,654 customers, and like
6 most places in Eastern Kentucky, there will be growth
7 but not in our lifetime probably.

8 A. No.

9 Q. And since you -- when you have to
10 upgrade, basically it costs more and more money for
11 fewer people, and not only do you have fewer people
12 but, you know, toilets don't use as much water,
13 washing machines, you know, you're running a
14 declining -- probably a business that has declining
15 sales but increased expenses.

16 A. Yes.

17 Q. And it would seem that basically,
18 like school districts and schools, everybody wanted
19 their own school in their area, at some point you've
20 got to consolidate or you get to the point where
21 people can't pay the cost because it's not -- it's
22 just spread among too few people, right?

23 A. Right.

24 Q. And so I -- I just wonder -- I
25 mean, I know some of these areas are spread apart,

1 but I was just wondering if your commissioners had
2 considered either consolidating or basically doing
3 something with other water districts or municipal
4 systems in Harlan County to share expenses or share
5 management or buy when you had to buy meters or buy
6 pipes or buy some piece of equipment, where you could
7 share and use each others' resources? Have you ever
8 considered that?

9 A. We've not considered that, but
10 that's a -- that's probably a pretty good idea.

11 Q. I mean, in the end -- I mean, I
12 know you all are Cawood and somebody else is Black
13 Mountain, but everybody is Harlan.

14 A. Yes.

15 Q. Isn't that really the way it is?

16 A. Yes. I'm going to say this,
17 though, the rates -- I think their rates at Black
18 Mountain is higher than ours. Their rates are
19 substantially higher than our rates are.

20 Q. Did you ever consider -- and I
21 don't know if anybody has ever approached you about a
22 sale of your water system, like to an investor-owned
23 utility or something like that?

24 A. We haven't been approached by
25 that, no.

1 Q. You know, I guess we had a rate
2 case here a few weeks ago with Kentucky American
3 Water and they had bought two systems, Eastern
4 Rockcastle Water Association and, what, Middleton or
5 something, and as a result the monthly water rates
6 for those two systems that were failing that they
7 purchased went down by \$20 a month for each customer.
8 It's a question of spreading costs over more people.
9 I'm not advocating what you do.

10 A. Right.

11 Q. But if you could at least
12 consider working with people in your own community,
13 you could probably save money for everybody and still
14 have a say in how your system maybe was operating.
15 But insofar as your manager is concerned, is it
16 Mr. Cooper, right, Grant Cooper?

17 A. Yes, sir.

18 Q. Has Mr. Cooper worked for your
19 system for years before he was hired as general
20 manager or supervisor or how did you come by
21 acquiring him?

22 A. No, sir. When Mr. Williams
23 presented his resignation to us and told us he would
24 be leaving, you know, we went through the process of
25 applications, and we had two prime candidates, and

1 Mr. Cooper was one of them, and Mr. Cooper was chosen
2 for his management skills. He had been over two or
3 three block plants and one in Harlan, one in -- one
4 in Pikeville. And he -- he had great management
5 skills, and he was real enthusiastic about the job,
6 and he was selected over the other gentleman.

7 Q. So Mr. Cooper had worked for
8 water utilities in the past; is that what you're
9 saying?

10 A. Not that I'm aware of.

11 Q. I thought you said something
12 about Pikeville, I didn't know what --

13 A. Pikeville Block Company.

14 Q. Oh, oh, oh.

15 A. They owned -- they had a plant in
16 Harlan, they had one in Pikeville, and he was over
17 the two. He was over -- he had 18 employees under
18 him, and we just felt like he had the skills that he
19 could -- you know, that he could do the job.

20 Q. Do you know, did he have any
21 water experience at the time that you hired him?

22 A. Not that I'm aware of.

23 Q. How much -- how much formal
24 education does Mr. Cooper have?

25 A. That would be a question you'd

1 have to ask him.

2 Q. I'm saying do you know?

3 A. I'm not aware, no.

4 Q. When -- does Cawood Water
5 District have a budget? Do you adopt a budget every
6 year?

7 A. We try to, yeah.

8 Q. Okay. I mean, you try to --

9 A. Well, I mean, now that
10 Mr. Scruggs is on board, we -- I think we have a
11 workable budget.

12 Q. Before Mr. Scruggs, how did it
13 work? Did you have an annual budget you adopted?

14 A. I'm not aware under Ms. Pace's
15 tenure there, I'm not aware how it was done.

16 Q. Now, you got the records back
17 from Ms. Pace, right?

18 A. Huh?

19 Q. You got the records back from
20 Ms. Pace?

21 A. Yes. Yes.

22 Q. The reason that -- the story
23 about how I told you I read it in the paper, because
24 the article that was critical of you all was also
25 critical of me. Said that I made some statements

1 about Martin County -- that I was -- I talked big,
2 but if I had lived over there they'd have better
3 water than they've got now so I understand.

4 But -- but before Mr. Scruggs --
5 Mr. Scruggs has more of a formal budget process than
6 what you had before?

7 A. Yes. Yes.

8 Q. Before you took water in, you
9 took money in, and as you needed to fix something or
10 pay a bill, you paid it, but there wasn't the
11 constant keeping track of whether you were -- whether
12 you were able to stay within a budget or how your
13 finances were going, in part because Ms. Pace didn't
14 get to all the meetings, right?

15 A. Yes, I think that's been the
16 biggest change that we -- that was the reason why we
17 felt like that Ms. Pace, because of her health and
18 because of her reporting and everything, and not
19 being able to come to meetings, we just -- you know,
20 we -- we just needed that person there, you know, at
21 the meetings when we had meetings and everything. We
22 just felt like because of her health problems, it was
23 a time for a change with her.

24 Q. How much does -- how much do you
25 pay your general manager, Mr. Cooper, now? We've

1 asked all the districts that and I think it was in
2 the questions but I wasn't sure.

3 On Question 20, I guess, of the most recent
4 data requests -- and I've just got my notes, I'm not
5 looking at the -- is that general manager 2017, 2018,
6 it has paid 15.75 per hour for 173.3 hours, but said
7 he's a salaried employee making \$41,072.10.

8 A. Yeah.

9 Q. I don't know, is that --

10 A. That sounds --

11 Q. Sounds about right?

12 A. Sounds about right, yeah.

13 Q. To your knowledge, has Mr. Cooper
14 had any training or gone through the management
15 training courses that are sponsored by the Kentucky
16 Rural Water Association?

17 A. I'll refer that to him, you know.
18 I'm not sure myself, you know, if he's had that or
19 not.

20 Q. Well, since he's been the general
21 manager of Cawood Water District, has Cawood enrolled
22 him or paid for him to take that management course?
23 It's only like six, \$700.

24 A. Yes.

25

1 Q. You don't know whether they have
2 or not?

3 A. I'm not aware. I'm not sure.

4 Q. Now, you intend -- does Cawood
5 intend to replace more meters? I know you say you've
6 replaced 335, or something like that, meters. Are
7 you replacing other meters periodically?

8 A. Yes.

9 Q. Or have you replaced all the
10 meters you're going to replace?

11 A. I think -- no, I think we still
12 lack 270 meters to be replaced.

13 Q. Have you had the meters tested to
14 see how accurate they are? These are old meters --

15 A. Yes.

16 Q. -- more than ten years old,
17 correct?

18 A. Yes.

19 Q. Do you know if you're losing
20 money because the meters aren't accurately measuring
21 the water --

22 A. I think in some cases they found
23 that some of them have been misreading, you know, and
24 everything because of the older -- you know, because
25 of older meters.

1 CHAIRMAN SCHMITT: All right. I don't have
2 any further questions. Commissioner
3 Cicero, any questions?

4 EXAMINATION

5 BY MR. CICERO:

6 Q. I'm sorry, I didn't find out if
7 you're Mr. Cooper or Mr. Farmer?

8 A. Farmer.

9 Q. Mr. Farmer, you're chairman of
10 the Board of Commissioners?

11 A. Yes, sir.

12 Q. There was a question about --
13 that the chairman asked about possible consolidation,
14 and you made the statement that the other area water
15 districts had a higher water rate than what Cawood
16 does. Do you know what those rates are?

17 A. I'm not exactly sure what their
18 rate is. I just know that it was -- that it was
19 higher than what our rate was.

20 Q. All right. I mean, I think we
21 calculate your average rate at about \$41 a month for
22 average consumption.

23 A. Yes.

24 Q. Is it significantly higher than
25 that, moderately higher? Are we talking about \$50 a

1 month, \$60 a month?

2 A. I'm not exactly sure enough to be
3 able to give you that answer.

4 Q. In the budget process --

5 CHAIRMAN SCHMITT: I can tell you it's
6 \$2.01 higher. Not that -- theirs is \$40.82
7 for 4,000 gallons. Black Mountain is
8 \$42.01, so it's basically a dollar --

9 MR. CICERO: Basically a wash?

10 CHAIRMAN SCHMITT: \$1.19.

11 BY MR. CICERO:

12 Q. You would think economy, as a
13 scale, in a consolidation between the two, would be
14 probably a decrease in the two rates. I mean, I
15 think that's one of the reasons why regionalization
16 is one of the goals of the Commission when there's a
17 benefit to be received by the rate payors, that's
18 always something that should be considered but --

19 A. Yes.

20 Q. You indicated that prior to this
21 year there wasn't much of a budget process but there
22 is now?

23 A. Yes, I think we have a better
24 idea of how we stand financially with Mr. Scruggs.
25 We get -- we get reports. He's at the meetings. He

1 shows us presentations of what's taken in, what's
2 going out, where we stand at, you know, on a monthly
3 basis.

4 Q. So was there an official budget
5 that was approved, and if there was, do you know how
6 much that budget is?

7 A. I'm not -- I'm not completely
8 sure on that, no, sir.

9 Q. Was there an approval that was
10 given in the minutes by the board that said this is
11 an approval of this budget?

12 A. I'm not aware, no.

13 Q. So you may have a budget, but
14 it's not any type of a formal budget adopted by the
15 board? Do you want to -- I can do a post-hearing
16 data request whatever, if you'd like?

17 A. Yeah.

18 MR. GOSS: We're happy to provide Vice
19 Chairman a copy of the most recent --

20 MR. CICERO: I'd be interested in what
21 the -- I'm kind of looking at them so they
22 can write this down -- I'm interested in
23 knowing what the budget was and whether it
24 was approved officially by the board in the
25 minutes published.

1 MS. KOENIG: Are we going to be able to
2 call Mr. Scruggs? Can he answer the
3 question?

4 MR. GOSS: Mr. Scruggs is here to answer
5 questions.

6 MS. KOENIG: Yes. And he might be able to
7 answer the questions, so if we could --

8 MR. GOSS: He's only been on the job a
9 short period of time, but he'll answer you
10 truthfully if he knows.

11 MR. CICERO: Well, if we find out that
12 we're able to have a response, then there
13 will be no need for it.

14 MR. GOSS: Yes, sir. We'll defer that
15 then.

16 MR. CICERO: Okay.

17 BY MR. CICERO:

18 Q. And can you tell me what the
19 fiscal year is for Cawood, is it June 1st -- or July
20 1st to June 30th, or is it calendar year, or is it
21 something else?

22 A. I think it's June the 1st to
23 July 31st, I think.

24 MR. CICERO: Okay. I don't have anything
25 else.

1 CHAIRMAN SCHMITT: Let me add one more and
2 then we'll go to Mr. Chandler.

3 EXAMINATION

4 BY CHAIRMAN SCHMITT:

5 Q. Is Mr. Scruggs a commissioner?

6 A. No.

7 Q. Is he on the Commission?

8 A. No.

9 Q. Is he an employee? Is he an
10 employee or an independent contractor?

11 A. Yeah, he's an employee. No, he's
12 an employee.

13 Q. So he works full-time for the
14 Commission? I'm just trying to -- correct?

15 A. Yeah.

16 Q. So if a check has to be written,
17 who signs the checks on Cawood Water District, do you
18 know?

19 A. Mr. Sellers, Commissioner
20 Mr. Sellers.

21 MR. GOSS: Mr. Chairman, I don't intend to
22 testify, but Mr. Scruggs -- and he can
23 confirm this -- is a contractor. He's not
24 an employee, independent contractor not an
25 employee, per se.

1 CHAIRMAN SCHMITT: Okay. All right. No
2 further questions. Mr. Chandler?

3 MR. CHANDLER: I like this setup much
4 better than ordinarily.

5 CHAIRMAN SCHMITT: We just leave you -- you
6 can sweep the crumbs.

7 EXAMINATION

8 BY MR. CHANDLER:

9 Q. Good evening, Mr. Farmer. I do
10 have a couple, and I think most everything I have is
11 a follow-up question.

12 So you were asked questions earlier about a
13 concern regarding merger. Is it your testimony that
14 your concern regarding merging is that it's not in
15 the best interest of Cawood's customers because you
16 believe that it would eventually raise their rates?

17 A. I just think from what I've heard
18 and what I've heard other people that's been on their
19 system, that they're -- you know, they've got their
20 own set of problems, they've got their own set of
21 problems, and I just think they're no better equipped
22 to run the system than we are.

23 Q. What are those problems? What
24 have you heard?

25 A. Well, just, you know -- well, you

1 know, I really don't want to, you know, say anything
2 about, you know, something I'm not completely a
3 hundred percent about. But I've just heard stories
4 about people that's been on their system that were
5 not satisfied with their services.

6 MR. CICERO: Can I interrupt for one
7 second? So you heard that there's people
8 that are dissatisfied with their services
9 and, basically, that's all you have as far
10 as why you wouldn't want --

11 THE WITNESS: As far -- yeah, as far as
12 that's all I know, is just what I've heard
13 people say word of mouth, you know, that's
14 been on their -- that's been a customer of
15 theirs, you know.

16 CHAIRMAN SCHMITT: Well, you have people
17 that are dissatisfied with your services?

18 THE WITNESS: That's true, yeah. It goes
19 both ways.

20 MR. CICERO: Sorry, Kent.

21 BY MR. CHANDLER:

22 Q. Do you know -- it's Black
23 Mountain, correct, that's the other system, Black
24 Mountain?

25 A. Yeah, Black Mountain.

1 Q. Do you know if they conduct a
2 budget and approve a budget any given year?

3 A. I have no idea how they're --

4 Q. You've been doing this for almost
5 three years, correct?

6 A. Yeah, I've been on the board for
7 almost three years, yes.

8 Q. And you're the chairman now?

9 A. Yeah.

10 Q. And does it concern you that you
11 provide a service to 1,600 customers, but you, to
12 your knowledge, have never approved a budget?

13 A. Yeah, I guess that would be a
14 concern, yeah, absolutely.

15 Q. And have you seen Cawood's
16 Capital Improvement Plan? I'm not going to ask you
17 to quote it, I'm just asking if you've seen it.

18 A. No, not really.

19 Q. Okay. So would you agree that it
20 would be the board that would determine what money in
21 any given year would need to be spent on capital
22 improvements?

23 A. Yes.

24 Q. So is it concerning to you that
25 as the chairman of the board you've not seen the

1 capital improvement plans?

2 A. Absolutely.

3 Q. Okay. So do you have --

4 MR. CHANDLER: Counsel, does he have a copy
5 of the data request response? If not, I'm
6 happy to provide my copy.

7 MR. GOSS: He does, yeah, in that white
8 notebook right there.

9 BY MR. CHANDLER:

10 Q. The biggest response grouping is
11 in response --

12 MR. CHANDLER: May I approach, Chairman, it
13 may be easier?

14 CHAIRMAN SCHMITT: You may.

15 BY MR. CHANDLER:

16 Q. Okay. So Cawood was asked to
17 provide a copy of the utility's most recent and
18 updated annual and long-range capital improvement
19 plans as part of Question No. 6 to Appendix C to the
20 Commission's order entered March 12, 2019. Do you
21 see that question there?

22 A. Yes, sir.

23 Q. Okay. And do you mind to turn
24 the page to where the response was provided, and do
25 you see that it's titled Capital Improvement Plan?

1 A. Yes, sir.

2 Q. And so do you see that in 2019
3 the two capital improvement plans are to ensure all
4 tanks are inspected and performing properly; do you
5 see that's the first one?

6 A. Yes, sir.

7 Q. And the second is replace all
8 meters that need changed and get them up to date?

9 A. Yes, sir.

10 Q. Have you approved -- let me
11 withdraw that.

12 As a member of the board, are you aware of
13 whether or not the board has approved the capital
14 improvement plan?

15 A. Yes, sir, we have.

16 Q. You have?

17 A. Yeah.

18 Q. So you have seen this one before?

19 A. Yes, sir.

20 Q. And was it in this form?

21 A. Yeah, we were -- we were -- we
22 allocated the money that we had the tanks inspected
23 and also we've been in the process of changing
24 meters. We've changed two or 300 meters this year so
25 far, and we lack another 200 having them -- you know,

1 having them changed.

2 Q. So do you -- in terms of changing
3 meters -- and I'll get to it in a second, I think --
4 personal comment for a second, I think the concern I
5 have here is the meters.

6 Has the board directed the general manager
7 to replace meters at any given cost or have you
8 directed a specific amount of money to change meters?

9 A. We've directed a certain amount
10 of money to change meters.

11 Q. How much money?

12 A. I don't have that figure right on
13 hand.

14 Q. Would that be reflected in
15 minutes or would that be reflected in the budget?

16 A. Probably in minutes, yeah.

17 Q. So do you mind to go to 2020; do
18 you see that there are three items there for 2020?

19 A. Yes.

20 Q. Do you know how much those will
21 cost?

22 A. Not really.

23 Q. Do you know if you all bid those
24 out in 2018, out -- those five years with an RFP or
25 just spot prices to determine how much it may be in

1 those given years?

2 A. I'm not sure of that.

3 Q. So do you remember being asked
4 earlier by commission staff counsel about your rates?

5 A. Yeah.

6 Q. And do you remember being asked
7 if you all annually discuss how much -- whether or
8 not your rates need to be increased?

9 A. Well, I know that we got a rate
10 increase for January 2018 and we -- the one -- the
11 only one we had previously was in 1999.

12 Q. Right. But I guess what I'm
13 asking is: Do you all have an overarching discussion
14 as a board about where you are currently with money,
15 the four- to five-year forecast as the major expenses
16 that you plan on having, and what you're currently
17 bringing in the door in terms of billing; do you all
18 have those discussions?

19 A. We've talked about these needs,
20 but we've never ever, you know, got into the actual
21 discussion of, you know, what we're going -- you
22 know, what the cost is going to be on these, you
23 know. Because from year to year that's going to --
24 that's going to escalate. You can't determine what
25 something is going to be in 2020, you know, in 2019,

1 you know. That cost is going to escalate some or
2 variate, you know.

3 Q. But would you like to know what
4 that cost is now and what it's going to escalate?

5 A. It would probably be helpful,
6 yeah.

7 Q. Are these discussions you think
8 that Cawood ought to be having?

9 A. Well, the overall improvement of
10 our district, yes, I do.

11 Q. If you were a member of Black
12 Mountain, if you were a customer of Black Mountain
13 and you heard that Cawood hasn't formally passed a
14 budget or they don't discuss their capital plans,
15 would you be concerned about merging with Cawood?

16 A. As much as I would be concerned
17 about them not having an audit.

18 Q. Okay. That's fair. But would
19 you still be concerned?

20 A. I'd probably have some
21 reservations about it, yeah.

22 Q. So one question I have is with
23 421, I don't think it was clear earlier, are there --
24 is the overburden that the Transportation Department
25 has put on the right of ways, is that causing leaks

1 or is it causing it to be harder to find leaks?

2 A. It's causing it to be harder to
3 find, but the several leaks that we've found has
4 been, you know, like I said, the overburden been
5 pushed over on our lines and, you know, huge rocks
6 that have been, you know, thrown on top of our lines
7 and everything, and that's been part of the problem.

8 Q. So Cawood is not a particularly
9 old system, is it?

10 A. Yeah, the actual system is
11 probably about 25, 26 years old.

12 Q. Yeah, I think the record says
13 something like that the oldest distribution main is
14 29 years old; does that sound about right?

15 A. That sounds -- yeah.

16 Q. Okay. So do you or -- let me
17 withdraw that.

18 Does anyone here today, would they be able
19 to speak to the age of the distribution lines out on
20 421, the age of them?

21 A. I'm not aware of the -- of the
22 age of them because, you know, like I said, me being
23 on the board my length of time, I wouldn't know the
24 age of those lines.

25 Q. Right. I'll give you an

1 opportunity, though, point out who else in the room
2 that came with Cawood would most likely know the age
3 of that extension?

4 A. Probably Mr. Taylor or
5 Mr. Sellers.

6 Q. Okay. And is it odd to you,
7 having done this for three years -- you've got more
8 experience as a commissioner than I do -- that a
9 system that the oldest main is only 29 years old and
10 that the average distribution main is 20 years old,
11 that it has so many leaks and such large leaks?

12 A. Not with the terrain and
13 everything we have to deal with in Harlan County.
14 You know, we've got hills, we've got mountains, we've
15 got -- you know, we don't have an area where we can
16 just, you know, take -- dig a 4-foot ditch and then
17 put a little gravel down and put a line over it.
18 We've got rocks. We've got jagged rocks. And
19 terrain that we have to deal with that other places
20 don't have in Harlan County, and all, you know, in
21 Eastern Kentucky in general.

22 Q. So are you aware of the Pineville
23 system?

24 A. Yes, I am.

25 Q. And are you aware of whether or

1 not the Pineville system has the same problems as the
2 Harlan system does -- or as the Cawood system does?

