

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 11, 2019 Farmdale Water District hearing prepared by Todd & Associates Reporting, Inc. has been filed into the record of this proceeding.



Gwen R. Pinson
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED OCT 07 2019

cc: Parties of Record



Transcript of the Testimony of **PSC Hearing**

Date: July 11, 2019

Case: In Re: Farmdale Water District

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COMMONWEALTH OF KENTUCKY
KENTUCKY PUBLIC SERVICE COMMISSION

CASE NO. 2019-00041

IN RE:

FARMDALE WATER DISTRICT

* * * * *

HEARING HELD ON:

JULY 11, 2019

FRANKFORT, KENTUCKY

PSC Hearing
In Re: Farmdale Water District

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APPEARANCES:

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PUBLIC SERVICE COMMISSION:

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Chairman Michael J. Schmitt

Vice Chairman Robert Cicero

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Commissioner Dr. Talina Mathews

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ON BEHALF OF THE COMMISSION STAFF:

12

Brittany Koenig, Esq.

Ariel Miller

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ON BEHALF OF THE ATTORNEY GENERAL:

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Kent A. Chandler, Esq.

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ON BEHALF OF THE FARMDALE WATER DISTRICT:

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Katelyn Brown, Esq.

Damon Talley, Esq.

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1 CHAIRMAN SCHMITT: All right. We're now on
2 the record. This is the Kentucky Public
3 Service Commission. My name is Michael
4 Schmitt. I'm chairman of the commission.

5 Seated to my right is Commissioner
6 Robert Cicero and to my left Dr. Talina
7 Mathews.

8 We're here this morning on
9 Case No. 2019-00041, Investigation Into
10 Excessive Water Loss by Kentucky's
11 Jurisdictional Water Utilities.

12 The hearing this morning concerns
13 Farmdale Water District. In this one case
14 are 11 separate water utilities, and they
15 are Morgan County, Cawood, North Manchester
16 Water Association, Estill County, West
17 Carroll, Southern, and Floyd County,
18 Hyden-Leslie, Rattlesnake Ridge, Big Sandy
19 Water District, and Milburn Water District.

20 Two other water districts are also
21 part of this inquiry, but because there are
22 separate cases involving them that have been
23 ongoing prior to the institution of this
24 action, they have not been consolidated
25 herein, and they are Cawood Water District

1 and Martin County Water District.

2 In order to try to conclude this
3 matter in terms of the hearing portion
4 within a reasonable period of time, the
5 Commission determined to hold two hearings a
6 day. And so for today is -- the Farmdale
7 hearings will begin in this room at
8 9:00 a.m., and we'll probably take a
9 one-hour break at noon if we're not
10 completed and then we'll reconvene at
11 1:00 p.m.

12 If that occurs, Commissioner Cicero
13 will continue to conduct this hearing, and
14 at 1:00; I will begin the hearing on West
15 Carroll Water District in Hearing Room 2.

16 The proceedings in Hearing Room 1,
17 this hearing room, are broadcast live over
18 the internet. The hearing in Hearing Room 2
19 will not be because that capability in that
20 room does not exist. But both proceedings
21 will appear on the Public Service
22 Commission's website by at least late this
23 afternoon or early this evening.

24 As the attorneys here know, the video
25 is usually the sole official record. A log

1 is kept for the benefit of counsel and the
2 Commission in locating testimony.

3 In this proceeding, the Commission has
4 hired a court reporter to report each
5 hearing. The transcript as filed by the
6 court reporter, as well as the video, will
7 constitute the official transcript of
8 record. And when the transcripts are filed,
9 counsel and their clients will have access,
10 obviously, to a copy upon request.

11 I noted that, I guess somewhere in the
12 record or maybe from staff counsel, the
13 notice to the public that this hearing was
14 taking place had been given and filed in
15 this record.