3 A. I wouldn't think they would have
4 as much. They have some issues, I think, toward
5 that, but not as many as we do, I don't think.

6 Q. But they operate in the same
7 area, correct?

8 A. Pretty close, yeah.

9 Q. Okay. And you all -- you all
10 purchase some water from Mr. Rowan and the Pineville
11 system?

12 A. From them, yeah.

13 MR. CHANDLER: May I approach, Chairman?

14 CHAIRMAN SCHMITT: Yes, you may.

15 BY MR. CHANDLER:

16 Q. Do you have PSC No. 6 there in
17 front of you?

18 A. Yes.

19 Q. Do you mind to turn to Page 3 of
20 that and just let me know when you're there?

21 A. Yes.

22 Q. Do you see the fifth line down in
23 PSC No. 6, Page 3, where -- or the fourth line down
24 says, when was the last year construction was
25 performed, do you see that?

1 A. Yeah.

2 Q. What did the inspection report
3 say the last year the construction was performed?

4 A. It says 2013.

5 Q. So since 2013 -- do you know if
6 that's still the case?

7 A. I'm not sure about that, no, sir.

8 Q. Do you know if in the three years
9 you've been there, that you have replaced any line?

10 A. Oh, yeah, they've replaced
11 several -- several lines. I mean, you know, with,
12 you know, breaks, they've taken out large sections,
13 you know, and replaced those parts of the line.

14 Q. Has there -- would you -- has
15 there been any other construction?

16 MR. GOSS: With all due respect, Counsel, I
17 think, you know, construction is an
18 extremely broad term in the world of water
19 utilities, and so you -- that could be new,
20 you know, the placement of new line in the
21 ground, it could be replacement of old.
22 And I'm not trying to disturb your flow
23 here, but I'm not sure that it's fair to
24 just ask about construction unless you
25 narrow that down. That would be an

1 objection, Mr. Chairman.

2 CHAIRMAN SCHMITT: Yeah, it is vague. I
3 thought that in response to some of the
4 data requests there were leak repairs,
5 weren't there? I mean like 40, 50 pages of
6 leak repairs I thought.

7 MR. CHANDLER: I'm trying to clarify the
8 difference between a repair and whether
9 there's been any actual construction. Any
10 additional lines --

11 CHAIRMAN SCHMITT: New lines replaced or
12 something, right? Some kind --

13 MR. CHANDLER: Yes, sir.

14 CHAIRMAN SCHMITT: As long as he
15 understands the definition of the term.

16 A. Yeah, I'm not aware of any line
17 replacement that I know of to any extent since I've
18 been on the board.

19 BY MR. CHANDLER:

20 Q. Are you aware of any new pump
21 station? Are you aware of any new lift stations?
22 Are you aware of anything along those lines that
23 would be construction, new steel in the ground or
24 concrete, anything like that?

25 A. Not during my time there. No,

1 sir.

2 MR. CHANDLER: Okay. That's all I have,
3 Chairman.

4 MR. GOSS: I just have a few, Mr. Chairman.

5 EXAMINATION

6 BY MR. GOSS:

7 Q. Mr. Farmer, do you understand why
8 the Commission has opened up this investigation with
9 respect to Cawood Water and the other 10 or 12
10 districts?

11 A. I think the concerns about our
12 water loss.

13 Q. Well, from hearing the questions
14 that have been given -- that have been presented to
15 you here the last couple hours, do you understand
16 that there are other concerns besides merely water
17 loss?

18 A. Yeah, the merger.

19 Q. Well, I mean -- I mean, it
20 seems -- you know, I've been sitting here, it appears
21 to me to be a business component to the line of
22 questions, and rightfully so.

23 A. Right.

24 Q. But, I mean, have you gathered
25 that, that the concern is not only about water loss,

1 but it's about the way this district and the other
2 districts that are subject to this investigation
3 conduct their business on a routine basis?

4 A. Absolutely, yeah.

5 Q. All right.

6 CHAIRMAN SCHMITT: I'll say for the record,
7 that's exactly -- the water loss is the
8 symptom and the management is the problem.

9 MR. GOSS: Absolutely, yes, sir. That's
10 fair. And I wasn't suggesting any of the
11 questions were improper at all.

12 CHAIRMAN SCHMITT: No. No, I understand
13 that.

14 BY MR. GOSS:

15 Q. I mean, why do you think that
16 your water loss, your district's water loss is so
17 high, and has been chronically high?

18 A. I think -- I think a lot of it
19 has to do with the relocation of the line down at
20 421. I think 421 has been our most problematic area,
21 and the terrain and the installation of the lines, I
22 think, had a lot to do with it too.

23 Q. You had indicated previously, I
24 think, when you were qualified, you had said to the
25 chairman or someone that you were a former coal

1 miner?

2 A. Yes.

3 Q. How many years were you a coal
4 miner?

5 A. All together, about 24.

6 Q. Underground or aboveground?

7 A. Part of it was underground, most
8 of it was underground, but I had about four years
9 outside.

10 Q. So, again, I'm going to ask you
11 kind of an indelicate question, were you a grunt or
12 were you in management?

13 A. Well, no, I was in grunt.

14 Q. All right. Have you ever had any
15 sort of formal budgetary experience?

16 A. No, sir.

17 Q. Have you ever run a business of
18 any kind to speak of?

19 A. No, sir.

20 Q. You have -- I happen to know
21 them, you have some fine people on your board, but
22 are they what I would call accomplished business
23 people from the standpoint, have they run large
24 businesses where budgets are required and those sorts
25 of things, to your knowledge?

1 A. I think we have one that's
2 probably qualified for that.

3 Q. Okay. Do you understand,
4 however, the importance of the questions that have
5 been asked of you?

6 A. Absolutely, yeah.

7 Q. And the fact that you were
8 answerable to the rate payors and the budgetary and
9 financial issues are of great concern?

10 A. Absolutely.

11 Q. And have you all, as board
12 members, taken any training besides sort of the
13 minimum training that's required to retain your
14 certification as a commissioner on business -- the
15 business aspect of running a utility?

16 A. No, other than just the initial
17 training.

18 Q. Do you think that would be
19 helpful?

20 A. Probably, yeah.

21 Q. All right.

22 A. Probably would.

23 Q. And remind -- and I know the
24 Commission knows this but we're making a record,
25 remind the Commission how Cawood Water District

1 commissioners and all other commissioners of
2 districts like Cawood are employed or appointed?

3 A. The judge executive.

4 Q. All right. And are all of your
5 directors on your board -- or all your commissioners,
6 rather, customers of Cawood Water, to your knowledge?

7 A. Yes, sir.

8 Q. If you could -- if you could
9 summarize for the Commission, you said water loss is,
10 you think, the reason you're here, along with these
11 other issues. Tell the Commission what you feel like
12 the one or two or three most important things that
13 you and your board have done to try to address that
14 high water loss number.

15 A. Well, we've -- of course, we've
16 been in talks with the state and 421 to try to get
17 help with our most problematic area, you know, which
18 would be the 421 bypass. And we've just explored
19 other avenues to try to, you know -- leak detection,
20 bought some machines that would -- you know,
21 flowmeters and everything to help detect some of
22 these leaks.

23 Q. All right. But for the issues
24 that have been discussed concerning the business
25 aspect, which is part and parcel of the water loss as

1 the chairman correctly said?

2 A. Right.

3 Q. But -- from a water loss
4 perspective, do you feel like the district is on the
5 right path, on the right trajectory, or on the wrong
6 trajectory?

7 A. No, I think we're on the right
8 path now to --

9 Q. And what has the board done --
10 what has your -- what have your employees done to put
11 you on the right track in your opinion?

12 A. Well, just be more aggressive in
13 detecting these leaks, going after them more
14 aggressively, and having the right staff in place and
15 the right employees in place to -- you know, to carry
16 out these duties.

17 Q. Is there anybody on your board --
18 talking about the Black Mountain merger suggestion,
19 honestly, is there anybody on your board or do you
20 feel like you're qualified to run the numbers and
21 figure out whether or not a merger would make
22 financial sense, or would you need some help with
23 that?

24 A. I would probably need some help
25 with that. Mr. Scruggs.

1 Q. All right. You had indicated in
2 response to one of the chairman's questions that you
3 felt like that the fiscal court there in Harlan
4 County had cooled on the idea of a merger with Black
5 Mountain; what causes you to say that?

6 A. I just think the judge executive
7 has stated more than once that he is absolutely
8 tickled with the progress we've made in the last
9 year, and he thinks things are heading in the right
10 direction, and he -- I think him for one, you know, I
11 can't speak for him, but from what I've heard from
12 him, that, you know, he thinks we've -- you know,
13 we've got a better -- you know, a better manager and
14 crew in place to handle the problems that we've had
15 that's plagued us over the years.

16 MR. GOSS: All right. That's all I have,
17 Mr. Chairman.

18 CHAIRMAN SCHMITT: Judge Executive Mosley,
19 one of the things that made him happy was
20 the removal of Ms. Pace; isn't that true?

21 THE WITNESS: Yes. Not getting so many
22 phone calls.

23 CHAIRMAN SCHMITT: Anything else? If so,
24 let me know so we can either excuse the
25 witness or bring him back, but we need to

1 take a break now for about 15 minutes. All
2 right?

3 All right. We'll be in recess for
4 about 15 minutes.

5 (A brief recess was taken.)

6 CHAIRMAN SCHMITT: We're back on the
7 record. Okay. Ms. Koenig, who would you
8 like to question next?

9 MS. KOENIG: We'd like to hear from Grant
10 Cooper, please.

11 CHAIRMAN SCHMITT: Mr. Cooper, please raise
12 your right hand.

13 (Witness is sworn.)

14 CHAIRMAN SCHMITT: Mr. Goss?

15 MR. GOSS: Thank you, Mr. Chairman.

16 EXAMINATION

17 BY MR. GOSS:

18 Q. Mr. Cooper, state your full name
19 for the record.

20 A. Grant Robert Cooper.

21 Q. Where do you live?

22 A. I live in Cawood.

23 Q. And what is your occupation?

24 A. I'm general manager of Cawood
25 Water District.

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1 Q. Give the Commission a little idea
2 of what your work history is, prior jobs and that
3 sort of thing.

4 A. From 2010 to 2000 and late '18, I
5 managed and run two concrete block plants with 18
6 employees under me. I did scheduling, budgeting. I
7 had to report finances every month. Maintenance on
8 the entire plant. And keeping the fleet running and
9 maintained.

10 Q. And that was for two block plant
11 operations?

12 A. Two block plant operations, I
13 traveled back and forth.

14 Q. How many vehicles in the fleet
15 roughly?

16 A. Between 12 and 13. That varied.

17 Q. And how long did you do that?

18 A. I done it from 2010 until
19 December of 2018.

20 Q. Was that your first job?

21 A. Yes, I had been at the block
22 plant since I was 21 years old.

23 Q. And how old are you now?

24 A. I am 45.

25 Q. All right. How much education do

1 you have?

2 A. I graduated high school.

3 Q. Where did you go to high school?

4 A. James A. Cawood High School.

5 Q. Is that in Harlan?

6 A. Yes.

7 Q. Tell the commissioners how you
8 came to become a manager of a water system, having
9 left your prior job as a block plant operator.

10 A. I was having to travel a lot and
11 I wanted something closer to home. And I applied at
12 the Cawood Water District with my resume of my years'
13 experience in management and everything that I dealt
14 with.

15 Q. All right. When you worked for
16 the block plant there, was -- as far as you know,
17 were your supervisors satisfied with your work?

18 A. Yes. Yes.

19 Q. All right.

20 A. I've never been -- I was never
21 wrote up, disciplined or nothing.

22 Q. And, again, by way of
23 qualifications, tell the Commission what, if any,
24 training that you had with respect to running a water
25 system or other -- other types of schooling or

1 education pertaining to that occupation.

2 A. To the water?

3 Q. Yes, sir.

4 A. The only training I've had with
5 the water so far is Kentucky Rural Water has come up
6 and spent -- they spent one day with me in, I think
7 it was February, and then they come up and spent a
8 week with me a month later, and gave me a week
9 long -- trained me for a week in leak protection,
10 listening devices, metal detection, metal detector,
11 and training in the plant itself. And then other
12 than that, I have -- a Class 2 operator has took me
13 under his wing, and I've been learning everything I
14 can from that.

15 The board has also gave me permission to
16 schedule classes with the Kentucky Rural Water that
17 they offer so that I can have more training.

18 Q. Do you know why the board would
19 have hired somebody to be a plant manager that had no
20 prior experience in the water -- in the world of
21 water, and instead hired someone that had been
22 manager of a block plant?

23 A. I think that they might have been
24 after some of my maintenance skills and some of my
25 budgeting and financial skills maybe. That's what I

1 can think of. Because when I was with my prior
2 company that was some of the stuff I excelled in, was
3 maintenance and taking care of stuff, and keeping
4 stuff going.

5 Q. Let's talk about the transition
6 between you and the prior manager, Mr. Ronnie
7 Williams, I believe his name was; is that correct?

8 A. Yes.

9 Q. Just give the Commission a
10 general idea of how the transition occurred between
11 Mr. Williams' time and your time?

12 A. In the fact of the water loss
13 or --

14 Q. Oh, no, just in fact -- in terms
15 of what he might -- what information he might have
16 imparted to you about the system, about its
17 infrastructure, and that sort of thing, challenges,
18 you know?

19 A. On Mr. Williams leaving and me
20 taking over -- Ronnie Williams is my pastor and I
21 have a wonderful relationship with him. And he has
22 been -- he was very informative about the challenges
23 that I would have with it. The problems that he had,
24 he shared with me, and going forward, I had the
25 heads-up on some of the problems that he was facing

1 that was coming up to me. And I was on top of that.

2 And then he was very informative on every
3 problem that he had that he had to fix in showing me
4 where it was and showing me what he had to do, so if
5 the problems came up again, that I would have that
6 knowledge going forward.

7 Q. Was there a period of time that
8 you were both on the job?

9 A. Yes.

10 Q. How?

11 A. Well, not him on the clock, no.

12 Q. Okay.

13 A. He was gone before I showed up.

14 Q. All right. Did he ever -- did
15 you all ever get in the truck and drive the system to
16 figure out, you know, where the hot spots were?

17 A. Yes.

18 Q. The problem issues?

19 A. Yes.

20 Q. How many times would you say you
21 did that?

22 A. My first month was about twice a
23 week, if not more.

24 Q. And when you came on the job,
25 when did you say that was?

1 A. December the 31st of 2018.

2 Q. How many employees did you
3 inherit?

4 A. Nine.

5 Q. And --

6 A. Eight to nine.

7 Q. Give the Commission a general
8 idea of their experience in terms of leak detection,
9 troubleshooting problems, what their knowledge was
10 about the system and that sort of thing.

11 A. We have a class -- we have a
12 Class 2 operator, Charles Tomlin, he's been there ten
13 years and he knows the system pretty much front and
14 back. He has been very helpful in showing me things
15 and telling me about problems.

16 And then we have Roger Stuart, which has
17 about nine years' experience. He's actually
18 studying -- going to class this week to get his
19 Class 2 certification. He knows every valve, every
20 meter within our entire system, and he has been
21 really, really, really helpful to me and my
22 transition into this. He is the one that has been
23 going out and working on GPS set points for every
24 valve and every blowoff we have.

25 And then I hired three people. I hired

1 Kenny Skidmore, which is my day -- day maintenance
2 guy. He's the one, if we get a work order or
3 something, he goes out and does that work. He is
4 very -- he has caught on very, very quickly, and he
5 does a very good job. And then Kaleb -- Kaleb Jones,
6 he is another maintenance guy on the day. He -- he
7 does the same thing Kenny does, and he has caught on
8 real well too. And then I have Daniel Osborne, which
9 is our weekend operator guy.

10 Q. Those three individuals you hired
11 after you came?

12 A. Yes.

13 Q. All I'm trying to do is
14 establish, when you walked in the first day, what
15 resources you had available to you to figure out what
16 issues, good or bad, the district might have had?

17 A. What Ronnie had told me and what
18 Charles and Roger had told me.

19 Q. All right. And if you could,
20 summarize just one or two or maybe three of the most
21 troubling issues or concerns that Mr. Williams told
22 you you were going to face on your first day of work.

23 A. The 421 -- we've got -- we've got
24 67 miles of line, and there's two miles of it that he
25 kept taking me to, and that's the two miles of line

1 on 421. And he showed me the boulders and the chunks
2 of concrete and the chunks of asphalt that he pulled
3 right off the top of the lines in that section. He
4 showed me the pictures, he showed me the spots. He
5 showed me the beat-up casings -- pictures of the
6 beat-up casings that he pulled out. And he told me
7 about all the troubles that he had there.

8 Q. Okay. So that's, I guess, No. 1?

9 A. That's No. 1.

10 Q. That mile and a half or so. What
11 else did he tell you?

12 A. No. 2 is the valves that are in
13 the original system in Cawood, there's a lot of them
14 that don't work and need replaced. And they've took
15 -- they've took Rural Water's rock machines on them
16 and tried to break them free and they couldn't. They
17 need replaced. And he told me about all of them and
18 showed me about all of them.

19 Q. Do you continue to learn on the
20 job every day something new?

21 A. Yes, there's something new every
22 day.

23 Q. In the course of this case,
24 Mr. Cooper, have you provided and been responsible
25 for answers to certain -- most -- in fact, most of

1 the data requests that have been asked in this case?

2 A. Yes, sir.

3 Q. And do you have any changes,
4 revisions or amendments to make to any of those
5 answers?

6 A. Not to my knowledge.

7 Q. And are you here today to respond
8 to everyone's questions to the best of your ability?

9 A. Yes, sir.

10 Q. And clarify whatever might be in
11 your answers?

12 A. Yes, sir.

13 MR. GOSS: All right, Mr. Chairman, I pass
14 the witness.

15 CHAIRMAN SCHMITT: All right. Ms. Koenig,
16 questions?

17 MS. KOENIG: Thank you.

18 EXAMINATION

19 BY MS. KOENIG:

20 Q. Hello, Mr. Cooper.

21 A. Hello.

22 Q. Hi. So I'm going to start off
23 with your e-mail to Ms. Donges yesterday?

24 A. Okay.

25 Q. It's PSC Exhibit No. 2, and if

1 you want to look --

2 A. Okay.

3 Q. -- there you go, right there. So
4 you sent an update about meter testing.

5 A. Yeah.

6 Q. And you provided a water loss
7 report?

8 A. Uh-huh.

9 Q. And a -- some commentary. Can
10 you look through there and explain what you said?

11 A. I told Erin that here was the
12 water loss report for the system, that we had changed
13 75 meters this month, and we should be done replacing
14 all the meters that were out of date and for this
15 year up to 2020 by September 1.

16 Q. Okay.

17 A. So we won't have no meter in the
18 system that is ready to change until the meters hit
19 ten years at 2020.

20 Q. Okay. And so what we're talking
21 about here are -- so if they're older than ten years,
22 from Department of Water, you have to either test
23 them or replace them?

24 A. Or change them, yes.

25 Q. And so you were here earlier, and

1 you have before you Exhibit 7, Exhibit 3 and Exhibit
2 6, which are inspection reports.

3 A. Yeah.

4 Q. Have you seen these reports
5 before?

6 A. The only report that I have seen
7 is PSC No. 7, and the only reason I've seen it is I
8 was there when Ms. Donges come back for the checkup.

9 Q. Okay. So that was a recurring
10 deficiency, was the meters?

11 A. Yeah.

12 Q. So that's been a priority --

13 A. Of mine, yes.

14 Q. -- of yours? Okay. And so how
15 did you land on that priority? How you prioritize,
16 you said you were hired for scheduling maintenance
17 and the schedules, but how did you land on replacing
18 the meters?

19 A. Well, the replacement of the
20 meters is not the only thing that I focus on. The
21 meters -- what we're doing on them is my guys go out
22 of the mornings and they replace meters first half of
23 the morning, and then the rest of the day we spend on
24 work orders and servicing, like greasing the pump
25 stations, cutting around the pump stations, and all

1 of that. We do that three days a week. And then the
2 other two days a week we're actively working on the
3 work orders we have and searching for leaks.

4 Q. Okay. But the changing the
5 meters will affect your water loss; is that correct?

6 A. Yes. Yes.

7 Q. Okay. And so that is -- that's a
8 priority?

9 A. Yes.

10 Q. And that's been -- that was
11 conveyed to you as a priority to the system when you
12 were hired?

13 A. Yes.

14 Q. Okay. So you upped the schedule
15 as far as changing out the meters, and then you said
16 that you hired three new employees when you came on?

17 A. Yes.

18 Q. As part of your data request, you
19 said that you have three dedicated employees to leak
20 detection. Okay. Are those the three --

21 A. It's me, Kenny Skidmore, and
22 Kaleb Jones, we go out -- we're the ones that go out
23 during the week.

24 Q. Okay.

25 A. When we're not -- when they're

1 not doing the work orders, we are actively looking
2 for leaks.

3 Q. Okay. And that's part of your
4 Kentucky Rural Water training that you did?

5 A. Yes.

6 Q. That's what your --

7 A. Yeah.

8 Q. -- you've been trained to do?

9 A. Yeah.

10 Q. Okay. So you mention in your
11 update there to Erin that you had a line break at
12 Lenarue, I believe?

13 A. Yes, ma'am.

14 Q. Okay. And you said -- okay. And
15 that a very large area of the system was affected by
16 the break?

17 A. Yes.

18 Q. Is that what you were talking
19 about that you found these -- or found and repaired
20 major leaks that --

21 A. No, the two leaks that I found
22 that was pretty major -- when Rural Water came in to
23 do their training for leak detection, we had a
24 flowmeter pit made down to the line so that we could
25 put the flowmeter on because he wanted to show me

1 from beginning to end on how to section off a
2 section. So we put the flowmeter on it and we got
3 the flow that was coming through the flowmeter. And
4 then I stayed with the flowmeter and they went and
5 valved off the system so that we could see if the
6 flow would change. And in the systems where the flow
7 changed, after they got to the end of that line, is
8 we went back and we started listening to every meter
9 and seeing if we could find the leak.

10 Q. Uh-huh.

11 A. Well, it come to find out that we
12 had two service lines that was busted under the --
13 under the road -- under the ground, and we found them
14 by sectioning off the sections -- sectioning off the
15 system and then listening for the meters. And then
16 we found two leaks, which is two service lines. And
17 I took the Rural Water spreadsheet that they gave us,
18 with the help from the person that was with me from
19 Rural Water, and we figured out that these two leaks
20 was 1.1 million gallons a month apiece.

21 And we fixed both of them -- well, we fixed
22 one in one day, and it got so dark that the next day
23 we fixed the other one. And then after that, we
24 started shutting down between five and six hours a
25 day. And then we took that, and the guys, within

1 their going out and hunting leak detection, we have
2 found several service lines since then and a couple
3 of line leaks, and that's got us to the point right
4 now where we're down between seven and a half and
5 eight hours a day.

6 Q. And I'm to understand, looking at
7 the inspections, that you've never been able to shut
8 down during the day before?

9 A. Uh-huh.

10 Q. And that was a huge improvement?

11 MR. GOSS: Grant, I'm sorry, I don't mean
12 to interrupt. You can't shake your head
13 because she's taking a transcript and she
14 has to verbal --

15 A. Yes. Yes. Before, we could not
16 state -- well, they was not shutting down maybe an
17 hour at times. Now, Mr. Williams had a span where he
18 was able to shut down four and five hours after he
19 fixed one major leak on the 421 section. I think
20 that started -- he was able to shut down in maybe May
21 and June and July of 2018.

22 Q. Okay. So how recent were these
23 million-gallon leaks found?

24 A. I think it started going down
25 pretty good end of March, first of April. I think we

1 found and fixed the one towards the end of March, and
2 then the first week in April we fixed the other one,
3 I think. I can't quote that date exactly.

4 Q. That's okay. That's okay. So --
5 but you provided a monthly water use report, and it
6 says Cawood Pathfork at the top, and then Mr. Goss
7 provided us Cawood's Exhibit No. 2, a couple of water
8 loss reports.

9 MS. KOENIG: May I approach the witness?

10 CHAIRMAN SCHMITT: Yes, you may.

11 BY MS. KOENIG:

12 Q. Okay. So do you fill out the
13 water loss reports for Cawood?

14 A. Yes, ma'am.

15 Q. Okay. So this is the one that
16 you sent to -- PSC Exhibit No. 2 is the one that you
17 sent to our inspections unit yesterday.

18 A. Yes.

19 Q. And Cawood Exhibit No. 2 is the
20 exhibit that Mr. Goss filed today, and so --

21 A. We have two separate systems. We
22 have a Pathfork that we buy from Pineville, and it is
23 the Cawood Water District/Pathfork. That is the
24 water system that is down at Pathfork that we buy the
25 water off of Pineville for. The one that says --

1 Q. This is Pathfork as well?

2 A. Yes. This one right here is the
3 Cawood Water District itself. They're two different
4 -- two different systems. We file them -- when I
5 came, they was filing them as two different systems
6 because they was in two different locations.

7 Q. Okay. That's fine. Thanks for
8 clarifying that.

9 Can you clarify to me how -- what would you
10 say is the percentage of water loss for June 2019 on
11 the monthly water use report that you filed for -- or
12 that you sent to our inspections unit yesterday?

13 A. Fifteen percent.

14 Q. Okay. And then --

15 A. For Pathfork.

16 Q. For Pathfork. Okay. All right.
17 So how does -- so Cawood is not using the repaired
18 line breaks amount to figure up the water loss?

19 A. No.

20 Q. Okay.

21 A. That wasn't how they showed me.

22 Q. That's fine.

23 A. I mean, if I'm wrong, I'm sorry.

24 Q. No, I don't think so. I think
25 that's correct. I just wanted to clarify.

1 MR. CICERO: Let me ask you a quick
2 question.
3 MS. KOENIG: Sure.
4 MR. CICERO: So there's two water reports?
5 THE WITNESS: Yes.
6 MR. CICERO: One Cawood District/Pathfork,
7 one Cawood Water?
8 THE WITNESS: Yes.
9 MR. CICERO: Is there a consoli -- does
10 Cawood Water include Cawood Water
11 District/Pathfork or is it considered
12 separate?
13 THE WITNESS: It's considered separate.
14 MR. CICERO: Do you fill out a report that
15 shows a combined produce/purchase and
16 consumption or sales?
17 THE WITNESS: For?
18 MR. CICERO: The whole system? In other
19 words, the consolidated report that shows
20 the two of them together?
21 THE WITNESS: No.
22 MR. CICERO: Why not?
23 THE WITNESS: I was never told to do that.
24 I didn't know I was supposed to. All I was
25 showed when I came and the way they had

1 been doing it in 2018 is they'd send in a
2 report for Cawood and then they would send
3 in a separate report for Pathfork, and they
4 never said anything about consolidating
5 both systems into one.

6 MR. CICERO: But when anyone refers to
7 Cawood, it's Cawood Water District as a
8 whole unit, right? You don't -- you don't
9 talk about two separate systems, it's one
10 system, right?

11 THE WITNESS: Well, when we talk about it,
12 we talk about it as two.

13 MR. CICERO: When you report to the Public
14 Service Commission, it's just one system,
15 right?

16 THE WITNESS: Okay.

17 MR. CICERO: You have one board of
18 commissioners?

19 THE WITNESS: Yes.

20 MR. CICERO: You have one operating plant?

21 THE WITNESS: Yes.

22 MR. CICERO: You have one general system?

23 THE WITNESS: Yes.

24 MR. CICERO: It's just one system?

25 THE WITNESS: Yes.

1 MR. CICERO: I mean, I suppose the
2 Commission wouldn't mind if you sent in two
3 separate reports, but from the Commission's
4 perspective there's only one report for the
5 system, which is the consolidation of these
6 two reports together.

7 THE WITNESS: Okay.

8 MR. CICERO: So, and I'm going to ask this
9 question now while we're --

10 MS. KOENIG: Sure.

11 MR. CICERO: -- while we're on it
12 regarding -- so who showed you how to fill
13 out the report, or what instructions did
14 you receive in order to complete a report,
15 a water loss report?

16 THE WITNESS: Well, the first one I done is
17 the past manager helped me fill it out.

18 MR. CICERO: Okay.

19 THE WITNESS: And then when Rural Water
20 came up, the guy that came up showed me --
21 he was actually up there when I was filling
22 out the March report, and he showed me how
23 to do it while he was sitting there with
24 me. Or I did it in front of him and he
25 made sure I was doing it right. So he was

1 the one that told me to do the two reports.

2 MR. CICERO: You know that the Commission
3 issued instructions specifically on how to
4 complete these reports?

5 THE WITNESS: Yeah.

6 MR. CICERO: That tells exactly how the
7 lines are supposed to be accounted for?

8 THE WITNESS: Yes.

9 MR. CICERO: And I heard your comments, and
10 you said 1.1 million gallons for two leaks,
11 and then you found some other leaks which
12 you know --

13 THE WITNESS: Yeah.

14 MR. CICERO: -- made a big impact. So why
15 on the -- I'm looking at the April report,
16 and it said repaired line breaks,
17 1,975,000 gallons, okay. But it actually
18 shows as a reduction to the total water
19 produced.

20 So if there was no -- if the lines
21 were actually repaired, then there would be
22 no water on that line because the line would
23 be repaired so that there would be no
24 gallons associated with that. And from the
25 Commission's perspective that is still

1 non-revenue unaccounted for water loss.

2 The Rural Water Association was
3 showing people how to do that for a while
4 and that's why the Commission came out with
5 instructions specifically excluding
6 identified leaks. In other words, you don't
7 get to count the leaks until there's no
8 water that's leaking from it, and then that
9 would show up in the calculation of the
10 number.

11 THE WITNESS: Okay.

12 MR. CICERO: So, actually, the 2 million
13 would be added back here in that reduction
14 from 42 percent -- or 30.7 percent down to
15 8 percent would actually be 30.7 percent,
16 that would still be good progress, but it's
17 not 10.8.

18 BY MS. KOENIG:

19 Q. And so just to clarify what he's
20 saying, Mr. Cooper, you're saying that on the form,
21 where it says 30.7 percent, you're saying that that
22 is the water loss percentage?

23 A. That's what I have been looking
24 at.

25 Q. Yes, and I believe that's what

1 the vice chair is trying to clarify. It's not
2 10.8 --

3 A. I'm not looking -- I'm not
4 looking at that one, I'm looking at this one.

5 Q. Okay. Okay. That's what we're
6 trying to clarify.

7 MR. CICERO: Perfect. Because that's the
8 one we look at.

9 A. That's the one I'm looking at.
10 Okay. That's the one I'm looking at. The one that
11 when you fill out the Excel, it turns red, that's the
12 one I look at.

13 Q. Okay.

14 A. I know red is bad.

15 CHAIRMAN SCHMITT: That was in response to
16 a data request that had 10.8 percent in it
17 and that's okay, I understand. So we
18 thought Kentucky Rural Water one time
19 decided that they would improve water loss
20 because they decided that once you knew
21 where the leak was, it wasn't accounted
22 for -- it wasn't accounted for anymore so
23 you didn't have to include it.

24 MR. CICERO: Just one last question.

25 CHAIRMAN SCHMITT: Hence the change.

1 MR. CICERO: As far as this report goes, I
2 don't see any fire department usage on the
3 Pathfork and I don't see any Fire
4 Department use on Cawood. Is there no fire
5 department usage at all?

6 THE WITNESS: We didn't have a fire
7 department until here recently. Our fire
8 department -- we had that big snowstorm
9 that came through a couple years ago, took
10 our fire department and they're just now
11 getting us a new one built and I think --

12 MR. CICERO: So there is no consumption
13 then?

14 THE WITNESS: Well, I think the first
15 consumption we had was last month or --

16 MR. CICERO: Okay.

17 THE WITNESS: I think it was on -- yeah.

18 MR. CICERO: All right. So it's not a
19 mistake, there's just no --

20 THE WITNESS: Yeah, there wasn't a fire
21 department. They've got to come plumb from
22 ten miles down the road and they bring
23 their engine up, and by the time they
24 usually got there, I'm sorry to say, there
25 wasn't much left of what was burning.

1 CHAIRMAN SCHMITT: So what happened to the
2 fire department?

3 THE WITNESS: That big snow we had a couple
4 of years ago, that one that came through
5 and destroyed the roof of several
6 businesses and stuff in Harlan, it caved in
7 the fire department, and they didn't go out
8 there and try to drain the tankers or
9 nothing and then they froze, so they lost
10 everything. And they just gave funding
11 now, and they've -- I think it opened up
12 last month, the new fire department for
13 Cawood.

14 CHAIRMAN SCHMITT: I wondered because you
15 said the snow destroyed the fire
16 department.

17 THE WITNESS: Yeah. Yeah. It was that big
18 one that we had that came through.

19 MR. CICERO: I'm sorry to interrupt you.

20 MS. KOENIG: That's okay.

21 BY MS. KOENIG:

22 Q. Okay. So back on the inspections
23 that I referred to that you have in front of you PSC
24 Exhibits 7, 3 and 6, one of the recurring
25 deficiencies is not filling out quarterly meter

1 reports.

2 A. Yes.

3 Q. And I just wondered, are you
4 familiar with the quarterly meter reports?

5 A. I filled out my first one in
6 March.

7 Q. Okay. And so did you send that
8 in?

9 A. I sent -- I sent it in to Erin.

10 Q. Okay. Okay. So I guess you've
11 seen on the -- let's see, exhibit -- a couple of the
12 other exhibits that may be -- let's see, Exhibit
13 No. 5 --

14 A. Yeah.

15 Q. -- that they couldn't find any
16 that had been previously filled out, and that they
17 just have never done quarterly reports. But you've
18 started doing that?

19 A. The first one that I filled out
20 was at the end of March, it should be dated April
21 something, and then I just -- I turned one in the
22 other day.

23 Q. Okay. Thank you.

24 A. Erin sent me -- Ms. Donges just
25 sent me an e-mail saying about the quarterly meter

1 reports, and I went on -- and she told me where to go
2 and download it, and I downloaded it and I started
3 filling it out.

4 Q. Great. Thank you. Okay. So you
5 were responsible for a lot of the data responses for
6 this case; is that correct?

7 A. Yes.

8 Q. Okay. So I'm just going to
9 clarify a few, and if you need references, I will.
10 But in general, there are a few plans, policies and
11 procedures that were maybe one typed page?

12 A. Yes.

13 Q. And, for instance, there were --
14 in DR1, Question 13, operating procedures to address
15 leaks, there was a Capital Improvement Plan that
16 Mr. Chandler referred to earlier.

17 A. Yes.

18 Q. Were those plans prepared in
19 response to staff's data requests or were those
20 existing before?

21 A. I looked -- I looked -- I took
22 and looked at the system and I noticed the things
23 that may and could be improved on, and I took those
24 to the board and showed them to the board, and it
25 went forward from there.

1 Q. So you made an assessment for the
2 capital improvement plan or for the operating
3 procedures?

4 A. For the -- for the capital --
5 what we may need in years, and the things that could
6 be wearing out that we may want to replace. Like in
7 five -- I think on the fifth year, it was replacing
8 one of the trucks, that way we would never have a
9 truck that had, like, 247,000 miles on it again.

10 Q. Good idea.

11 A. After it got five years old,
12 change the truck out. That was one of the things
13 that I used to do at my other job, was notice capital
14 expenditures.

15 Q. Great.

16 A. And I just made the suggestions
17 and put it in front of them.

18 Q. Okay. And then, did you confer
19 with Mr. Scruggs on that at all or -- as the
20 financial component on it?

21 A. No.

22 Q. Okay. Just good ideas for the
23 operating --

24 A. Yeah.

25 Q. -- for the operation?

1 A. Yeah.

2 Q. Okay. So as far as the operating
3 procedures to address leaks --

4 A. Yeah.

5 Q. -- there was an answer but
6 there's not necessarily -- is there a separate
7 written policy for that?

8 A. No, there's no written policy,
9 that's just what I'm going to do.

10 Q. Okay.

11 A. I just typed up what I'm going to
12 do going forward as the manager.

13 Q. Would you consider doing a
14 written policy?

15 A. I probably would, yes.

16 Q. I mean, could you see the
17 advantage like --

18 A. Yes.

19 Q. -- you were saying when you came
20 on, you had Mr. Williams to take you around?

21 A. Yeah, if we had a written policy
22 then we could enforce it in our handbook and all of
23 that on the policy, yes.

24 Q. Okay. And so would you attribute
25 the recent improvement in water loss to the three

1 employees dedicated to leak detection and your
2 training with Kentucky Rural Water?

3 A. Yes.

4 Q. Had there ever been any of that
5 training prior to or --

6 A. Mr. Williams told me that when
7 they bought the flowmeter, they gave him training on
8 it, and then Kentucky Rural Water come up and trained
9 them some. That's how they found, I think, one of
10 the leaks on the old 421.

11 Q. Okay.

12 A. I think on that. I'm not
13 100 percent sure.

14 Q. That's okay. Thank you.

15 Okay. So you -- you've done a lot of
16 planning, a lot more than has ever been done as far
17 as the records that we have here at the PSC. So you
18 did answer in your data request that you would not
19 hire an extra employee or a leak consultant because
20 you had employees already dedicated to the leak
21 detection.

22 A. Uh-huh.

23 Q. And do you feel that that's a
24 good -- that you've run the numbers on that, as far
25 as how much you --

1 A. As for right now, I think, from
2 where we're finding them and the way we're finding
3 them, I think as of right now it wouldn't be very
4 beneficial to us if we did. But if -- if something
5 happens and it gets to where we're not finding them
6 and it's getting away from us again, by all means,
7 have somebody and have them out every single day for
8 the time that they need to find them. But as for
9 right now, I think we've got our hands wrapping
10 around it. I ain't saying we have it, but I'm saying
11 we're wrapping our hands around it right now.

12 Q. Okay. So it sounds really good.
13 Do you think that it can be consistent? I mean,
14 because you're saying you wouldn't hire somebody to
15 do it, you're making improvements, but, I guess,
16 that's just recent, right?

17 A. Uh-huh.

18 Q. So I guess it will --

19 A. Yes.

20 Q. What do you think as far as
21 sustainable improvement?

22 A. I think if we can get it down
23 some more and keep it there and hit -- hold steady, I
24 think that will be the point to where it is
25 sustainable.

1 Q. Okay. So that's sort of a plan,
2 as far as leak detection and going forward?

3 A. Yes, going forward.

4 Q. But you don't have anything -- do
5 you have anything formally devised as far as leak
6 detection going forward, except that you do have
7 these people dedicated in certain portions of the
8 day?

9 A. Yes. Yeah.

10 Q. That's good.

11 A. Yeah.

12 Q. And so there were questions about
13 a leak detection policy -- or I'm sorry, procedures.
14 And you just provided like a paragraph to answer.
15 But do you see that there might be a benefit to
16 having a policy and a plan, as far as, like,
17 addressing when do you say we need to do something
18 better or how do you gauge the progress? And,
19 obviously, if the water loss numbers continue to go
20 down but --

21 A. Well, yeah.

22 Q. But you've had ups and downs in
23 the past too, right, a little bit?

24 A. Yes. It would be beneficial to
25 have a policy in place and set a point on your water

1 loss percentage. If it is stable at X or below, then
2 we are sustaining and we're good, but if it exceeds
3 -- if it exceeds 17 percent for, say, two months,
4 then maybe it's time to look into consulting somebody
5 to help with the water loss or something like that.

6 Q. Okay. But -- and also I know
7 those numbers are just right off the top of your head
8 and stuff, so I'm not asking you to commit to
9 anything exact. But would that be something that you
10 can work with Kentucky Rural Water and kind of just
11 see how long should I, you know, judge the process?

12 A. Yes.

13 Q. Or, you know, how long should I
14 let it go one way or the other?

15 A. Yes.

16 Q. Or, you know, just judging your
17 progress, you could see the benefits to that?

18 A. Yes.

19 Q. Okay. Are you familiar with the
20 leak adjustment policy and the tariff -- and your
21 tariff?

22 A. I've read it, but I'm not too
23 familiar with it.

24 Q. Okay. Well, it was in DR2, or
25 Data Response 2, Question 23, you provided the leak

1 adjustment as part of that response?

2 A. Actually, that came out of the
3 office. The girl that takes the money and stuff, she
4 has that on her computer. Actually, she was the one
5 that gave that to me to send on. So I don't -- I
6 ain't dealt with none of that yet.

7 Q. That's okay. Do you think that
8 anybody here would have knowledge from Cawood about
9 the leak adjustment policy?

10 A. No, ma'am.

11 Q. Okay. Well, did you know that
12 you -- if there is a leak, if customers are over 65,
13 that they have a different policy?

14 A. Yes, I seen that in the tariff,
15 yes.

16 Q. Okay. Do you know why that was
17 put in place?

18 A. No, I do not.

19 Q. Okay. I'm assuming it's
20 something to do with fixed income and trying to allow
21 for that?

22 A. Yes.

23 Q. But, I guess, would you consider
24 looking at the leak adjustment policy to make sure
25 that you're covering your losses on leaks?

1 A. Yes.

2 Q. That might be something to
3 revise. Would that be you? Would that be under your
4 umbrella of duties or would you take that to the
5 board and ask --

6 A. I think that would need to go to
7 the board. I don't -- I think that would be
8 something that us, me and the board and all -- to sit
9 down and discuss on that and see, you know, the best
10 way to go on that.

11 Q. Right. And I could see that you
12 understand that you are making cost-benefit analysis
13 and things, but as far as the numbers, as far as,
14 like, making sure that your district and staying
15 viable and meeting business practices, that's not
16 you, right, that would be Mr. Scruggs?

17 A. I don't see the financials.

18 Q. Okay. But you're still making
19 judgment calls as far as like how much water loss
20 and --

21 A. Yes.

22 Q. -- how much equipment costs and
23 things like that?

24 A. Yes.

25 Q. Do you ever talk to Mr. Scruggs

1 as far -- with that?

2 A. Yes.

3 Q. Okay.

4 A. And if we've got a big purchase
5 or something, I'll let them know what I got to do.
6 We had to buy a pump, so I let everybody know, hey,
7 hey, we've got a pump out, I've got to get a pump,
8 and then I got the pump. I mean, and, like the
9 equipment that I got for the guys to make their life
10 easier, to make it easier for us to work on stuff --
11 you know, there's a point on spending that I would
12 let them know, but there is a point when I would just
13 go buy the stuff that we needed.