16 Is that correct, Mr. Talley?

17 MR. TALLEY: Yes, Mr. Chairman. It has
18 been in the Frankfort State Journal.

19 CHAIRMAN SCHMITT: So because this is a
20 different proceeding than what we're
21 usually used to, it's more of an
22 investigation, the order of questioning of
23 witnesses will be that staff counsel will
24 question witnesses first, followed by the
25 Commissioners, then the Office of the

1 Attorney General.

2 And, Mr. Talley, you may then conduct
3 whatever follow-up, Direct, you may want to.
4 Don't feel compelled to, but whatever you
5 think is necessary to perhaps make the
6 record complete or clear up any
7 misunderstanding from previous testimony.

8 At this time would counsel please --
9 for Farmdale Water District -- please
10 identify himself; co-counsel, if any; his
11 client; and witnesses who will be here
12 today.

13 MR. TALLEY: Thank you, Mr. Chairman, Vice
14 Chairman Cicero, and Commissioner Mathews.
15 I'm Damon Talley from Hodgenville,
16 Kentucky, with Stoll Keenon & Ogden firm.

17 Katelyn Brown is an associate in Stoll
18 Keenon's Louisville office and she's been
19 responsible for a lot of the data requests,
20 the responses to those, and some of the
21 exhibits that you'll see later on today.

22 With us today are general manager -- I
23 think he's just called manager, Brian
24 Armstrong. Mr. -- our chairman --

25 MR. TOLES: Clifford Toles.

1 MR. TALLEY: -- Mr. Clifford Toles. He's
2 been there since 1983. Richard Tanner,
3 who's been on the board for -- it will be a
4 year in September. And the new kid on the
5 block, Robert Gardenhire, just appointed
6 July 1. So he's here for moral support.
7 Thank you.

8 CHAIRMAN SCHMITT: All right. Thank you.

9 All right. Counsel for Office of the
10 Attorney General.

11 MR. CHANDLER: Thank you, Chairman. Good
12 morning, Commissioners. Kent Chandler on
13 behalf of the Kentucky Office of Attorney
14 General.

15 CHAIRMAN SCHMITT: And for staff?

16 MS. KOENIG: Brittany Koenig. I'm from the
17 Office of General Counsel. And Ariel
18 Miller from Financial Analysis for the
19 Commission.

20 CHAIRMAN SCHMITT: Thank you.

21 Mr. Talley, I guess how we've been
22 doing this is Ms. Koenig will, I guess,
23 request or identify one of your witnesses
24 who she'd like to question first. And if
25 you would be so kind when they're called to

1 basically do an initial Direct to the extent
2 of qualifying them as to what they do and
3 more or less what you've just done.

4 MR. TALLEY: Sure.

5 CHAIRMAN SCHMITT: That would be
6 appreciated, and thank you.

7 Ms. Koenig, at this time, are you
8 ready to begin?

9 MS. KOENIG: Yes, sir.

10 CHAIRMAN SCHMITT: Okay.

11 MS. KOENIG: We'd like to hear from Brian
12 Armstrong, please.

13 CHAIRMAN SCHMITT: Okay. Mr. Armstrong,
14 would you please come to the stand.

15 * * * * *

16 The witness, BRIAN ARMSTRONG, after first
17 being duly sworn, was examined and testified as
18 follows:

19 CHAIRMAN SCHMITT: Please be seated.

20 Mr. Talley.

21 EXAMINATION

22 BY MR. TALLEY:

23 Q Mr. Armstrong, state your name
24 and your business address.

25 A Brian Armstrong, 100 Highwood

1 Drive, Frankfort, Kentucky.

2 Q Are you a certified water
3 distribution operator?

4 A Yes, sir. Distribution Level 2.

5 Q Say that again.

6 A Distribution Level 2.

7 Q Okay. And what's your title with
8 Farmdale?

9 A General manager.

10 Q When did you go to work at
11 Farmdale?

12 A I started June 1st, 2018.

13 Q So just a little over a year now?

14 A Yes, sir.

15 Q And I understand you were going
16 to be an understudy to the general manager and then
17 something happened that he didn't get to stick
18 around very long.

19 A Yes, sir. His wife had a heart
20 transplant, that she got a heart, so he kind of got
21 forced into early retirement to take care of her.

22 Q And when did he leave then?

23 A September is when he retired.

24 Q What's your prior work experience
25 immediately before you started working as the --

1 for Farmdale?

2 A Doing construction, maintenance,
3 before -- right beforehand, but before that I
4 worked for Gatewood Water Service. We took care of
5 Peaks Mill Water District, Elkhorn Water District,
6 and Northeast Woodford water districts. There I
7 read meters, tested meters, repaired water lines,
8 service lines whenever I wasn't reading meters and
9 so on.

10 MR. TALLEY: Mr. Chairman, I've got four
11 exhibits, two of which are already in the
12 record, and I'd like -- I think it would
13 probably help facilitate things. I've
14 already provided copies of these to
15 opposing counsel and the PSC staff.

16 Would it be appropriate now at this
17 time with this witness to introduces these?

18 CHAIRMAN SCHMITT: It would. It would be.
19 I assume there's no objection?

20 MS. KOENIG: No objection.

21 MR. CHANDLER: None from me.

22 CHAIRMAN SCHMITT: That would be fine. And
23 we can go ahead and mark them and introduce
24 them now so we don't have to worry about
25 that later.

1 MR. TALLEY: The first one, Farmdale
2 Exhibit No. 1 for identification, is the
3 Monthly Water Loss Report for May of 2019.

4 This one is in the record already. I
5 believe it was filed on July the 3rd.

6 The second one, Farmdale Exhibit No. 2
7 for identification, is a graph which
8 Ms. Brown has prepared based upon the
9 monthly water loss reports that have been
10 filed in the record from January of 2018 up
11 through the most current report in May.

12 Farmdale Exhibit No. 3 is the Annual
13 Water Loss. It's a graph that again
14 Ms. Brown has prepared based on the PSC
15 annual reports, information to the PSC, from
16 year 2010 up through 2018.

17 And Farmdale Exhibit No. 4 is the
18 Dollar Value of Excessive Water Loss. This
19 has been previously filed in the record in
20 response to PSC's order of July the 1st,
21 which shows exactly how much the dollar
22 value is for the water that was not sold in
23 excess of 15 percent.

24 (Farmdale Exhibit No. 1 was marked.)

25 (Farmdale Exhibit No. 2 was marked.)

1 (Farmdale Exhibit No. 3 was marked.)

2 (Farmdale Exhibit No. 4 was marked.)

3 And if you would like, I can talk to
4 the witness about these or we can just wait
5 until later and if anybody wants to refer to
6 these, they can. It's up to the...

7 CHAIRMAN SCHMITT: Let me -- what would be
8 your preference, Ms. Koenig?

9 MS. KOENIG: I am going to ask
10 Mr. Armstrong about this, so if you want to
11 wait and see if you want to clear up
12 anything at the end.

13 MR. TALLEY: Fine. Okay. Thank you.

14 CHAIRMAN SCHMITT: Okay. Thank you.

15 MR. TALLEY: Your witness.

16 CHAIRMAN SCHMITT: You may proceed.

17 MS. KOENIG: Thank you. And, Chairman, I
18 also have several exhibits, which I've
19 provided to counsel, PSC Exhibits 1 through
20 8.

21 And if counsel has no objection, I'd
22 like to go ahead and enter those. And I'll
23 identify them as I --

24 MR. TALLEY: Sure.

25 MS. KOENIG: -- get ready to introduce them

1 to the witness.

2 MR. TALLEY: Is the map one of the eight?

3 MS. KOENIG: Yes. Number 8 is the map.

4 (PSC Exhibit Nos. 1 through 8 were marked.)