14 Q. I understand.

15 A. If we needed something to work
16 with, we got something to work with. And if it was a
17 big purchase, I would notify the board.

18 DR. MATHEWS: Is it a dollar value in your
19 head that if it's greater than?

20 THE WITNESS: If it was greater than
21 \$5,000, I would contact the board and say
22 hey -- like that motor, that motor was
23 6,000-and-something dollars. I contacted
24 all the members of the board, said we have
25 a pump and a motor go out, I've got to get

1 a pump to replace it because if the other
2 one goes out, you've got a whole section
3 that ain't going to get no water. And I
4 just -- I let them know, and they said,
5 yeah, we need it, get it, so we ordered it.

6 Now, the tools and the stuff that we
7 need to work with on day to day --

8 MS. KOENIG: You don't call them when you
9 need pipe or whatever?

10 THE WITNESS: No. No. I run the meters by
11 them, and they approved for the meters
12 because it was going to be a big purchase.
13 I think it was around 25,000 for all the
14 meters that we needed to catch up. I did
15 go to them with that and talked to them
16 about it.

17 But if it's -- like we needed lights
18 to work at night, battery lights to work at
19 night, I just went and bought them because
20 we needed them. When I got there, the tool
21 area was a little thin and we just -- I just
22 did what I had to do to get it to the point
23 where if we had a leak at night, we could
24 fix that leak that night, that we wouldn't
25 have to wait until the next morning to hunt

1 tools, so --

2 BY MS. KOENIG:

3 Q. Okay. And speaking of the
4 meters, do you know why you're not testing the meters
5 and instead you're just replacing all the meters that
6 are older than ten years?

7 A. I don't know. When I came,
8 everybody said that -- everybody -- we were out of
9 compliance and I wanted to get us in compliance.
10 Everybody said that they always just replaced them,
11 that they didn't test them. So I just took and I ran
12 with it to get us in compliance.

13 I have the meters that we have taken out,
14 set aside in a bin, and my plan is to have them
15 tested, and the ones that test good, putting them
16 back and putting them in next year in 2020. That is
17 my plan, if it will work like that. But from the age
18 of some of these meters, I don't think they are worth
19 testing.

20 Q. Do you know what, like, a regular
21 useful life on a meter like that is, I mean?

22 A. The guidelines that you all
23 supply, I think a three-quarter meter is --
24 three-quarter to five-eighths is ten years. I can't
25 quote it exactly. But I think that anything over

1 three has to be tested every year.

2 Q. Uh-huh. So it's possible that
3 the ten-year-old meters aren't worth --

4 A. They ain't worth it.

5 Q. -- is what you said?

6 A. And we just had all of our ones
7 that could be calibrated, calibrated, and the test
8 results for them was supplied in one of the answers.

9 Q. Okay. So you talked about hiring
10 three people. You said you had eight to nine
11 employees when you came on. Have you had a problem
12 with worker turnover?

13 A. Not since I came there, no.

14 Q. Okay. But it's been fairly
15 recent, right?

16 A. (Witness nodding head.)

17 Q. And so did you have any type of
18 an employee handbook or are there any standard
19 operating procedures that were there in place when
20 you came there?

21 A. When I came there, there was an
22 employee handbook and there was an employee safety
23 handbook too.

24 Q. Okay.

25 A. And all the employees have got a

1 copy of them and signed off that they acknowledged
2 them and understood them completely.

3 Q. Okay. And you were talking about
4 having kind of a gauge of \$5,000 to know when to ask
5 the board for money. Are there any procedures in
6 place between the manager and the board as far as
7 your communication with them and what you need to
8 report on and who you need to ask permission for?
9 You said you called them all.

10 A. No, they -- I -- I ain't seen
11 nothing on that. I report to them and I talk to -- I
12 talk -- I know all of our board members, and I know
13 them good enough that I talk to maybe two or three
14 board members a day. So I keep them in good -- good
15 communication on what I got going on. They know my
16 expenditures before I even go with them, so --

17 Q. Right. So that's good and you
18 can see the benefit of why that would be good, but if
19 somebody came on that wasn't friends with the board
20 or something, there might be a reason to have a
21 policy in place, right?

22 A. Yes. Yes.

23 Q. Okay. So you listed in your data
24 responses that you have 50 service lines still to be
25 replaced that were made of BlueMax material?

1 A. Yes.

2 Q. Do you know of a problem that
3 this district has specifically with BlueMax or what
4 their experience was with that?

5 A. We had one line in the past, I
6 guess it was the month before, that it was the
7 BlueMax, and they just get -- it gets brittle in the
8 ground.

9 Q. Okay.

10 A. And we tried to clamp it off to
11 change a fitting and it just disintegrated on us.
12 And so we had to dig down to the main line and cut it
13 off at the main line, and we just replaced it. And
14 any time we run across it, we are replacing it
15 because it seems to get brittle as it's in the
16 ground.

17 Q. Okay. I'm going to ask you about
18 your responses in the area of mapping and GPS
19 mapping. And you were here earlier, you heard me
20 talk about that there's a reference in one of the
21 earlier inspections that Cumberland Valley
22 Development District was helping -- helping out
23 trying to get GPS mapping of your valves and lines.
24 How is that going or do you know anything about that?

25 A. Cumberland ADD has mapped a

1 number of lines. I got the GPS file off of them.

2 Q. So there are -- so let's just
3 clarify. Because you answered in DR2, Question 21B,
4 that Cawood has already put in place maps of the
5 lines; is that what you're talking about?

6 A. Well, the maps that I'm talking
7 about in that is we have the maps that roll out on
8 the table that are on paper.

9 Q. Okay.

10 A. We have maps like that for every
11 line in the system.

12 Q. Okay. And that's what you do if
13 you get a call for 811 to do a line locate?

14 A. And I go out and I locate the
15 line.

16 Q. Okay.

17 A. I am working --

18 Q. But then continue about the GPS.

19 A. I am working right now, I've
20 already got a quote that I'm taking to the board this
21 week for a full GPS map and line marking for the
22 entire system.

23 Q. And will that help in leak
24 detection and service?

25 A. That will help us knowing where

1 the lines is and when we're out and looking for
2 stuff, that will -- if we get out and we have a leak,
3 and I'm in Pathfork or somewhere, there ain't no --
4 and one of the new guys is there and he don't know
5 where the valves is, the system I'm trying to get is
6 capable -- or he can get it on his Smartphone and
7 open it up and pinch in, and he can tell you, oh,
8 there's a valve right here, and he can go to that
9 valve and cut it off quicker.

10 It's just going to make things easier for
11 us as a system, when we do have a leak, of getting it
12 cut off, that way we can get on it quicker and get it
13 fixed quicker to better serve the customers.

14 Q. Sure. Okay. That makes sense.
15 So how is unmapped territory handled for the water
16 loss calculation and when you're looking for a leak?
17 What do you do now?

18 A. Well, if it's not mapped -- like,
19 one of the leaks that we found at the end of March,
20 it wasn't mapped right. It's supposed to been --
21 come off an 8-inch line and punched under the road
22 and to the customer. Well, that's what we was
23 looking for. Well, we dug down and we found the
24 8-inch line, we uncovered the part of the 8-inch line
25 that was one joint completely long, 20 feet. And

1 there was no saddle on that line at all or nothing.
2 And we was dumbfounded.

3 So to find the leak, we had to go to our
4 side of the meter box and dig all the way back, and
5 right at the road we found a 3-inch line that when
6 they removed that road over on the 421 that they
7 didn't put on our map or nothing, that if we had --
8 if the mapping was right, we would have known that
9 there's a 3-inch line over there and we wouldn't have
10 wasted the time while that was leaking looking for it
11 on that 8-inch line.

12 So what I done is I printed out a GPS map,
13 and I drew the line in, and I put it in that spot
14 in the book to map it until we get something.

15 Q. Okay. And so let me just
16 clarify. So -- but you haven't done GPS mapping,
17 you're just in the process of trying to lay it down?

18 A. We're in the process, yes.

19 Q. Okay. And how much did you
20 say -- you said you're putting together a quote?

21 A. The quote?

22 Q. Yeah.

23 A. The first part of the quote is
24 4200-and-something dollars.

25 Q. Okay.

1 A. And then it's \$750 a year after
2 that.

3 Q. Okay.

4 A. For them to maintain it.

5 Q. Okay. And so --

6 A. And it's Cloud-based.

7 Q. Okay. And so on those type of
8 expenditures, I mean, I'm hearing you talk about
9 buying equipment and a lot of spending, and you heard
10 me ask Mr. Farmer about doing an annual assessment of
11 whether the rates are covering what the district
12 needs. And you're doing a lot of spending trying to
13 get the water loss down and the leaks down.

14 So do you -- are you a part at all of
15 talking about when there needs to be a new rate case
16 or who would do that?

17 A. I don't know if I have a part in
18 that or not. I've not been there that long to know.

19 Q. I understand. Okay. But you go
20 to them and you ask for more money?

21 A. Yes.

22 Q. And, basically, if the board says
23 yes, that's as far as you go?

24 A. Yes. If I go to them and ask for
25 this and they say yes, then I will -- or when it gets

1 put in our minutes, I will make the phone call and
2 I'll say, hey, let's move forward with this GPS
3 system, let's get it in and get it taken care of.

4 Q. I understand. Okay.

5 A. And that's what that is.

6 Q. All right. As far as -- okay.

7 We've talked a lot about replacing the valves. You
8 mentioned, I guess, that Kentucky Rural Water had
9 came in and tried to help with that maybe?

10 A. Uh-huh.

11 Q. Do you have a time frame for when
12 you're going to start replacing valves or is that --

13 A. I've already replaced one, one
14 valve on a main 8-inch line, and I'm working -- I'm
15 working on the others. I don't have a time frame in
16 my head yet. It is on my priority list. It's
17 just -- it's just -- there's just so many of them
18 that are in Cawood that need addressed, focusing and
19 trying to figure out which valves should be done
20 first in the priority is --

21 Q. Do you ever discuss your priority
22 list with the board?

23 A. Yes.

24 Q. Okay. What is your relationship
25 with the judge executive? Is he involved with the

1 discussions with the board or --

2 A. He ain't been to none of the
3 meetings when I've been there.

4 Q. Okay.

5 A. Now, he discusses -- he talks to
6 the board members and stuff. As far as that, that's
7 as far as I can answer on that.

8 Q. Okay. What's your relationship
9 with the agencies besides Kentucky Rural Water?
10 You've already discussed how they've come in and
11 worked with you. You mention in your data responses
12 Ken Byrons and KIA.

13 A. Yeah, he's our architect. He's
14 our architect.

15 Q. Okay. He's your engineer?

16 A. Engineer.

17 Q. Okay. And you use a hydraulic
18 model?

19 A. Yes.

20 Q. And is that just to see where
21 potential leaks could be or how do you use that?

22 A. I ain't never used it. I just
23 called and asked if we had one.

24 Q. Oh, okay. Just for the data
25 responses?

1 A. Yes, just for the data responses.

2 Q. So he doesn't have like a daily
3 part of your job?

4 A. No. Well, me and him talk but
5 not --

6 Q. What do you all talk about?

7 A. Oh, we talk about the lines and
8 we talk about the -- well, right now we've got a
9 couple bridge projects going on that we have to move
10 lines. We talk about the expansion in Asbury Hollow,
11 what we need to do with them. And if I've got any
12 questions about anything of -- pressure for a
13 customer or something like that, I'll call him and
14 ask him about it, and he'll give me numbers.

15 Q. Is he on a contract? I mean, do
16 you pay for those services?

17 A. I think he is contract, I think.
18 I don't know for sure.

19 Q. Okay. But Mr. Scruggs is
20 handling the finances now?

21 A. (Witness nodding head.)

22 Q. And so would you go to
23 Mr. Scruggs for approval for anything or is it the
24 board and then the board goes to Mr. Scruggs?

25 A. I make the purchase orders out

1 for the invoices, and the only time that I go to the
2 board is when it's a major item.

3 Q. Okay.

4 MS. KOENIG: Okay. Thank you very much.
5 Appreciate it.

6 CHAIRMAN SCHMITT: Mr. Cicero?

7 EXAMINATION

8 BY MR. CICERO:

9 Q. Tell me again what your
10 responsibilities -- do you have outside and inside
11 responsibility or just the outside?

12 A. I have outside and inside
13 responsibilities.

14 Q. So when we talk about office
15 personnel, do they report to you?

16 A. Yes.

17 Q. Does anybody report to
18 Mr. Scruggs?

19 A. No.

20 Q. So Mr. Scruggs is responsible for
21 the financial aspects but not the office operations?

22 A. Not the office operations, that
23 falls on me.

24 Q. Any billing or anything like that
25 is your responsibility?

1 A. Yes.

2 Q. How about budget development?

3 A. I have not been involved with
4 budget development with Cawood yet, but I do have
5 experience in budget development.

6 Q. So I think Mr. Farmer said that
7 he thought there was a budget that was developed last
8 year, have you seen that budget?

9 A. I have not seen the budget but I
10 know there -- I think there is a budget there.

11 Q. So if there is a budget, I guess
12 we're going to get that confirmed, you are the one
13 that's basically spending the money and you do some
14 verbal communication with the board, and the board
15 says, yeah, go ahead and spend the money, who
16 compares that spending with the budget to see how far
17 off the variance is from what was forecast to be
18 spent?

19 A. Mr. Scruggs would.

20 Q. So do you talk to Mr. Scruggs
21 before you spend any money or just the board?

22 A. Just the board.

23 Q. Just the board. I'm sure you
24 don't know whether the board talks to Mr. Scruggs or
25 not?

1 A. They stay in contact with
2 Mr. Scruggs pretty good.

3 Q. So when you have a big
4 expenditure, do you -- how often do you meet with the
5 board?

6 A. We meet once a month.

7 Q. Once a month. So -- but you're
8 spending on a daily basis?

9 A. Uh-huh.

10 Q. And you may have to have
11 decisions made on a daily basis, and you're
12 contacting the board members. Is there any
13 memorialization of this spending through an e-mail,
14 through written request, or does it just happen
15 verbally over the phone and then what happens?

16 A. Verbally over the phone and I'll
17 buy it.

18 Q. And then is there any backup to
19 that at the board meeting that says, by the way, we
20 decided to spend all this money this month, and I
21 need you to approve it now in the board meeting and
22 minutes do exist; does that happen?

23 A. Like when I bought the pump, I
24 called the board members and they said if we need it,
25 get it. Then when we had the board meeting, they --

1 Mr. Farmer asked, well, what big expenditures do we
2 have. And I said, okay, you all remember when I
3 called you and we had to buy that pump, and they said
4 yes, and --

5 Q. So for your own personal benefit,
6 during the month, do you write down I spent this,
7 this, this and this, and then you get to the board
8 and you say, this is the list of things that I talked
9 to you guys about now --

10 A. Uh-huh.

11 Q. Okay. So who pays for the
12 invoices that come in for all the spending that you
13 do?

14 A. I -- I make the purchase order
15 and I send it to Mr. Scruggs, and then at the end of
16 the month, all the board members get the invoice and
17 they approve the invoices.

18 Q. So Mr. Scruggs prepares an
19 invoice report and that invoice report is signed off
20 on by the board members --

21 A. Yes.

22 Q. -- and approved in the minutes?

23 A. Yes.

24 Q. So that all of that spending is
25 taken care of?

1 A. Yes.

2 Q. Okay. What kind of procedures
3 have you put in place for your office, like,
4 purchasing, matching of accounts payable, receipts?
5 Do you plan on doing anything like that?

6 A. I plan on it, yes.

7 Q. So that will be part of your
8 future activities --

9 A. Yes.

10 Q. -- which I think Ms. Koenig asked
11 you about --

12 A. Yes.

13 Q. -- and you said you thought it
14 would be a good idea?

15 A. Yes.

16 Q. So that will be something that
17 you will do?

18 A. (Witness nodding head.)

19 CHAIRMAN SCHMITT: You know what the
20 problem is with nodding, the court reporter
21 sometimes, I've seen them put, witness
22 nods, but you don't know whether they did
23 this or that. Then you know how lawyers
24 are, I didn't agree on anything.

25 MR. CICERO: I guess that's all I have for

1 right now.

2 CHAIRMAN SCHMITT: Commission Mathews?

3 DR. MATHEWS: That's all I have.

4 MR. GOSS: I have none.

5 MR. CHANDLER: I do have a few. Thank you,
6 Chairman.

7 EXAMINATION

8 BY MR. CHANDLER:

9 Q. Good evening, Mr. Cooper.

10 A. Good evening.

11 Q. You were in the room earlier,
12 before the commissioners came in when I apologized to
13 Mr. Goss that I'll be reading some of my questions
14 from my phone since I forgot them and had to have
15 somebody take a picture of them and send them to me.

16 MR. GOSS: My dog ate my homework.

17 MR. CHANDLER: I've got proof this time.

18 BY MR. CHANDLER:

19 Q. There was a question that was
20 asked, and I apologize, I don't have the benefit of
21 word search now that I've printed these off, but
22 there was a question that was asked about master
23 meters in the -- in the discovery. Do you remember
24 that question about the testing of master meters?

25 A. Testing of master meters, yes.

1 Q. And do you remember that the
2 response to the question about master meters only
3 initially included information regarding the master
4 meter that leaves the water treatment plant; do you
5 remember that?

6 A. I may have. Not too clearly.

7 Q. One second. Excuse me, Chairman.
8 How many master meters are on the Cawood
9 system?

10 A. We have a master meter going out,
11 a raw master meter coming in. There is a master
12 meter at the Harlan-Cawood interchange.

13 Q. So let's take a step back then.
14 So the master meter -- the raw intake master meter,
15 the master leaving the treatment plant --

16 A. Uh-huh.

17 Q. -- the master meter where you can
18 purchase from Harlan --

19 A. Yes.

20 Q. -- and would you agree there's
21 most likely a master meter where you purchase from
22 Pineville --

23 A. Yes.

24 Q. -- for the -- was it the
25 Pathfork?

1 A. Pathfork.

2 Q. Pathfork?

3 A. Yes, there is.

4 Q. Are those all the master meters?

5 A. Yes.

6 Q. Okay. So --

7 MR. GOSS: May I approach, Chairman?

8 CHAIRMAN SCHMITT: You may.

9 BY MR. CHANDLER:

10 Q. Do you see the Request No. 15 of

11 the commission staff's second request for information

12 dated May the 3rd; do you see that request?

13 A. Yes.

14 Q. Do you see that deals with the --

15 a question that asks, refer to the water utility's

16 response to the March 12th order, Item 18, and that

17 the request deals with master meters that failed

18 tests or for other master meters that were replaced

19 or repaired; do you see that?

20 A. Uh-huh.

21 Q. I need you to --

22 A. Yes. Yes.

23 Q. Sorry. And do you see the next

24 page where the first test result is?

25 A. Yes.

1 Q. So this test result took place on
2 April the 29th, 2019, correct?

3 A. Yes.

4 Q. And it says Cawood Elementary as
5 location; do you see that?

6 A. Yes.

7 Q. So which master -- is this a
8 master meter?

9 A. This is just -- this is a 3-inch
10 meter going to the Cawood Elementary School. This is
11 not a master meter.

12 Q. It's not a master meter. It's
13 just a 3-inch meter?

14 A. Yeah.

15 Q. Okay. And so for this 3-inch
16 meter, do you understand generally what the meter
17 accuracy results there indicate?

18 A. It was -- I think it was
19 44 percent off.

20 Q. Forty-four percent off. And
21 so -- can you -- just for the record, can you explain
22 why you believe it was about 44 percent off, like,
23 what on that page indicates it was 44 percent off?

24 A. Average of tests -- average of
25 tests as found, it was 66.39, so it was about

1 44 percent of it missing, so --

2 Q. Okay. Is this one of the larger
3 accounts for Cawood?

4 A. This is the school.

5 Q. I mean, but would you agree that
6 schools are pretty large users of water?

7 A. It's a pretty large account,
8 yeah.

9 Q. Okay. So that was a 3-inch
10 meter, correct?

11 A. Yes.

12 Q. And then on the next page,
13 there's a 4-inch test; do you see that?

14 A. Yes.

15 Q. And then a 2-inch test on the
16 next page?

17 A. Yes.

18 Q. Okay. So go to the 4-inch test;
19 what is that location?

20 A. That's the Cawood-Harlan
21 interchange.

22 Q. Okay. So that 4-inch is the
23 master meter from Harlan?

24 A. Yes.

25 Q. And then the 2-inch on the next

1 page, it says Laurel's is the location.
2 A. That is a nursing home.
3 Q. That's a nursing home?
4 A. Yes.
5 Q. Okay. And then what is on the
6 next page?
7 A. That is our raw meter where we
8 take the water in out of the river.
9 Q. So that's your raw water intake?
10 A. Yeah.
11 Q. Okay. And so do you have any
12 other -- how large is the master meter coming from
13 Pineville?
14 A. I do not know how large it is.
15 Q. You don't know. Okay.
16 Have you had any discussions with Kentucky
17 Rural Water about placing additional master meters
18 across the system?
19 A. Not as of yet.
20 Q. Okay.
21 A. That is on one of my to-do lists.
22 Q. All right. So replacing the
23 valves is one of the primary -- you would agree, is
24 one of the primary concerns that you have, right?
25 A. Yes.

1 Q. Do you know whether or not Cawood
2 has any procedures for how it annually inspects its
3 valves?

4 A. The only thing that was there
5 when I got there was a procedure about where they was
6 operated twice a year to make sure that they worked,
7 and that's what I had been doing.

8 Q. Okay. So let's take a step back.
9 There's something that's just -- that's what people
10 say you should do at Cawood, or that's a written
11 policy at the district, to check the valves twice a
12 year to make sure they're working?

13 A. There's a written policy in our
14 handbook.

15 Q. There's a written policy in the
16 handbook, check all the valves in the system?

17 A. Yes.

18 Q. Approximately how many valves are
19 there in the Cawood system?

20 A. Gosh.

21 Q. A hundred, 10?

22 A. I'd say it's over 200.

23 Q. Over 200. So twice a year you
24 operate every valve in the Cawood system?

25 A. Yes.

1 Q. So what about -- what about the
2 valves that were discussed earlier that the Kentucky
3 Rural brought up, pneumatic pumps, whatever it may
4 be, when you try to get them to move and they don't
5 operate?

6 A. They've got to be replaced.

7 Q. Okay. How many valves are like
8 that?

9 A. I'd say there's about 15 in
10 Cawood.

11 Q. So 10 percent almost?

12 A. Yeah.

13 Q. So would you agree that it's
14 unlikely that the valves have been operated twice a
15 year per the handbook if 15 of them aren't working at
16 all right now?

17 A. Yeah.

18 Q. Okay. And so in the time that
19 you've been there, the six or seven months that
20 you've been there, is there a distinction between
21 whether something is written down as a policy and
22 whether or not personnel have actually done it?

23 A. Yes.

24 Q. And what have you done to
25 implement a change to where things are not just

1 written in the policy but they're actually
2 implemented?

3 A. Well, I -- that's where the -- I
4 gave every employee a copy of the handbook, and have
5 them sign off on it that they understood it, because
6 that is in there, and if we -- and if it is in there,
7 then we have to do it. And it's my job to make sure
8 it gets done.

9 Q. So you've been there about seven
10 and a half months, right, or six and a half months?

11 A. Uh-huh.

12 MR. GOSS: Yes or no.

13 A. Yes. I'm sorry.

14 Q. Is it your testimony that of the
15 185 working valves, they've all been operated at
16 least once over the first half of this year?

17 A. Yes. Every one that will work
18 has been worked this year so far.

19 Q. So in addition to the manual you
20 have, do you understand that it's a legal requirement
21 that you inspect the valves every year?

22 A. No, I did not know that.

23 Q. And do you know that it, did you
24 know that it was a legal requirement that hydrants,
25 mains, meters, and meter settings be inspected at

1 least once a year?

2 A. The hydrants, I do.

3 Q. The hydrants, you do. Okay. But

4 of that list, hydrants was the ones that you knew?

5 A. (Witness nodding head.)

6 Q. Okay. The Capital Improvement

7 Plan, I don't know if it came out directly or not,

8 did that plan exist before the question was asked

9 before the commission staff?

10 A. No.

11 Q. Okay. So it was created in

12 response to it, but it was still -- it was still --

13 regardless it was still approved by the board?

14 A. The board, yes.

15 Q. So the question got asked, the

16 plan got created, the plan got provided to the board,

17 and the board approved it?

18 A. Yes.

19 Q. Okay. The \$25,000 for -- I think

20 the quote was \$25,000 for all the meters --

21 A. Yes.

22 Q. -- do you remember saying that?

23 A. Yes.

24 Q. Did you -- did you initiate an

25 RFP for those meters? Let me withdraw that question.

1 How did you determine the cost of those
2 meters prior to bringing it to the board?

3 A. I called and got prices for the
4 meters, and got the cheapest price, and I went to the
5 board with that price and told them that we needed X
6 amount of meters at this cost, and this is what it
7 would cost, and we can do 75 a month, and they said
8 do it.

9 Q. Okay. And so that's important
10 because you didn't buy all the meters all at the same
11 time, correct?

12 A. No.

13 Q. Okay. And so we talked about
14 capital improvement plans, who -- how did you know
15 that 75 was the number that the utility could afford
16 to do every single month?

17 A. I talked to -- that's what we
18 discussed in the meeting. In February, Ms. Donges
19 come up and we talked about it, and when she
20 mentioned -- she mentioned that about the meters,
21 that they'd supposed to have been changed and they
22 wasn't changed. So I -- we talked about it and
23 figured out how much it was -- how many there was.
24 Well, I took that number to the board and I took the
25 price to the board. And I said, okay, this is what

1 we need, this is the total amount we need, how much
2 can we do a month. And the board sat and talked
3 about it and we come up with 75 that they could
4 afford a month, and that's what I started ordering.

5 Q. So you were in the meeting?

6 A. I was in the meeting.

7 Q. So was -- and Mr. Scruggs said
8 this is how many you could afford, or did the board
9 look at their own numbers, their own books and
10 determine how many they could afford?

11 A. We all talked about it,
12 Mr. Scruggs, the board, and I.

13 Q. Okay. And it was determined that
14 you all could afford 75 meters a month for how many
15 months, eight months?

16 A. We started buying them in -- at
17 the end of February.

18 Q. Through September, correct?

19 A. Yeah.

20 Q. That's the anticipation. So
21 about eight months of meters at 75 a month, and the
22 total was approximately \$25,000?

23 A. Close to it, yes.

24 Q. Okay. And when you started
25 calling around, you did this in February, correct?

1 A. (Witness nodding head.)
2 Q. I need you to --
3 A. Yes.
4 Q. You did this in February so you
5 had been there a month and a half?
6 A. Yes.
7 Q. And how did you determine the
8 appropriate meters that the utility needed?
9 A. I contacted Mr. Williams, and
10 talking to the guys that had been at the plant the
11 longest.
12 Q. Okay. So you -- you basically
13 just bought the same meters that you already had?
14 A. Yes.
15 Q. The same type?
16 A. Yes.
17 Q. Okay.
18 MR. CICERO: Did you capitalize these
19 meters?
20 THE WITNESS: I don't know.
21 MR. CICERO: In other words, you didn't
22 expense it, you put it on the asset ledger?
23 THE WITNESS: I don't know if they done
24 that or not. You've have to ask one of
25 them.

1 MR. CICERO: So I'd have to ask
2 Mr. Scruggs?

3 THE WITNESS: Yeah.

4 MR. CHANDLER: Can't help yourself, can
5 you?

6 MR. CICERO: I'm sorry.

7 MR. CHANDLER: That's okay.

8 BY MR. CHANDLER:

9 Q. So 75 a month, and you've not
10 tested any of the meters you've pulled, but you've
11 also not gotten rid of any of the meters you've
12 pulled, correct?

13 A. Exactly.

14 Q. Okay. So have you received any
15 bids for how much it would cost to test a certain
16 amount of meters or how much it would cost per meter
17 to test the ones that are pulled?

18 A. Not yet.

19 Q. You said earlier something about
20 67 miles of line. What does the utility have that's
21 67 miles? Is that distribution? Is that total?

22 A. That's main lines, that's 12-,
23 10-, 8-, 6-, 4-, 3- and 2-inch lines.

24 Q. Okay. So 2 inches and above?

25 A. That's all that together, yes.

1 Q. Thank you. All right. And can
2 you tell me how you -- you mentioned earlier the
3 quote was that you have -- you and two other
4 individuals, quote, actively looking for leaks. How
5 are you -- what's that process like? Are you driving
6 around and looking or are you testing meters? Can
7 you explain that to me?

8 A. Walking the lines. I have
9 flowmeter pits throughout the system in key areas. I
10 take the flowmeter and put it on the line, and then
11 the guys go and valve off the branch lines, and if
12 the flow goes down when we valve off the branch line,
13 I write it on a piece of paper, and after we get done
14 with that, we go to those branch lines that had a
15 high flow and we take the listening device and listen
16 to meters and walk the lines within that branch.

17 Q. So that's what the three of you
18 all are doing when you can?

19 A. Yes.

20 Q. Okay. So there was also
21 discussion in the case about old service lines; do
22 you remember that?

23 A. Yes.

24 Q. The discussion -- I believe it
25 was in response to the third -- 2-3, I believe,

1 but -- so you were in the room earlier when we
2 discussed that no line in the system is older than 29
3 years, right?

4 A. I don't think so.

5 Q. So other than those lines that
6 are the brittle type of plastic, right?

7 A. Yeah, the Blue -- the BlueMax.

8 Q. BlueMax. Other than lines that
9 might be BlueMax, right, and those aren't service
10 lines, are they?

11 A. They are service lines.

12 Q. They are service lines. So other
13 than BlueMax service lines, there shouldn't be any
14 service lines that are beyond their age, correct?

15 A. To the best of my knowledge.

16 Q. Well, I know, but the answer you
17 gave was that one of the issues is old service lines?

18 A. Yeah.

19 Q. But none of the service lines can
20 be more than 30 years old?

21 A. No.

22 Q. And service lines are expected to
23 last between 30 to 50 years, right?

24 A. I guess. I don't know exactly
25 how long. That's information that I don't exactly

1 know. I don't know how long they'll last. I know
2 what's going on with our lines.

3 MR. CHANDLER: Sir, can I approach,
4 Chairman?

5 CHAIRMAN SCHMITT: Yes, you may.

6 BY MR. CHANDLER:

7 Q. The notebook you have there, do
8 you mind to just go back to No. 3? It's in the back
9 3, sorry.

10 MR. GOSS: Are we talking about 1 or 01 or
11 2?

12 MR. CHANDLER: Commission staff's second
13 request for information issued May 3rd,
14 No. 3. Excuse me.

15 BY MR. CHANDLER:

16 Q. Do you see that question, Provide
17 a list of the top three obstacles?

18 A. Yeah.

19 Q. And you're the respondent to
20 this, you're the witness?

21 A. Yes.

22 Q. And you said one of the top three
23 obstacles was old service lines that should and are
24 being replaced?

25 A. I was talking about the BlueMax

1 lines when I said that.

2 Q. Okay. I just wanted to clarify.
3 So the old service lines are the BlueMax service
4 lines?

5 A. Yes.

6 Q. And do you have an identification
7 of where those service lines are on the system?

8 A. No.

9 Q. No?

10 A. Nobody does. I talked to one of
11 the old managers -- one of the first -- one of the
12 first managers that was there, and he don't even
13 know.

14 Q. So it's a replace when you find
15 them?

16 A. It's a replace when you find
17 them.

18 Q. Okay. Who owns the service
19 lines? Does the utility own the service line or does
20 the customer own the service line?

21 A. From -- my understanding is from
22 the setter back to the main, we own.

23 Q. Okay.

24 A. And from the end of the setter to
25 the house, the customer owns.

1 Q. And the BlueMax, is that -- is
2 that -- on whose side of the meter is the BlueMax
3 piping?

4 A. It's on ours.

5 Q. It's on yours. Okay.

6 MR. CHANDLER: May I approach, Chairman?

7 CHAIRMAN SCHMITT: Yes, you may.

8 MR. CHANDLER: Do you mind if I ask a
9 couple questions from here just to move
10 things along?

11 CHAIRMAN SCHMITT: No, go ahead, unless
12 there's an objection.

13 MR. CHANDLER: I'll show you, Mr. Goss,
14 what I've got first. I just have the
15 responses to C, and they're the monthly
16 water reports.

17 BY MR. CHANDLER:

18 Q. C1 here, do you see that it's
19 provide the utility's monthly unaccounted for water
20 loss percentage?

21 A. Yes.

22 Q. And you were the respondent here?

23 A. Yes.

24 Q. Okay. And so it starts in
25 January; do you see that?

1 A. Yes.

2 Q. And goes February, March, April,
3 and all of these are for the Cawood, which is the
4 primary line that's not the line connected to
5 Pineville, correct?

6 A. Yes.

7 Q. Or the system. So May, June,
8 July. Do you see that August --

9 A. Yes.

10 Q. Do you see that August seems to
11 be the Cawood, just the Pathfork system?

12 A. Yes.

13 Q. And then it goes September; do
14 you see that?

15 A. Yes.

16 Q. So would you agree that the
17 August for the Cawood system may not be in here?

18 MR. GOSS: That was -- I don't mean to
19 interrupt. That was offered -- that was
20 offered today in one of the updated water
21 loss reports that I offered at the
22 beginning of the hearing.

23 MR. CHANDLER: Okay. Perfect.

24 BY MR. CHANDLER:

25 Q. Okay. So then we go September,

1 October, November, December, January, February, and
2 then it starts on the Pathfork, right; do you see
3 that?

4 A. Uh-huh.

5 Q. Okay.

6 MR. CHANDLER: Does he have a copy of this?
7 He does, right?

8 MR. GOSS: Up to probably April.

9 MR. CHANDLER: Okay. Great.

10 BY MR. CHANDLER:

11 Q. So do you mind to turn to No. 1
12 of that, Mr. Cooper, because I noticed something
13 today and I think it bears pointing out. Do you see
14 it starts in January?

15 A. Yes.

16 Q. Do you have a piece of paper
17 there? That's all right, I've got one, I'll write it
18 down. So do you see that on the Cawood system the
19 residential -- the water produced was
20 13.6 million gallons?

21 A. Yes.

22 Q. Okay. And the residential use
23 was about 7.2?

24 A. Yes.

25 Q. And the water loss in that month,

1 how much was it?
2 A. 50.4.
3 Q. And do you see the next month?
4 MR. GOSS: Which month are you talking
5 about?
6 Q. I'm sorry, February is the next
7 month.
8 A. Yes.
9 Q. Ten million was produced?
10 A. Yes.
11 Q. And 5.4 residential sales?
12 A. Yes.
13 Q. And the loss was 46 percent,
14 right?
15 A. Yes.
16 Q. Okay. So if you go on to March,
17 you see that 6 million was used and --
18 A. Yes.
19 Q. -- the next month, April,
20 6.1 million were used?
21 A. Yes.
22 Q. In those two months, the water
23 loss was 57 and 59 percent?
24 A. Water loss was 21.2.
25 Q. Oh, I'm sorry. 21 and -- yeah,

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1 I'm sorry, I went to the wrong line. 21 and then 22?
2 A. Yes.
3 Q. Okay. All right. So then -- so
4 all those forms are the same, right?
5 A. Yes.
6 Q. And then you see that the next
7 month, May, the form is the same; do you see that?
8 A. Yes.
9 Q. And then the next month the form
10 is different; do you see that?
11 A. Yes.
12 Q. And then -- that's June. And the
13 next month, July, that's different?
14 A. Yes.
15 Q. So can I ask: Is the utility
16 using a consistent water loss report now?
17 A. Yes.
18 Q. And are you using the Kentucky
19 Rural Water report --
20 A. Yes.
21 Q. -- or one from the Public Service
22 Commission?
23 A. Rural Water.
24 Q. Okay.
25 A. That's actually the tab that's on

1 the water loss report. If we go up to the water loss
2 report, the ones that are different is actually the
3 next tab on that. They just printed it in the wrong
4 tab, I think is what they done.

5 Q. Okay.

6 A. But all I had to go by was what
7 was there.

8 Q. Okay. And so now you use the
9 one -- the 2017 Kentucky Rural Water report, right?

10 A. (Witness nodding head.)

11 Q. Okay.

12 MR. GOSS: You need to answer, Grant.

13 A. Yes.

14 Q. So the Pathfork system is not
15 very large, right?

16 A. 153 customers.

17 Q. 153 customers. How long -- how
18 long is the system?

19 A. I don't know.

20 Q. It's primarily one line, right,
21 one main line served off of a handful of customers?

22 A. It's one line up and it's got
23 several branch lines.

24 Q. Several branch lines. Okay. So
25 do you know how old the Pathfork system is?

1 A. No, I do not.

2 Q. Do you know anybody here today
3 that would generally know how old the Pathfork system
4 is?

5 A. Ken Taylor may.

6 Q. So you were in the room earlier
7 when it was discussed that during all these periodic
8 compliance inspections and the inspection reports
9 from Mr. Pennell and Ms. Donges, that almost all of
10 them reference that the utility -- that Cawood was
11 working with, the Cumberland Valley ADD -- the
12 Cumberland Valley ADD GPS system, you're aware of
13 that, right?

14 A. Uh-huh. Yes.

15 Q. Has any -- to your knowledge, has
16 any work prior to your arrival been done on GPSing
17 any portion of the Cawood system?

18 A. I have no knowledge of that.
19 Before I come, I don't know. I don't know if they
20 did or didn't.

21 Q. Well, let me ask you: Have you
22 ever had that discussion with Mr. Williams?

23 A. No.

24 Q. Do you think that's a good idea
25 to have that discussion with Mr. Williams, to ask if

1 any of the system has already been GPSed?

2 A. Yes.

3 Q. Is there a master meter -- and I
4 know the answer to this, but I just want -- is there
5 a master meter at the beginning of the 421 line?

6 A. No.

7 Q. And given the issues with the 421
8 line, have you had any discussions with the Kentucky
9 Rural Water Association about sectionalizing that
10 line or being able to test it easier?

11 A. No. The only thing that we done
12 was put that pit in so I could listen to the flow.
13 That's the only thing we've done.

14 Q. And so the pit is permanent,
15 right?

16 A. The pit is permanent.

17 Q. And so you can go out there with
18 a flow --

19 A. Any time.

20 MR. CHANDLER: I think that's all I have
21 for Mr. Cooper. Thank you, Mr. Cooper.

22 EXAMINATION

23 BY MR. GOSS:

24 Q. How far down did you have to dig
25 to get that pit next to the pipe?

1 A. Three and a half feet.

2 Q. That was -- where was that on
3 421? Was that --

4 A. It's right at the -- let's see,
5 the main line comes out and goes under 421, it's
6 about a quarter of a mile down 421 and we put the
7 pit.

8 Q. All right. I want to take just a
9 minute. There's probably some confusion. I'm from
10 down there so I understand what you're talking about
11 and where things are. Nobody else in this room does
12 other than the folks from home. So I want to take
13 just a few minutes and -- because I think this will
14 be instructive. And I want to hand you a map that
15 actually Ms. Koenig provided earlier. I don't think
16 it's been offered as an exhibit, but I'm going to
17 offer it. I'm going to show you what I have marked
18 as Cawood Exhibit 4 and ask you to tell the
19 Commission generally what that map shows.

20 A. It shows Cawood, Cranks, Smith.

21 Q. I mean in terms of the system,
22 the water system, the legend there that's on the map.

23 A. Cawood Water District's water
24 tanks, Cawood Water District's purchase points, water
25 treatment plant servicing Cawood Water District.

1 Q. Is this essentially a map of the
2 Cawood Water District service territory?

3 A. Yes.

4 Q. All right. I want you to take a
5 pink highlighter, and I'd like for you to draw a
6 circle around the area of the so-called main Cawood
7 area that we've been talking about, and then I'm
8 going to ask you to do the same with respect to
9 Pathfork, okay? So just take this pink pen and just
10 mark a circle around the Cawood portion of the
11 system.

12 A. (Witness complies with request.)

13 Q. And you correct me if I'm wrong,
14 but that generally runs from just outside the city
15 limits of Harlan, Kentucky, through -- down 421, US
16 Highway 421 to the Lee County-Virginia line; is that
17 correct?

18 A. Yes.

19 Q. And I'm going to ask you to take
20 a blue marker, and I'm going to ask you to put a
21 circle around the Pathfork area.

22 A. (Witness complies with request.)

23 Q. All right. Now, is the Pathfork
24 area right on the Harlan-Bell line?

25 A. Close to it, yeah. We start

1 servicing after the Harlan-Bell line.

2 Q. Okay. And there's no
3 interconnection between the two subsystems of the
4 entire system --

5 A. No, no interconnection at all.

6 Q. Then I want you to take this
7 yellow -- I'm sorry, red pen -- don't know my
8 colors -- and mark a circle around the small
9 mile-and-a-half area or so, and this -- this doesn't
10 show enough detail, but give the commissioners an
11 idea of where the offending mile-and-a-half area of
12 US Highway 421 is?

13 A. (Witness complies with request.)

14 Q. All right. So that appears --
15 the area that you just put in red and US Highway 421,
16 that's a pretty small portion of the entire system,
17 isn't it?

18 A. Yes.

19 Q. All right.

20 MR. GOSS: Offer that to the Commission. I
21 don't know if you folks want to see that or
22 not.

23 BY MR. GOSS:

24 Q. Now, are you the individual at
25 Cawood Water that has the responsibility for

1 providing the inputs and, in fact, the responsibility
2 for submitting the monthly water loss statements to
3 the Public Service Commission?

4 A. Yes.

5 Q. And have you, at my request,
6 provided or created a summary of and a compilation of
7 all of those monthly water loss reports for years
8 2018 and up to 2019 to the current date?

9 A. Yes.

10 Q. I'm going to hand you what I have
11 marked as Cawood Exhibit No. 5.

12 MR. GOSS: This is what I sent you
13 yesterday. And I'm sorry, Commissioner,
14 but I only have two.

15 MR. CHANDLER: Here, you can have mine. I
16 printed one off.

17 MR. GOSS: Okay.

18 BY MR. GOSS:

19 Q. I'm going to hand you what I've
20 marked as Cawood Exhibit No. 5. Just very briefly
21 tell the Commission what that summary spreadsheet is
22 meant to show.

23 A. It's meant to show the water loss
24 for month to month for the system.

25 Q. For what year?

1 A. 2018.

2 Q. Now, this is just for the Cawood
3 portion of the system that you have encircled in
4 pink; is that correct?

5 A. Yes.

6 Q. And you heard the vice chair talk
7 about why you're reporting two different subsystems,
8 but that's -- I mean, that's a legacy, that's
9 something that was done before you, right?