5 MR. TALLEY: And I want to compliment
6 Brittany for giving us advance notice. And
7 last night she was working late, she sent
8 us all these inspection reports and the
9 exhibits, and hats off to her for giving us
10 a heads-up notice. We appreciate that.

11 CHAIRMAN SCHMITT: Yeah, we appreciate
12 staff has done a good job doing that. And
13 we probably ought to thank Mr. Chandler.
14 He asked early on that, if possible, he be
15 given advance notice of the exhibits.

16 MR. CHANDLER: Out of risk of drawing the
17 ire of staff counsel, but I appreciate it
18 as well.

19 CHAIRMAN SCHMITT: You stuck your neck out
20 there and you deserve credit for it.

21 Okay. Does the court reporter have
22 copies of your exhibits?

23 MS. KOENIG: Yes, sir.

24 CHAIRMAN SCHMITT: All right. So let's, at
25 this time, file into evidence Farmdale

1 Water District's Exhibits 1 through 4 for
2 purposes of identification and PSC Staff
3 Exhibits 1 through 8. Is that correct?

4 MS. KOENIG: Yes, sir.

5 CHAIRMAN SCHMITT: Okay.

6 MR. TALLEY: Thank you.

7 CHAIRMAN SCHMITT: And you may proceed.

8 MS. KOENIG: Thank you.

9 EXAMINATION

10 By Ms. Koenig:

11 Q Good morning, Mr. Armstrong.

12 A Good morning.

13 Q Hi. So I would like you to refer
14 to -- did your counsel provide your data responses
15 up there for you to reference?

16 A This here?

17 MR. TALLEY: This big notebook here.

18 MS. KOENIG: Okay.

19 MR. TALLEY: And the first data responses
20 are beginning 1 through 44, and then the
21 tab at the back are the second ones, 1
22 through 25, I believe.

23 BY MS. KOENIG:

24 Q Okay. So you said that -- to
25 Mr. Talley that you've been general manager since

1 June 1st, 2018?

2 A Yes.

3 Q Okay. And --

4 A That's whenever I was hired.

5 Q Right. To understudy --

6 A Yes, sir -- yes, ma'am. Sorry.

7 Q -- the general manager?

8 A Yes.

9 Q And he had been there for quite
10 some time --

11 A Yes.

12 Q -- at that point?

13 A Yes.

14 Q Okay. So that was a good idea to
15 bring you on and to get to know the job before he
16 left.

17 A Yeah.

18 Q But then you had to you take on a
19 solo position in September?

20 A Yes.

21 Q That's true. Okay.

22 And you did prepare these data responses --
23 is that correct? -- or a lot of them?

24 A Yes. I answered the majority of
25 the questions, yes.

1 Q Okay. And so you've been there
2 for about a year; is that correct?

3 A Yes.

4 Q Okay. So you might know -- not
5 know some historical questions that I ask about.
6 And if you know -- if Mr. Toles can answer the
7 question, just let me know. But if you -- if you
8 know from your, you know, experience and what
9 you've done in research in your job, then go ahead
10 and please give me your opinion. But if you have
11 any question at all about my questions, just ask.
12 Okay?

13 A Yes.

14 Q So first I'm going to refer you
15 to Data Response 1 and the Question 1. Do you see
16 that?

17 A Yes.

18 Q Okay. So in that response about
19 your monthly unaccounted-for water loss, you
20 provided a little bit of background and a little
21 narrative there at the bottom, which describes a
22 couple of major leaks that Farmdale found and
23 attributed to a lot of the water loss; is that
24 correct?

25 A Yes.

1 Q Okay. Could you describe that to
2 me? And then I'm also going to ask you -- please
3 go ahead and describe it, but then I'm going to ask
4 you to identify those leaks on the map for the
5 commissioners.

6 You can go ahead and explain those leaks. I
7 believe it's U.S. Highway 20 -- or 127 was one and
8 then there was another on South Benson Road; is that
9 correct?