10 A. Yes.

11 Q. But you understand what he's
12 saying about reporting them on a consolidated basis,
13 don't you?

14 A. Yes.

15 Q. All right. And so let me hand
16 you what I have marked as Cawood Exhibit No. 6, and
17 ask you to tell the Commission what Cawood Exhibit 6
18 is.

19 MR. GOSS: I haven't put numbers on those
20 Mr. Chairman, I'm sorry. That's 6 and the
21 one below it is 5.

22 BY MR. GOSS:

23 Q. What is that, Mr. Cooper?

24 A. That is the water loss report
25 that I was doing for the -- well, that they did --

1 that the previous manager did for Pathfork.

2 Q. All right. And then I'm going to
3 show you what I've marked as Cawood Exhibit 7, and
4 ask you -- let's leave these, 5, 6, 7, and ask you to
5 tell the Commission what Exhibit 7 is.

6 A. Exhibit 7 is the water loss
7 report for 2019 for Cawood's water system.

8 Q. And that only goes -- at the time
9 this report was completed, that only went through the
10 month of May; is that correct?

11 A. Yes.

12 Q. But, I think, in Exhibit 2 to --
13 what counsel for the PSC offered today, June is now
14 available, correct?

15 A. Yes.

16 Q. And then I'm going to hand you
17 what I've marked as Cawood Exhibit No. 8, and ask you
18 to explain for the Commission what that is?

19 A. That is the Pathfork system for
20 this year up through May.

21 Q. All right. Now, I want you to --
22 even though you weren't -- you weren't there, I want
23 you to walk us through Cawood 5 and Cawood 6.
24 Really, I'm not too interested in 6, I'm more
25 interested in Cawood 5. And just generally tell the

1 Commission what that shows in terms of water loss
2 sustained by the -- by the district.

3 A. From -- when we got the request
4 for this, I got with Mr. Williams and he come up and
5 went over these water loss reports with me. And
6 January and February shows a high water loss, and
7 then March is water loss is down. The reason March's
8 water loss went down is within that time he found a
9 severe leak on the 421 section that has been giving
10 us problems around Chevrolet and he fixed it.

11 Q. Hold on. What is Chevrolet?
12 Tell those that are uninformed about Harlan County
13 communities, what Chevrolet is.

14 A. Chevrolet is -- it is the section
15 of 421 in between Cawood and Harlan, and it is one of
16 the sections that has been giving us problems. I
17 think they found rocks right on top of --

18 Q. So let me interrupt you. Is
19 Chevrolet, the community of Chevrolet which you're
20 talking about, is that on the upper end of the mile
21 and a half?

22 A. That's on the upper end of the
23 mile and a half.

24 Q. That you circled in red there?

25 A. Yes.

1 Q. Okay. Go ahead.

2 A. And within this leak here, they
3 found rocks on top of the line that the equipment
4 couldn't move.

5 Q. All right. Let me stop you right
6 there, and let me show you what I have marked as
7 Cawood Exhibit No. 9.

8 MR. GOSS: I didn't make near enough copies
9 for everybody. I apologize. Let me -- if
10 you folks could share that. I apologize,
11 Mr. Chairman, I didn't make enough copies
12 of this.

13 BY MR. GOSS:

14 Q. But let me ask you what Cawood
15 Exhibit No. 9 is and what that's meant to show?

16 A. That -- they took pictures and
17 they showed the position of the line and everything
18 that was on top of it. There was no bedding material
19 on this line. They found big pieces of asphalt,
20 rocks. And the line was 13 feet and 3 inches deep in
21 some spots and 10 feet and 7 inches deep in other
22 spots.

23 Q. So is this the Chevrolet leak?

24 A. This is the Chevrolet leak that
25 you can notice the water loss going down in --

1 starting to go down in March.

2 Q. And so let's just very quickly
3 because the hour is late, but let's talk about just
4 generally what these four, five photos behind Cawood
5 Exhibit 9 show. What does Test Hole 3, 5/10/18,
6 indicate?

7 A. Well, after they fixed the leak
8 and everything, they went down there and they dug,
9 and this is all the stuff that was right down below
10 where they fixed the leak on top of the line. The
11 asphalt and this casing here was the picture of the
12 casing that they got out.

13 Q. What is casing?

14 A. It's the casing that the water
15 line was in.

16 Q. What is the casing made of?

17 A. Steel.

18 Q. And it looks to me like it's bent
19 real bad?

20 A. Yes.

21 Q. Is that the way it's supposed to
22 be?

23 A. No.

24 Q. What's the purpose of the casing?

25 A. To protect the line.

1 Q. And so there's a gentleman
2 standing in a hole here that I guess a backhoe or
3 something has dug and what does that show?

4 A. That shows how deep the line was
5 at that point.

6 Q. All right.

7 A. Because as you can see, his stick
8 is on the line down there, and I think this is the
9 one that was 10 foot and something.

10 Q. So to be clear, the photos that
11 are in Cawood Exhibit No. 9, that pit or that hole is
12 not where the actual Chevrolet leak was; is that
13 correct?

14 A. No, that's correct.

15 Q. But what's it meant to show?

16 A. That's meant to show what we are
17 suffering through on this little -- on this section
18 of road.

19 Q. And so that line that you found
20 that the gentleman's standing in the hole with the --
21 with the large measuring device there, how deep did
22 you say it was?

23 A. I think the picture, it's about
24 either 11 -- 11'3", 11 foot 3 inches.

25 Q. And how deep is -- what size line

1 would that be?

2 A. That's an 8-inch line.

3 Q. How deep would an 8-inch line --
4 how deep is an 8-inch line supposed to be?

5 A. Well, the ones that I've had to
6 dig up so far have been between 3 and a half and 4
7 feet.

8 Q. And what is, from your
9 experience being on the job not too many months, but
10 what's your experience been with the condition of the
11 line -- of an 8-inch plastic line where there is a
12 lot of spoil and asphalt and refuse and concrete and
13 that sort of thing on top of the line?

14 A. Well, the lines will get busted.
15 They'll bust over time.

16 Q. What is the effect of having an
17 extra 6 or 7 or 8 feet of spoil on top of a line in
18 terms of leak detection?

19 A. You can't find it.

20 Q. All right. And so you're saying
21 that in terms of this Cawood No. 5 exhibit, the water
22 loss that was -- that went down from 6 and 4 million
23 down to a million and a half or so was about the time
24 this Chevrolet leak was repaired?

25 A. To my understanding, yes.

1 Q. All right. And then do you have
2 some other -- do you have some other photos of the
3 other portions of this mile and a half line that you
4 brought to the Commission here today?

5 A. Yes.

6 Q. Let me hand you what's been
7 marked as Cawood Exhibit No. 10, and briefly tell the
8 Commission what that is.

9 A. This is Test Hole No. 1, it was
10 done on 4/10/2018. It's down at the Farmer's Mill
11 part of the 421 section.

12 Q. Is that contained within this
13 small mile and a half circle that you've drawn on the
14 map?

15 A. Yes. Yes.

16 Q. And how far is it from the
17 so-called Chevrolet leak that you just described?

18 A. Not even a half a mile.

19 Q. Okay. Go ahead.

20 A. There was all kinds of rocks, big
21 rocks on type of the line. No bedding at all. And
22 this is an 8-inch line also. And as you can see in
23 one of the pictures, it was approximately 9 -- about
24 9foot 1 inch to 9 foot 2 inches deep in the ground
25 with big rock all over it and all on top of it.

1 Q. Now, you said something there
2 that intrigues me. You said no bedding. What do you
3 mean by bedding? What is bedding and what's the
4 purpose of it?

5 A. There was rock fill underneath it
6 and rock fill on top of it.

7 Q. What is the purpose of in terms
8 of the -- let me finish asking my question. What's
9 the significance of that in terms of the viability or
10 the longevity of the line?

11 A. Well, if you bed a line properly,
12 it's supposed to last the life of the line, but
13 within our system, that line down there hasn't been
14 bed, and within the system at Cawood, that should
15 have bedding, all the leaks I have found I've not --
16 I've yet to find bedding underneath them. All I find
17 underneath all of our breaks is rocks, no bedding at
18 all within the entire system I have not found.

19 Q. And so generally speaking, what
20 should the bedding be, gravel or sand or --

21 A. Gravel.

22 Q. -- what should it be?

23 A. Gravel, sand, busted up -- sand
24 limestone, just anything but the rock that I'm
25 finding.

1 Q. All right. And is that
2 system-wide or is that just in this one location?

3 A. That's any -- any line -- any
4 leak I have fixed since I have been here, I have not
5 found no bedding. Every leak we have found, I have
6 found a big rock underneath where the leak is.

7 CHAIRMAN SCHMITT: Is that just on this
8 portion of the line or anywhere?

9 THE WITNESS: That's anywhere.

10 BY MR. GOSS:

11 Q. Is it your -- I'm just going to
12 ask: Do you have concern that the line, when it was
13 originally installed 29 years ago or whatever, wasn't
14 installed properly?

15 A. My opinion, yes.

16 Q. I'm sorry?

17 A. My opinion, it wasn't installed
18 properly.

19 Q. Does that make your life much
20 harder as the manager of the Cawood Water District?

21 A. Yes, it does.

22 Q. All right. Finally, let me hand
23 you what has been marked as Cawood Exhibit No. 11 and
24 ask you what that exhibit shows and explain to the
25 Commission please.

1 A. This is Test Hole No. 2. It was
2 done on 5/8/18. This is one of the test holes where
3 they started digging down and they found the rocks
4 that the machines could barely move. You can see
5 that rock on that backhoe. And what you can't see in
6 the picture is that arm is almost on the ground. The
7 reason it's almost on the ground is the front tire is
8 completely off the ground. That rock was that big
9 (indicating). And it was put on top of the line.
10 And then there's the blacktop that was on top of the
11 line. And this one is -- it looks like 10 foot -- 10
12 foot 8 inches deep.

13 Q. And where was this located?

14 A. This is located on that little
15 stretch of road that is also marked and circled with
16 the red pen.

17 Q. Any idea how many gallons --
18 strike that.

19 When these three repairs were made that are
20 contained in Cawood Exhibits 9, 10 and 11, do you
21 have any idea how many gallons of water loss was
22 mitigated or improved by those repairs?

23 A. I don't know -- I can't give you
24 an exact gallon, but I can give you that they went
25 from running 24 hours a day, seven days a week and

1 now we're down eight hours a day -- between seven and
2 a half and eight hours a day every day.

3 Q. All right. So those were
4 repaired when, those three? Spring of '18?

5 A. Spring of '18. And then the one
6 at Farmer's Mill, it was finished around February
7 of --

8 Q. Let's see, that would be --

9 A. Yeah, around February -- around
10 the end of February the Farmer's Mill one got
11 finished. And then the end of March, first of April,
12 I found the other two, that was the service line.

13 Q. Well, I was going to ask you, it
14 appears that in the spring of '18, when these big
15 leaks were found and repaired, your water loss went
16 from 6.3 million -- actually, more than that -- 7.3
17 down to a couple of million and then it ticked back
18 up --

19 A. Yeah.

20 Q. -- in the latter part of '18 and
21 the first part of '19. Explain that, please.

22 A. Well, they fixed the Chevrolet
23 leak when it started, and then it started to go down.
24 And then when the Farmer's Mill leak happened, that's
25 when it started to rise back up. The Farmer's Mill

1 leak, they looked for it for two months and couldn't
2 find it, and they dug and dug and dug, and all they
3 was digging up was big rock and stuff. And when they
4 finally found it and finally seen it, all the water
5 was running through bedrock and rock fill where they
6 put the road in there, and that's why we could never
7 find it, and that's why it took so long to find it.
8 And it was all in that little bitty section of road.

9 Q. And so Chairman asked you earlier
10 about what steps you've taken to try to get ahold of
11 the contractor or the state. I mean, this sounds
12 like a very problematic mile and a half for this
13 entire district, am I --

14 A. Yes.

15 Q. And so what are you doing about
16 it?

17 A. The -- Ronnie Williams, before
18 me, he did all of the diligent and everything of
19 contacting the state and all of that, and they are
20 working with us right now. They -- if I'm not
21 mistaken, they've said they're going to give us some
22 money but --

23 Q. What are you going to do if you
24 get the money you need, are you going to just yank
25 all that other line out and put new in, or are you

1 going to try to keep it patched or what are you going
2 to do?

3 A. We are going to put new line in
4 from Chevrolet down to where it connects to the, I
5 think, ductile arm at the bypass. Eliminate that
6 stretch completely.

7 Q. I'm not sure I know what that is.

8 A. It's just the old pipe, water
9 pipe. Ductile iron pipe.

10 Q. Ductile. Okay. Gotcha.

11 So let me sort of wind this up and ask you
12 how as the -- as the manager of the system, how you
13 feel things are going from a water loss perspective
14 and what you think the future -- if you had a crystal
15 ball, what you think the future is going to hold for
16 the district with regard to these water loss numbers?

17 A. As a manager, I'm hopeful that we
18 can get them on down, but as real life, with these
19 test holes, if that entire stretch is like that, and
20 from -- from what I can see, the way the line, is not
21 bedding and stuff, we're going to have problems.

22 Q. Do you think -- do you think it's
23 realistic for this utility to get its water loss down
24 to 15 percent or below?

25 A. I think it's realistic as long as

1 we don't have a major catastrophic thing on that
2 stretch of line and it starts going in the ground
3 again. It's hard for us to find it.

4 Q. Has anybody put pencil to paper
5 to figure out how much money would be needed to
6 replace that offending stretch of line?

7 A. Yeah.

8 Q. What? How much?

9 A. I think to replace all of it
10 is -- I don't know the exact number. I think it's
11 720-something thousand.

12 Q. Okay.

13 A. Kenneth knows more about the
14 exact number than I because he got that together for
15 us.

16 MR. GOSS: That's all I have, Mr. Chairman.

17 CHAIRMAN SCHMITT: I've got a couple
18 questions.

19 EXAMINATION

20 BY CHAIRMAN SCHMITT:

21 Q. The line in this Chevrolet area
22 where most of the problems have been found, I guess
23 where the Transportation Cabinet or its contractor
24 covered made your line immune from the next glacier
25 period, right?

1 A. Yeah.

2 Q. Is that a 6-inch line or an
3 8-inch line or what?

4 A. That's an 8-inch line all the way
5 down, sir.

6 Q. And looking at, I guess, Response
7 7 in the data requests that were filed in May, I've
8 just got notes on it, your -- what did you say,
9 8-inch line?

10 A. Yes.

11 Q. Eight-inch line looks like it has
12 the miles of 8.74 miles of 8-inch line, PVC, and it
13 has the years of 15 years old, and that's about --
14 that's not real old?

15 A. No.

16 Q. But I suppose you probably don't
17 have a record of the contractor that put this line
18 in?

19 A. (Witness shaking head.)

20 MR. GOSS: You need to answer, Grant.

21 A. No. No, I do not.

22 Q. If you replace the line, assuming
23 you get money from the Transportation Cabinet, you
24 would probably bid that out and use a contractor?

25 A. Yes.

1 Q. And sometimes in my own personal
2 experience, I've seen water districts say, well, you
3 know, somebody is there, the contractor will --
4 they're responsible and we've got our engineer, we
5 won't have a resident inspector, do you know what a
6 resident inspector is for? To see that the pipe is
7 put in according to the plans, and if you don't, or
8 if you get the resident inspector who's the son of a
9 local politician or something, you're likely to see
10 he never shows up and then you get the kind of --
11 kind of mess that you're in right now.

12 A. Yes.

13 Q. But I feel empathy for you and
14 your system if everywhere you've had to repair a leak
15 you find lines, even the 6-inch lines and others,
16 that are in that same condition because what they've
17 done is that somebody has just reduced probably by
18 50 percent the life expectancy of the water lines
19 that the residents or some other citizens of this or
20 some other state will have to pay for.

21 A. Yes.

22 CHAIRMAN SCHMITT: Okay. I have nothing
23 else.

24 MR. CICERO: Go ahead. I just have one
25 more question.

1 EXAMINATION

2 BY MS. KOENIG:

3 Q. Just to follow up on the
4 Chairman's comments. So do you have knowledge of the
5 plans that were submitted for that stretch that have
6 to be submitted to the Department of Water on the
7 plans, and then after, they're supposed to file
8 as-built representations?

9 A. I have no -- no knowledge of
10 that.

11 Q. Okay. You might want to follow
12 up with that and just check, but it could be the
13 situation that the Chairman said.

14 MR. CICERO: Are you done?

15 EXAMINATION

16 BY MR. CICERO:

17 Q. Just a confirmation. I heard you
18 say, again, that you were using the spreadsheet
19 provided by the Rural Water Association. I need you
20 to confirm that you know that the Commission issued a
21 spreadsheet, Ms. Donges can show you where that is,
22 but that's the spreadsheet you're supposed to use in
23 order to submit your water loss, okay?

24 A. Okay. Yes, sir.

25 Q. Okay. The second item, when you

1 did the meters, did you issue an RFP or did you just
2 call people on the phone and say, I need this meter,
3 how much will you charge?

4 A. I called on the phone and
5 asked -- told them what I was after and asked how
6 much is it.

7 Q. Okay. So from a procurement
8 perspective, you should be issuing a written request
9 called an RFP, request for proposal, that says here's
10 the specs of my meters, I need you to give me a bid
11 on it, and usually that's done with a hope that it's
12 a blind-type bid, and when you open them up, you find
13 out who's the low bid, that doesn't give people an
14 opportunity to find out what the other person has
15 done or whatever. But you should be doing it that
16 way, okay?

17 A. Okay. Thank you.

18 MR. CICERO: That's all I have.

19 CHAIRMAN SCHMITT: Anything else,
20 Commissioner Mathews?

21 DR. MATHEWS: I don't have anything.

22 CHAIRMAN SCHMITT: May this witness be
23 excused?

24 MS. KOENIG: Yes.

25 CHAIRMAN SCHMITT: Thank you, sir. Do you

1 have anyone else?

2 MS. KOENIG: We would like to ask
3 Mr. Scruggs some questions if he's
4 available.

5 CHAIRMAN SCHMITT: Let's take a 10-minute
6 break.

7 (A brief recess was taken.)

8 CHAIRMAN SCHMITT: Okay. We're now back on
9 the record. I think when we took our last
10 break, Ms. Koenig, you were going to call a
11 witness?

12 MS. KOENIG: Well, I asked for Mr. Scruggs
13 to be called.

14 MR. GOSS: Yeah.

15 CHAIRMAN SCHMITT: Please raise your right
16 hand.

17 (Witness is sworn.)

18 CHAIRMAN SCHMITT: Please be seated.
19 Before you start, Cawood has asked that a
20 number of exhibits be introduced into
21 evidence, and I don't know what the last
22 number is, but allow all of those to be
23 entered into evidence at this time. And I
24 think Mr. Chandler wanted a copy of the
25 last map. Did you get a copy,

1 Mr. Chandler?
2 MR. CHANDLER: Yeah, Mr. Chairman. And I
3 don't have an objection to the exhibits
4 being entered. I do have a copy of 4 now.
5 But I just -- if Mr. -- if I can get a
6 confirmation from Mr. Goss that I can get a
7 copy of those this week of all the --
8 MR. GOSS: You can get a copy of anything
9 you want.
10 MR. CHANDLER: Okay. If I can get a copy
11 of all the exhibits this week, we have no
12 objection to their introduction.
13 MS. KOENIG: PSC would like their exhibits
14 entered as well.
15 CHAIRMAN SCHMITT: All right. Everything
16 that's been filed is now into evidence as
17 an exhibit.
18 MS. KOENIG: Okay.
19 CHAIRMAN SCHMITT: Mr. Goss, would you like
20 to start with his name and --
21 MR. GOSS: Was he sworn in?
22 CHAIRMAN SCHMITT: Yes.
23 MR. GOSS: I'm sorry. I was writing. I'm
24 getting to the age where I can't do but one
25 thing at a time.

1 EXAMINATION

2 BY MR. GOSS:

3 Q. Mr. Scruggs, would you please
4 state your full name for the record, sir?

5 A. It's Richards Scruggs.

6 Q. Okay. Now, Mr. Scruggs, you have
7 a low voice and I'm going to need to ask you to
8 project a little more than you normally do so
9 everybody can hear you.

10 A. I'll try.

11 Q. I've known you for a number of
12 years and that's not your nature, so you're going to
13 have to kind of step outside yourself a minute.

14 A. All right, sir.

15 Q. Where do you live?

16 A. Live at Rosspoint, it's the south
17 side of Harlan.

18 Q. All right. And what do you do
19 for a living?

20 A. I'm a self-employed CPA.

21 Q. And how long have you been a CPA?

22 A. I've been in business for myself
23 about the past 20 years.

24 Q. All right. And did you work
25 previously for another employer in a CPA capacity?

1 A. I worked for two coal mining
2 companies as -- had many different titles, but
3 primarily accounting-type work.

4 Q. Which companies were those?

5 A. Eastover Mining Company and
6 Manalapan Mining Company.

7 Q. And tell us a little bit about
8 your education.

9 A. I graduated from college with a
10 Bachelor of Science in Accounting.

11 Q. And what school?

12 A. Mississippi State University.

13 Q. All right. And do you have any
14 postgraduate work of any kind, a master's or --

15 A. No.

16 Q. All right. And is your current
17 private practice in Harlan Kentucky?

18 A. Yes, sir.

19 Q. And what types of clients do you
20 represent or do work for?

21 A. I've got several types of
22 clients. I divide my business up into three areas.
23 I've got audit work, income tax work, and then what I
24 call write-up work.

25 Q. Write-up work, what's that?

1 A. Well, Cawood is what I consider
2 write-up, folks that I do payroll and audits and
3 those kind of things.

4 Q. I see. All right. And do you
5 have a professional relationship with Cawood Water
6 District now?

7 A. Yes, sir.

8 Q. And explain that to the
9 Commission.

10 A. I was hired on a contract basis
11 starting January the 1st.

12 Q. Of 2019?

13 A. Of 2019. To do financial work,
14 including payroll, accounts payable, financial
15 statements, and things like this that I'm unaware of.

16 Q. Okay. Have you ever been a
17 witness in any sort of lawsuit or hearing or anything
18 before?

19 A. No, I have not.

20 Q. All right.

21 MR. GOSS: I think that's all I have,
22 Mr. Chairman.

23 CHAIRMAN SCHMITT: Okay. Ms. Koenig?

24 EXAMINATION

25

1 BY MS. KOENIG:

2 Q. Okay. Hi. I -- so you were
3 hired in January of 2019 and you said, just to
4 clarify, to do financial payroll, accounts payable,
5 and billing and --

6 A. No, I do not do billing.

7 Q. No. Okay. And so billing is
8 handled at the water district by their office staff?

9 A. That's correct, yes, ma'am.

10 Q. Okay. Do you know why the 2018
11 annual report is late? You've asked for an extension
12 or --

13 A. For the past several years it's
14 always been late. I've been involved with closing
15 out year-end for the past three years, and each year
16 the close-out process has gotten a little worse and
17 taken a little bit longer.

18 Q. Okay.

19 A. And --

20 Q. So you've been involved for three
21 years, so did you work with Lana Pace?

22 A. I worked with Lana Pace just
23 closing out her financial records so an audit could
24 be done.

25 Q. So you didn't take over for Lana

1 Pace?

2 A. Not until January the 1st of this
3 year.

4 Q. Okay. So when she was working,
5 all you did was the annual report?

6 A. I got her financial information
7 in order to where an audit could be conducted.

8 Q. Okay. And so what was the
9 difference whenever you took over for Ms. Pace; did
10 you start to have more of a role in setting plans or
11 prioritizing or --

12 A. Well, what I'm doing now, I'm
13 doing payroll, I'm doing accounts payable. I'll do
14 the -- all the reports that are required to be done
15 for you all and other entities.

16 Q. Okay. Do you do -- so you've
17 been involved for three years, is there any -- do you
18 know, was there a budget passed by the board; is
19 there a budget?

20 A. There was a budget completed for
21 2019 and it was sent out to different folks. I'm not
22 sure who all. And it -- I recall it being in the
23 minutes -- being approved in the minutes as well.

24 Q. Okay.

25 MS. KOENIG: Could we ask in a post-hearing

1 data request for that budget, Mr. Goss,
2 please?

3 MR. GOSS: Yes, ma'am.

4 MS. KOENIG: Okay.

5 MR. GOSS: How long are you going to give
6 me, Mr. Chairman?

7 CHAIRMAN SCHMITT: After this is over,
8 we'll give you as long as you want.

9 MR. GOSS: Ten days?

10 CHAIRMAN SCHMITT: Yeah, sure.

11 MR. GOSS: Thank you.

12 BY MS. KOENIG:

13 Q. Okay. So do you --

14 CHAIRMAN SCHMITT: Ten days after you
15 receive it, because if you don't get it in
16 writing within a reasonable period of time,
17 then you don't have to answer it.

18 BY MS. KOENIG:

19 Q. So do you -- do you know if
20 there's an annual assessment to whether the rates are
21 sufficient to keep the district running?

22 A. I have not seen an annual
23 assessment, no, ma'am.

24 Q. And is that something that you
25 would think in best business practices should be

1 done?

2 A. I would think so, yes, ma'am.

3 Q. Okay. And so who -- in your
4 dealings with Cawood, who would do that? I think you
5 heard Mr. Farmer testify, and most of the financial
6 things he referred to you, and Mr. Cooper testified
7 that that's really not in his job description, so who
8 would do that?

9 A. Well, I expect it would be me.

10 Q. Okay. But somebody -- you're
11 thinking somebody would give you that direction,
12 right, with the board?

13 A. That's right. And then I would
14 work with Mr. Cooper to get him involved with the
15 operation side of it.

16 Q. Okay. So is most of your -- I
17 mean, what you do, because you're a contractor, is
18 just what the district has asked for?

19 A. That's so far, yes, ma'am.

20 Q. Okay. And so have you ever done
21 a cost-benefit analysis on prioritizing water loss
22 efforts, like hiring a consultant or an additional
23 employee or equipment? Has there ever been a request
24 to do an analysis of, you know, how much they're
25 losing in water loss versus what they need to do to

1 repair it?

2 A. In the last request that we had
3 from the Public Service Commission, there was an item
4 for a water loss report, and I did one of those, and
5 I think that's an exhibit that you all have.

6 Q. Okay.

7 MS. KOENIG: Mr. Goss, is that the three
8 column --

9 MR. GOSS: That's probably 3, Brittany.
10 Let me -- may I approach? Is this what
11 you're talking about?

12 THE WITNESS: Yes.

13 MR. GOSS: Cawood 3.

14 MS. KOENIG: Okay.

15 BY MS. KOENIG:

16 Q. But in your dealings with Cawood,
17 do you ever go to board meetings?

18 A. Yes, ma'am, I go to all board
19 meetings.

20 Q. Oh, okay. All the board
21 meetings. And that's where you would get your
22 direction, from the board, at those meetings?

23 A. Yes, ma'am.

24 Q. Okay. Okay. Do you know of
25 their leak adjustment policy? Are you familiar with

1 their tariff on leak adjustment?

2 A. I'm vaguely familiar with, but
3 Grant could tell you much better than I could.

4 Q. Okay. But he was not aware of
5 it, but that is another area where somebody should
6 maybe do a cost analysis because they are not
7 recovering as much money as they're losing for
8 customer leaks perhaps. Staff looked at it and the
9 way that it's written now, there's a different amount
10 for customers over 65, but there's no accounting for
11 how they're making up the difference for putting that
12 leak adjustment policy the way that it is.

13 A. Is that something you could send
14 to me and I'll be glad to --

15 Q. Sure. They filed it, DR --

16 MR. GOSS: Should be in the tariff.

17 BY MS. KOENIG:

18 Q. -- 223. It's in the tariff.

19 MR. GOSS: I can help you with that.

20 BY MS. KOENIG:

21 Q. Yeah. It's on file and you've
22 also provided it as an exhibit.

23 Okay. So internal controls at the -- at
24 the -- well, first of all, do you have the records
25 with you for the water district or are they kept on

1 the premises?

2 A. Right now I have 2018 records,
3 and I have the permanent records. And as soon as our
4 audit is finished, I'm going to send the 2018 records
5 up to the Cawood Water office. And then I have the
6 2019 records, and I'm going to keep those until we
7 close out the 2019 audit year, and then I'll send
8 those up to Cawood.

9 Q. Okay. Okay. And then my last
10 question -- well, just to follow up on that, is that
11 jury standard procedure for when you take in
12 somebody -- you're doing somebody's annual report,
13 you have their records with you?

14 A. Yes. Yes.

15 Q. And then -- but then send them
16 back because they should stay with --

17 A. Right.

18 Q. Okay. So do you know if the
19 district is using their depreciation reserve for
20 current expenses or if they're reserving some for
21 repair and replacement? Have they been using their
22 depreciation correctly?

23 A. We have what I call a
24 depreciation schedule, and then that lists all fixed
25 assets that have been capitalized, and it shows the

1 date of purchase, the expected life of the asset, and
2 then the depreciation over the life of that asset.

3 Q. But is there a fund, like a
4 separate fund where the board is aware of how much
5 money is there to spend on repairs versus anything
6 else?

7 A. No, that I'm not aware of.

8 Q. Okay. Do you have an assessment
9 of Cawood's financial practices as far as controls
10 and procedures to run their business properly? Do
11 you have an opinion whether they need better policies
12 and procedures or -- do you have an opinion?

13 A. Well, when you have a small
14 organization, especially when you have one person
15 that's supervised by another person, it's tough to
16 get adequate controls.

17 Q. Okay.

18 A. It's impossible to do that. But
19 we've got procedures to help -- makes me feel better.
20 You know, we've got somebody that takes in the money,
21 we've got somebody else that prepares bills. I check
22 all bank deposits to make sure that they tie back to
23 the money that came in and to the amount reported to
24 the person who prepares the bills. And that's
25 seen -- has so far worked out okay.

1 Q. Okay. And the way that you said
2 that is that that's Cawood's procedures, but is that
3 Cawood's or yours? Did you put that in place at
4 Cawood or is that --

5 A. That has always been in place for
6 Cawood.

7 Q. Okay.

8 MS. KOENIG: Okay. Thank you very much. I
9 don't have any further questions.

10 CHAIRMAN SCHMITT: Mr. Cicero, questions?

11 EXAMINATION

12 BY MR. CICERO:

13 Q. So you have a contract with
14 Cawood?

15 A. Yes, sir.

16 Q. And how long is that agreement
17 for?

18 A. I'll renew it annually.

19 Q. And what's the labor rate that
20 you charge?

21 A. 2,000 a month.

22 Q. 24,000 a year? And about how
23 many hours do you spend on Cawood?

24 A. It varies a lot. You know, I've
25 worked a couple of months maybe 20 hours, I've worked

1 three or four months up to 40 hours. I mean, it just
2 varies. This month -- I've got well over 40 this
3 month.

4 Q. So you do the payroll, the
5 financial statements -- I'm trying to read my
6 handwriting -- basically, you're doing the accounting
7 function?

8 A. I'm doing all the accounting
9 functions.

10 Q. So are you advising the board
11 when it comes to budgets?

12 A. I will advise them. I haven't
13 yet. I'm not far enough along with this accounting
14 system to get the reports that I want right now. And
15 once I do that, I'll have budget comparisons, and
16 then I'll do financial monthly comparisons, and just
17 give them a lot of things to choose from.

18 Q. So who prepared the last budget?

19 A. Lana Pace.

20 Q. Lana did it, okay.

21 A. Yes.

22 Q. You weren't involved in that?

23 A. No. No.

24 Q. So who do you report to on the
25 board? Do you report to anybody particular or you

1 just -- I mean, the contract doesn't specify how your
2 relationship works, you just attend board meetings?

3 A. It does not, no. You know, I
4 present all the information at the board, and all
5 five members are there, and everybody signs off on
6 all the invoices, on all the payroll. Checks are
7 signed at the board meeting and they're approved
8 before checks are released. There are a few checks
9 that we have to release during the month such as, you
10 know, phone bill, utility bills, some of those that
11 can't wait until the board meets. But the board
12 approves everything prior to the check being mailed.

13 Q. Is it a dual-system signature, or
14 is it single signature?

15 A. There's one signature on each
16 check, but on each invoice that's processed, two
17 board members have to approve it.

18 Q. Is it the treasurer that signs or
19 is it anyone on the board can sign?

20 A. No, the treasurer signs it, and
21 on the last board meeting or -- it's been a couple
22 months ago, we had another person added -- another
23 board member added to the signature card just in case
24 the treasurer is out of town or -- but it's always --
25 as far as I've been there, the treasurer signs all

1 checks.

2 Q. Mr. Cooper talked about the
3 meters, were those capitalized or how was that --

4 A. The meters that he is talking
5 about, I consider those replacement meters, and I do
6 not capitalize them. You know, our auditor may want
7 to, but I expect we have meters that have been
8 capitalized and they're still being depreciated.
9 That's something that I'll have to take a look at and
10 see.

11 Q. That's an extension of life and
12 it's enough of a value that I would think based on
13 the total assets of the company that that would be a
14 capitalized expenditure. But there's no need to talk
15 about it from an accounting perspective, we'll talk
16 to the auditor and a decision will be made.

17 A. Right.

18 Q. Does anybody report to you from
19 Cawood, or do you have any supervisory
20 responsibilities? Or is the accounting reporting to
21 Mr. Cooper and then pass information to you?

22 A. Information is just passed to me.
23 You know, the girl that works in the office, she'll
24 call if she has any questions; if I have any issues,
25 I'll call her. Grant and I speak three or four times

1 a week on any issue that I have or that he may have.

2 Q. And your 24,000 a year, is a
3 flat -- if you work 20 hours, it's still 2,000, if
4 it's 60 hours, it's still 2,000? They're probably
5 getting the best end of that deal.

6 A. I know they have.

7 MR. CICERO: I don't have any other
8 questions.

9 CHAIRMAN SCHMITT: Commissioner Mathews,
10 any questions?

11 DR. MATHEWS: I don't have any questions.

12 CHAIRMAN SCHMITT: I just have a couple.

13 EXAMINATION

14 BY CHAIRMAN SCHMITT:

15 Q. We've been through hearings with
16 a lot of water districts, and one of the distressing
17 things to me has been there are a number which have
18 done like Cawood and outsourced their bookkeeping and
19 financial component, usually to an accountant, a CPA.
20 But in several there have been what we've considered
21 to be extremely questionable and bad practices that
22 the accountant should have known about, could have
23 known about, probably did know about in my opinion.
24 But he's always said, well, I have this agreement
25 with them that even though I may find and I may see

1 problems of internal control -- internal control
2 problems or things that don't look right, I have no
3 responsibility to reporting that to anybody on the
4 commission.

5 Well, what do you think about that? I
6 mean, if you found, for instance -- and I'm not
7 suggesting anything. But if you found that one of
8 the members of the Commission or the general manager
9 or somebody basically were involved in some sort of
10 questionable practice or payments made, would you
11 feel, as a professional, any responsibility to tell
12 somebody about that or to question the procedure so
13 that to give them an opportunity to address it at
14 least?

15 A. You know, I would find out what
16 all is at issue, but I would have no -- no issue with
17 reporting that to the board, none at all.

18 CHAIRMAN SCHMITT: Okay. Thank you.

19 Mr. Chandler?

20 MR. CHANDLER: I did have a couple things
21 here.

22 EXAMINATION

23 BY MR. CHANDLER:

24 Q. Good evening, Mr. Scruggs.

25 A. Yes, sir.

1 Q. So how long have you been -- and
2 I say working for, I mean on a contract basis, I
3 understand that -- but how long have you been working
4 with Cawood?

5 A. I started in -- you'll have to
6 forgive me -- this is what, '19 -- I think '16, '17
7 and '18.

8 Q. And what were you doing prior to
9 January 1 of this year?

10 A. For those three years, I would go
11 in and get Lana's financial information in order to
12 make it good enough so it could be audited. There
13 were -- for those years -- her process got worse year
14 after year. I mean, she did no bank reconciliation,
15 nothing was done. I mean, it was just -- you
16 couldn't pay somebody to come in and do an audit. It
17 was just --

18 Q. But they could pay you to come in
19 and fix it for somebody to come in and do an audit?

20 A. Right.

21 Q. So before we get to the cost --

22 MR. CHANDLER: May I approach, Chairman?

23 CHAIRMAN SCHMITT: Yes, you may.

24 BY MR. CHANDLER:

25 Q. This is Cawood No. 1 that

1 Mr. Goss provided earlier.

2 MR. CHANDLER: May I ask a couple questions
3 from here?

4 CHAIRMAN SCHMITT: Yes, you may, unless
5 Mr. Goss --

6 MR. GOSS: No, no problem. Go ahead.

7 BY MR. CHANDLER:

8 Q. So the June meeting on the
9 second -- third page, there was -- in the new
10 business there was just a line that said that Harold
11 Sellers questioned the checks for Richard Scruggs of
12 \$7,200 and \$4,750 for Darrell Callebs; is that right?

13 A. Yes.

14 Q. For 50 percent of services. Do
15 you know what that \$7,200 was for?

16 A. What year is this?

17 Q. This is June of 2018.

18 A. Okay. That would have been for
19 the work that I did for closing out 2017.

20 Q. Okay. Great.

21 A. And then for the other one, he's
22 the auditor.

23 Q. And was there any -- did that
24 ultimately -- it doesn't reflect it, but did that
25 ultimately get approved?

1 A. Did what get approved?
2 Q. The payment to you for the 2018?
3 A. Yes. Yes, it did.
4 Q. And then moving on to August of
5 2018, you see that you were one of the visitors to
6 that meeting of the Cawood board?
7 A. Yes.
8 Q. And you and Mr. Terry Sellers,
9 right?
10 A. Right.
11 Q. Now, there was a reflection --
12 well, we'll go back. Do you see the portion of the
13 minutes that states that Richard Scruggs is
14 interested in accepting the responsibility as the
15 financial officer for CWD?
16 A. Yeah.
17 Q. And it goes on to say that
18 Mr. Scruggs would like to speak to the PSC for the
19 purpose of learning the guidelines and requirements
20 that he would be responsible for to their agency. It
21 goes on to say that Ronnie Williams will contact Erin
22 Donges at the PSC for Mr. Scruggs to open
23 communications. And then what's the next entry
24 there? Do you mind to read that just --
25 A. Terry Sellers offered his

1 assistance to Mr. Scruggs and Cawood Water District
2 for a simple income and disbursement program if so
3 desired.

4 Q. Do you know what that means?

5 A. The program that Ms. Pace used
6 was -- to me, it was complicated, it was hard to
7 learn, and at that time, I thought that we'd have to
8 buy a computer and I was going to put another program
9 on it to do the financial work. But I just ended up
10 putting Cawood on what I have in my office and -- but
11 Mr. Sellers wanted to -- Mr. Sellers is a programmer,
12 and he wanted to prepare some type of statement that
13 we could do a monthly financial statement from, but I
14 can do much better within, you know, my accounting
15 system.

16 Q. And is it your understanding that
17 that -- Mr. Terry Sellers came to the meeting that
18 night for that purpose?

19 A. Yes.

20 Q. Okay.

21 A. Yes.

22 Q. You report directly to the
23 entirety of the board, correct?

24 A. Yes.

25 Q. And you've been working with the

1 board for three years, and in the current capacity
2 for six months, correct?

3 A. That's right, yes, sir.

4 Q. Is it your anticipation that the
5 board will come to you when it becomes time to do a
6 budget for the next fiscal year or that they -- is it
7 your expectation that they expect you to go to them
8 to tell them it's time to do a budget for the next
9 year?

10 A. I will do the budget. I'll have
11 to get with somebody here to see what the deadline
12 is, but I will do the budget myself and present it to
13 the board for approval, and I will work with Grant to
14 get his input into it.

15 Q. So Mr. Cooper, his testimony
16 today was that he sort of has an unspoken threshold
17 of about \$5,000 before he goes to the board to get
18 approval for items; is that your understanding?

19 A. That sounds correct, yes, sir.

20 Q. And you see the monthly
21 statements and you understand what the cash flow is
22 like and what the income is like. There seems to be
23 a reduction -- the operations seem to be getting
24 better. I think the record may reflect that. Is
25 there a concern on your part of the district's

1 current -- their current purchasing program as it
2 relates to the operations? Is it sustainable?

3 A. The purchasing system?

4 Q. Let me rephrase it differently.

5 Is the way the Cawood Water District has been
6 purchasing items and at the rate they've been
7 purchasing them for the first six months of the year,
8 is it sustainable under Cawood's current operations?

9 A. Yes, it is. Yes.

10 Q. Okay. And the question was asked
11 earlier, and I don't think the answer got reflected
12 in the record, what fiscal year does Cawood operate?

13 A. It's a calendar year.

14 Q. It's a calendar year?

15 A. Yes, sir.

16 Q. Okay. And, finally, do you have
17 the estimated cost benefit with reduction of water
18 loss to 15 percent in front of you? First, let me
19 ask: Did you perform this?

20 A. Yes, sir, I did.

21 Q. Do you have a copy of it in front
22 of you?

23 A. Yes, sir.

24 Q. And can I ask -- just go over it
25 very quickly so I can understand how you performed

1 it.

2 A. Yeah.

3 Q. So it seems to me -- I thought I
4 had a different copy here, maybe I've written on
5 somebody else's copy.

6 MR. GOSS: I've got another one here.

7 MR. CHANDLER: I had it, but I thought I
8 wrote something on it. Maybe I have two
9 copies. I have two copies, excuse me.

10 Thank you, Mark.

11 BY MR. CHANDLER:

12 Q. It appears to me, just doing
13 quick math, that the amounts in the plant-related
14 operating costs for the middle column are effectively
15 32 percent of the left column, the total estimated
16 cost for 2018. So can you tell me how you determined
17 that those items -- first, let me ask: Are all of
18 those in the -- we'll just call it production costs,
19 are all of those 32 percent of the amount in the left
20 column, are they all the same percentage of the items
21 in the left column?

22 A. They are.

23 Q. Okay. Can you explain to me how
24 you determined those amounts?

25 A. The dollar amount in the left

1 column are estimated costs that our auditor has right
2 now. That's just what I used. These costs will
3 change before the annual report is submitted.

4 Q. Can I ask: They're actual costs
5 but they're unaudited; is that fair?

6 A. They're unaudited, yes.

7 Q. Okay.

8 A. If you'll look over on the second
9 page of that report, under the -- there's a line item
10 that has production, it's got the 140 million, then
11 the water loss in excess of 15 percent is 45 million,
12 that is 32 percent of production. And all I did was
13 just eliminate 32 percent off of this operating cost.

14 I'm assuming that it's dollar for dollar.
15 You know, that's an assumption I made, whether -- I'm
16 sure there's a lot of arguments to say that it should
17 be a different way, but that's -- that's how I come
18 up with it.

19 Q. I just want to -- I just want to
20 make sure I understand. So you basically took -- you
21 determined how much of the water in excess of the
22 15 percent threshold as a percentage of total
23 produced water?

24 A. Yes.

25 Q. And then took that percentage and

1 applied it to the dollars for the production costs?

2 A. That's correct.

3 Q. But you did not account -- and I
4 know it's a very small number -- but for the water
5 purchased from Harlan, you just assumed that none of
6 it was lost?

7 A. No, if you'll look on down
8 towards the bottom, there's a group that says
9 purchased water, on the first page.

10 Q. Okay.

11 A. Now, I eliminated all of Harlan's
12 purchase cost because I'm assuming that if we
13 produced at 15 -- our production has 15 percent loss
14 in it, we can provide whatever Harlan had been
15 providing. Then on the Pineville or the Pathfork, I
16 eliminated part of that for costs in excess of the
17 15 percent loss.

18 Q. Okay. And then for the overtime,
19 what is the basis of the 40 percent?

20 A. I don't have any basis. I
21 just -- I started to use 32 percent, but there's a
22 lot of overtime that was involved in plant production
23 and that's just a guess on my part. It could be
24 50 percent or 30, I just -- I could not come up with
25 a good method to determine that number.

1 Q. You do the payroll for Cawood,
2 has there been a reduction to overtime in 2018 as the
3 water loss is reduced?

4 A. I'd have to look at those
5 records. I don't know.

6 MR. CHANDLER: Okay. Those are all I have,
7 Chairman.

8 CHAIRMAN SCHMITT: Mr. Goss?

9 MR. GOSS: Just a couple, Mr. Chairman.

10 EXAMINATION

11 BY MR. GOSS:

12 Q. Mr. Scruggs, with respect to the
13 2019 Cawood Water District budget that I'm going to
14 submit a post-hearing data request, I want to ask you
15 a couple of questions.

16 Mr. Farmer was a little bit uncertain about
17 the budgetary process and what had been submitted and
18 what hadn't. First of all, let me ask you: Does
19 Cawood Water District have money that it has borrowed
20 from the federal government?

21 A. Yes.

22 Q. Is that Rural Development?

23 A. Yes.

24 Q. Does it have -- and so is it your
25 understanding that Rural Development requires a

1 budget -- a budget that has been prepared and
2 approved by the board to be submitted to it on an
3 annual basis?

4 A. That's correct, yes, sir.

5 Q. Does the Kentucky Department of
6 Local Government have a similar requirement?

7 A. They do also, yes.

8 Q. All right.

9 CHAIRMAN SCHMITT: I'm sorry, what was your
10 answer? They do?

11 THE WITNESS: Yes, sir. Yes, they do.

12 BY MR. GOSS:

13 Q. And with respect to the annual
14 report that counsel for the staff asked you about,
15 when will that be submitted do you anticipate?

16 A. I hope the audit will be finished
17 this week, and then I want to get everybody's
18 approval before we do that annual report, and then I
19 want to see the annual report before it's filed, and
20 we should be able to get that done next week
21 sometime.

22 Q. All right. And who is the
23 auditor?

24 A. Darrell Callebs. He's an auditor
25 out of Kingsport, Tennessee.

1 Q. Is he -- do you know, is he
2 familiar with performing audits for utilities?

3 A. He's done this audit for the, I
4 think, three or four years, and then he worked for
5 the company that did prior year audits for Cawood, so
6 he's very familiar with this process.

7 Q. Now I want to ask you a little
8 bit of an indelicate question concerning financial
9 information that Ms. Pace -- Ms. Pace ceased working
10 at the Commission -- or at the Cawood Water District
11 in December -- December 31st of '18?

12 A. That's correct.

13 Q. You testified here previously
14 that you relied or -- I don't know if relied is the
15 right word, but you were furnished with information
16 for '16 and '17 and '18 which you then had to, I
17 guess, do additional work on in order to get it in
18 shape to be audited?

19 A. Had to do a lot of additional
20 work, yes.

21 Q. Things like bank statement
22 reconciliations that you mentioned weren't being done
23 and those kind of things?

24 A. Yes.

25 Q. And once -- strike that.

1 So what year's information was transitioned
2 from Ms. Pace to you, was it just '18?

3 A. Just '18 only.

4 Q. Tell the Commission what was
5 involved in that.

6 A. Well, I took the information that
7 Ms. Pace had in her accounting system and I moved it
8 to my system. And then I just went through
9 everything that she had and fixed --

10 Q. I'm not a software geek so I
11 don't understand. Were you able to essentially
12 mirror image what she had on her system, she had on
13 her computer, and upload it to yours?

14 A. It's identical, the same.

15 Q. It was identical?

16 A. Yes.

17 Q. All right.

18 A. Yes.

19 Q. And so how much work did you have
20 to do -- that's really a general question, let me ask
21 it this way: Did you have to do a lot of work to get
22 it in shape to be audited for '18?

23 A. I did for this year, yes, sir, a
24 lot of work.

25 Q. Is that the reason, in your

1 opinion, that the board at Cawood Water District
2 hired a company with Ms. Pace and employed you on a
3 contract basis?

4 A. I didn't understand.

5 Q. In your opinion, is that why the
6 board of directors at Cawood Water transitioned to
7 you to do the finance work?

8 A. Yes, sir.

9 Q. Beginning January 1 of '19?

10 A. That's correct.

11 Q. Okay.

12 MR. GOSS: That's all I have, Mr. Chairman.

13 CHAIRMAN SCHMITT: Anything further? Any
14 other questions?

15 MS. KOENIG: No, sir. No, thank you.

16 CHAIRMAN SCHMITT: May Mr. Scruggs be
17 dismissed?

18 MS. KOENIG: Yes, sir.

19 CHAIRMAN SCHMITT: You may step down, sir.
20 You're excused. Anything further?

21 MS. KOENIG: No, sir.

22 MR. CHANDLER: I do have some question --
23 the testimony today -- I think the staff
24 has asked about discussions with state
25 agencies, and the testimony today has been

1 that there has been no discussion with
2 state agencies. And at least looking
3 through some of the minutes that were
4 provided, there seem to be minutes that do
5 reflect discussions with Mr. Taylor with
6 state agencies regarding state funding
7 being approved for certain amounts for
8 certain projects. And I'd just ask if
9 there are any of the board members
10 available that can speak to those -- to
11 that finding?

12 CHAIRMAN SCHMITT: Mr. Goss?

13 MR. GOSS: Mr. Taylor, who's actually from
14 Kenvirons, is actually here. He wasn't
15 listed as a witness, but if you want to,
16 you know -- it's 20 minutes to 7:00, if you
17 want to ask, feel -- I mean, if Mr. Taylor
18 doesn't mind testifying, I'm happy for you
19 to inquire.

20 CHAIRMAN SCHMITT: Would you like --

21 MR. CHANDLER: I would like to call
22 Mr. Taylor and ask him the question.

23 CHAIRMAN SCHMITT: Mr. Taylor, please step
24 up. We want to give everybody an
25 opportunity to testify. People are just

1 jumping at the chance.

2 (Witness is sworn.)

3 EXAMINATION

4 BY MR. GOSS:

5 Q. Mr. Taylor, would you please
6 state your full name for the record?

7 A. Kenneth Dale Taylor.

8 Q. And where do you live,
9 Mr. Taylor?

10 A. I live in Versailles.

11 Q. And do you -- are you affiliated
12 with a particular company or professional
13 organization?

14 A. Yes, I work for Kenvirons, we're
15 an engineering firm here in Frankfort.

16 Q. And what does Kenvirons do?

17 A. We do all types of environmental
18 engineering. We do water and sewer and landfills
19 and --

20 Q. How many -- how many regulated
21 utilities would you say Kenvirons does work for?
22 Scores?

23 A. Fifty.

24 Q. Okay. All right. And how long
25 have you been working for -- on a contract basis --

1 first of all, you're not an employee of Cawood Water
2 District, correct?

3 A. Correct.

4 Q. And what do you -- what does
5 Kenvirons do for Cawood Water District?

6 A. I have worked with Cawood Water
7 District since 1988 on basically all the major
8 extension projects that they've had.

9 Q. And what do you currently do for
10 the district?

11 A. What we've been asked about there
12 a minute ago is Asbury Hollow is a little extension
13 project that is actually being funded with coal
14 severance money, so that's where the state funding
15 question came in. A very small 2,000 feet of line
16 serves about six people.

17 Q. Okay. All right. And so you're
18 familiar -- if you've been working with Cawood Water
19 District since 1988, you're pretty familiar with
20 their system I would assume?

21 A. Yes, sir.

22 MR. GOSS: Okay. Thank you. That's all
23 the questions I have from a qualification
24 perspective, Mr. Chairman.

25 CHAIRMAN SCHMITT: Okay. Mr. Chandler?

1 MR. CHANDLER: Thank you, Mr. Chairman.

2 May approach?

3 CHAIRMAN SCHMITT: Yes, you may.

4 MR. CHANDLER: This is just the March 12th
5 minutes.

6 CHAIRMAN SCHMITT: Okay.

7 BY MR. CHANDLER:

8 Q. These are some minutes from
9 March 12 that are listed in Cawood No. 1. Do you see
10 down in the middle there where there's an update, I
11 think from you, regarding that project?

12 A. Yes.

13 Q. Do you mind just to read that?

14 MR. GOSS: Just give me just a second. So
15 we're at Commission Staff 1?

16 MR. CHANDLER: No, I'm sorry. It's Cawood
17 No. 1. It's the list of the minutes.

18 MR. GOSS: Okay. All right.

19 A. Per Ken Taylor, the state has
20 approved funding of 325,000 and has been increased to
21 approximately 500,000 to improve distribution lines.
22 Ken Taylor was in the plan for the improvements with
23 approval by board. Ken to give copy of plans to Dan
24 Mosley and to the highway department.

25 Q. And Dan Mosley is the county

1 judge executive there?

2 A. Correct.

3 Q. Okay. So is this -- this is coal
4 severance money for that particular project?

5 A. No, no. I thought you were
6 talking about the Asbury Hollow. This is actually
7 the reconstruction of that section of line on 421.

8 Q. Okay. So that -- they mention
9 \$500,000 there.

10 A. Correct.

11 Q. Or you mention \$500,000. The
12 minutes reflect it, but that's what you spoke about,
13 correct?

14 A. Correct.

15 Q. All right. So let me ask you
16 about this project. That's regarding the 421 bypass,
17 is that right, or the 421 that's been discussed
18 earlier, correct?

19 A. Correct.

20 Q. And so what's this \$500,000,
21 what's the source of the funding?

22 A. Highway department.

23 Q. The highway department. And so
24 that \$500,000 is what is expected from -- we won't
25 call it a settlement, but for them making good on the

1 issues they caused; is that fair?

2 A. Correct.

3 Q. Okay. And is it your
4 understanding still today that that 500,000 is what
5 the water district expects to receive regarding those
6 issues?

7 A. I think it's probably more back
8 down to 325,000. My understanding is right now the
9 highway department is in negotiations with the county
10 on whether they'll take over a couple of roads or
11 not, return them back to the county, and once that is
12 all worked out, funding -- or at least some funding
13 will be available.

14 Q. Okay. So --

15 CHAIRMAN SCHMITT: Just like cemeteries and
16 everything else you've got to give back.

17 THE WITNESS: I think he's willing to take
18 one of them, but the other one is a
19 problem, so --

20 MR. CHANDLER: I've got a lot to say. I
21 don't know if I have many questions on
22 that.

23 MR. GOSS: AG might be interested in that,
24 Mr. Chandler.

25 MR. CHANDLER: I think everybody has gone

1 home for the night, but I know what I'm
2 doing in the morning.

3 BY MR. CHANDLER:

4 Q. So let me ask: Have you been
5 involved in any of the discussions regarding that
6 or -- directly with the state, or have you been
7 discussing that with Mr. Mosley?

8 A. I've discussed it with both.

9 Q. Okay. So is the district
10 speaking directly to the state about it or is the
11 county speaking to the state about it?

12 A. The county judge has been the
13 lead on it.

14 Q. Okay. And does Kenvirons have an
15 ongoing contract with the Cawood Water District?

16 A. Right at this point I don't think
17 we have an open contract with them.

18 Q. Okay. Is Kenvirons' relationship
19 with the district job to job?

20 A. Yes.

21 Q. Okay. So when is the last time
22 that you're aware of in which Cawood received some
23 sort of either government-funded loan or grant like
24 RD or anything like that?

25 A. The last -- excluding --

1 excluding line relocations for highway work, I don't
2 think you're wanting that.

3 Q. That's right.

4 A. You're wanting extension
5 projects, the last one would have been four years
6 ago, maybe three or four years ago.

7 Q. Okay. Are you -- is Kenvirons
8 the entity that provided the quote that Mr. Cooper
9 spoke of earlier regarding what would be needed to
10 fix the 421 problem?

11 A. Correct. Yes.

12 Q. Okay. And the 700,000 --
13 approximately 700,000 number, was that an accurate
14 representation of what the Kenvirons' quote was?

15 A. That number would have included
16 from Chevrolet up along the old line that's still
17 in -- above Chevrolet that's still in service. So it
18 includes another mile or so of line that the highway
19 department is not involved in.

20 Q. Okay. Was Kenvirons involved in
21 the original project there on 421?

22 A. Yes.

23 Q. Okay. So can you speak at all to
24 the issues that Mr. Cooper discussed earlier about
25 the way the pipe was laid and that there was no --

1 and I forget the quote, but basically there was no
2 aggregate placed underneath the pipe, would that have
3 been -- can you speak to that at all?

4 A. I can clarify the scenario that
5 went on. When the highway department reconstructed
6 421 up through there, they had to relocate the line
7 that we had put in a few years earlier because we
8 were basically in the ditch line. You know, there
9 wasn't any other place to put it but the ditch line
10 up through there. And with the restrictions on --
11 physical restrictions on where it was going and
12 needed to end up, some of it actually had to be
13 relocated twice. And it was put in the highway
14 contract because it was going to be interfering with
15 the highway construction and so forth too.

16 Normally, we'd want to be able to move the
17 line up front and do it outside of the highway
18 contract, but in this instance, it was done in the
19 highway contract, by the highway contractor, overseen
20 by the highway department.

21 Q. Has that been part of the
22 discussions that have been occurring between the
23 county judge and the state road department?

24 A. Correct.

25 Q. Or the state transportation

1 department?

2 A. Yes.

3 Q. So it's not just an issue of the
4 overburden, it's an issue of how the pipe was laid as
5 well?

6 A. From what they've uncovered in
7 fixing leaks, yeah, there's been issues with the way
8 it was laid.

9 Q. What about Mr. Cooper's testimony
10 today that of the leaking pipe that he has come
11 across in his six months on the job, the vast
12 majority, if not all of it, was laid the same way
13 without underlay. Can you speak to that at all?

14 A. I'm not for sure on Grant's
15 interpretation of what bedding is. Normally sewer
16 lines get bedded in gravel entirely. Water lines
17 often don't. They get bedded in native soils and
18 that type of thing to provide cushioning. So I don't
19 know if there's been cushioning that's been under the
20 pipe that's been soil rather than gravel. But,
21 again, construction water lines and so forth in
22 Southeast Kentucky is pretty tough and it ends up on
23 rock sometimes.

24 Q. But it's not supposed to end up
25 on rock?

1 A. Not supposed to.

2 Q. And so for the projects that
3 you've worked on since 1988, Kenvirons ordinarily
4 identifies it, does the -- you identify the
5 extension, right -- Cawood identifies the extension
6 and what does Kenvirons do after the extension is
7 identified?

8 A. Okay. We do assist with trying
9 to get it funded through Rural Development, Farms
10 Home, KIA, or whoever. Then we do the plans and
11 specifications, get the Division of Water approval,
12 and assist in the bidding process, and then generally
13 provide a construction inspection.

14 Q. To be clear though, you say
15 assist in the bidding process, you all issue the RFPs
16 ordinarily, correct?

17 A. Well, no, they come from the
18 owner. I mean, generally, we are the ones that
19 prepare them.

20 Q. You draft the RFPs?

21 A. Yes, we prepare them, but, you
22 know, the contracts are between the owner and the
23 contractor.

24 Q. And you assist the water district
25 in approving or deciding which RFP to choose?

1 A. Correct. Well, I mean, they're
2 all open-bid process. So, yeah, we always make a
3 recommendation. You know, if we know there's a
4 problem with a low bidder, we may question it or
5 whatever but --

6 Q. Based off experience?

7 A. Yeah. Very rarely does that
8 happen. Generally it's the low bidder.

9 Q. So you understand, generally, the
10 hydraulic issues that -- well, not hydraulic issues,
11 the leaking issues on 421, you understand what
12 Mr. Cooper was discussing today?

13 A. Correct.

14 Q. And you agree that that's -- do
15 you agree that that's the worst portion of the
16 system?

17 A. By far.

18 Q. And -- and is it your testimony,
19 based off what Mr. Cooper had indicated, that fixing
20 that, that whole area, the problem area on 421, will
21 cost approximately \$750,000?

22 A. The problem area that's circled
23 on the map probably is the 500 -- 325 to 500,000.
24 Going on up and replacing, there's some more of the
25 original line through there that could stand to be

1 replaced also and that's the 750 number.

2 Q. And since it's a replacement, are
3 you -- have you been directed or have you -- has the
4 board directed you to discuss the possibility of any
5 third-party financing, either through the state or
6 the federal government, to fix that issue?

7 A. We've had those discussions, yes.
8 We want to wait and see what we got from the highway
9 department as grant funds first.

10 Q. And is it your expectation --
11 strike that.

12 Is it your experience that there may be an
13 opportunity to this type of project that RD may
14 provide funding for? Let me withdraw that question.

15 Is there a concern that RD may not provide
16 any sort of funding since it's not an extension for
17 new service?

18 A. No.

19 Q. Okay.

20 MR. CHANDLER: Thank you, Mr. Taylor.

21 That's all I have, Mr. Chairman.

22 CHAIRMAN SCHMITT: Ms. Koenig, questions?

23 MS. KOENIG: No, sir.

24 CHAIRMAN SCHMITT: Mr. Cicero?

25 Ms. Mathews?

1 DR. MATHEWS: No questions.

2 MR. GOSS: I don't have anything further.

3 CHAIRMAN SCHMITT: May this witness be
4 excused?

5 MR. CHANDLER: Yes, sir.

6 CHAIRMAN SCHMITT: You may be excused.
7 Thank you.

8 Is there anything else, Mr. Chandler?

9 MR. CHANDLER: The AG has nothing,
10 Chairman.

11 CHAIRMAN SCHMITT: Ms. Koenig? Mr. Goss,
12 do you have anything that you'd like to say
13 or present?

14 MR. GOSS: No. Thank you.

15 CHAIRMAN SCHMITT: Ms. Koenig, I guess,
16 there was only, what, one data request,
17 post-hearing data request?

18 MS. KOENIG: Post-hearing data request for
19 the 2019 budget.

20 MR. GOSS: And I'm willing -- it's up to
21 the Chairman, you're running the show here,
22 I'm willing to waive the formal request in
23 writing. It's a very simple -- it's a very
24 simple -- however you want to do it.

25 CHAIRMAN SCHMITT: We need to probably

1 abide by our practice and make sure that
2 you get something in writing.

3 MR. GOSS: I've gotcha.

4 CHAIRMAN SCHMITT: All right. So if you
5 will -- can you submit him something by
6 Friday?

7 MS. KOENIG: Yes.

8 CHAIRMAN SCHMITT: If you can, then an
9 order will go out tomorrow that staff will
10 submit the data request in writing and
11 you'll have 10 days, whatever that is, to
12 answer. Okay?

13 MR. GOSS: Okay. Thank you.

14 CHAIRMAN SCHMITT: And if there's anything
15 else, whether there's any problem, file a
16 motion or something.

17 MR. GOSS: All right.

18 CHAIRMAN SCHMITT: Are we okay? Are we
19 finished?

20 MR. GOSS: Yes, sir.

21 CHAIRMAN SCHMITT: Then we can go off the
22 record and this hearing is adjourned.

23

24

25

(HEARING ADJOURNED AT 6:55 P.M.)

PSC Hearing
In Re: Cawood Water District

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1 STATE OF KENTUCKY)

2 COUNTY OF FAYETTE)

3

4 I, KELLY A. STEIDLE, Court Reporter and
5 Notary Public in and for the State of Kentucky at
6 Large, certify that the facts stated in the caption
7 hereto are true; that at the time and place stated
8 in said caption the witnesses named personally
9 appeared before me, and that, after being duly
10 sworn, were examined by counsel for the parties;
11 that said Hearing was taken in stenotype by me and
12 later reduced to computer-aided transcription and
13 the foregoing is a true record of the testimony
14 given by said witnesses.

15 My commission expires: September 28,
16 2020.

17 IN TESTIMONY WHEREOF, I have hereunto set
18 my hand and seal of office on this the 30th day of
19 July 2019.

20

21

KELLY A. STEIDLE
NOTARY PUBLIC, STATE AT LARGE
ID# 283744

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