10 A Yes. The one that was -- the big
11 leak that they had, I think, fixed in February,
12 that was before my time, but it was --

13 MR. TALLEY: Excuse me. Is that
14 February 2018?

15 THE WITNESS: Yes, 2018. I'm sorry.
16 February 2018.

17 That was repaired before I was hired
18 there. And it was -- it was a bore across
19 127. It was a good size line coming across,
20 you know, a big road there.

21 As it come across there, it kind of
22 ended -- it turned near a creek. It come to
23 an elbow, and it was near a creek. And the
24 only way that they -- people found it was
25 the prisoners that were picking up trash

1 along the side of the road noticed it,
2 called it in, and that's how they found
3 where the leak was located.

4 BY MS. KOENIG:

5 Q Can I stop you for a minute?

6 A Yes.

7 Q Do you mind to mark it on the map
8 first so we can know what you're talking about --

9 A Yes.

10 Q -- as you describe it?

11 I believe there's a highlighter and a pen up
12 there.

13 A Yes.

14 MR. TALLEY: And if you would, use that
15 highlighter to just make an X or a mark on
16 127 and then use the other pen to write in,
17 if you want to, just 127. Is that --
18 that's okay?

19 MS. KOENIG: Yes. May I approach?

20 CHAIRMAN SCHMITT: Yes, you may.

21 MS. KOENIG: Thank you. So I'd like to
22 give you this, and then I'll give the
23 Commissioners...

24 BY MS. KOENIG:

25 Q You go ahead and mark it, and I'm

1 going to let them look at it while you're talking.

2 A Right here was where it is.

3 Q Is that Highway 127?

4 A Yes. And as you see, this is
5 where it crosses the road at here, and that's kind
6 of indicated on the map a little bit, but that's
7 where the leak was at there.

8 Q So that's the leak?

9 A Yes.

10 Q Can you go ahead and mark it on
11 there and then -- so that they can know what you're
12 talking about while you're...

13 MS. KOENIG: And let the record show that I
14 will put the marked exhibit into the
15 record.

16 MR. TALLEY: Which exhibit is this, the
17 map?

18 MS. KOENIG: Number 8, PSC No. 8.

19 BY MS. KOENIG:

20 Q So this is 127. Can you go ahead
21 and mark South Benson Road so that you don't have
22 to --

23 A You want the South Benson one
24 too?

25 Q Yes. I'm going to write

1 Highway 127. Is that correct?

2 A Yes.

3 Q Okay.

4 A And South Benson.

5 Q And then it might make more sense
6 while you're talking. Thank you.

7 A Yes.

8 MS. KOENIG: Here's -- you can have that.

9 Do you mind to trade me?

10 BY MS. KOENIG:

11 Q Okay. Mr. Armstrong, go ahead
12 and explain. You indicated on the map that it
13 crosses the road and there's a little kink in the
14 road; is that correct? Or an elbow; is that how
15 you described it?

16 A Yeah. As it -- because that is
17 where our, I guess, jurisdiction ends, our county
18 line. So that's -- that's where it crosses the
19 road at. I'm sorry. It's -- I don't know how to
20 explain it.

21 Q No. That's okay. Makes sense.
22 Go ahead. So that's U.S. Highway 127.

23 A Yes.

24 Q And then the second -- was that
25 the one described in the board minutes as the whale

1 leak or...

2 A Yes. That was the big leak that
3 lasted for -- I'm not for sure how long that leak
4 was occurring beforehand. I think it was a
5 considerable time that that -- before they found
6 it.

7 Q Okay. And then there was another
8 leak described on South Benson?

9 A Yes. I had three -- it was a
10 3-inch main that, where -- during the time of we
11 had a bunch of rain, where the ground was
12 saturated, you know, there was natural creeks going
13 through from runoff constantly. And we couldn't
14 see where a leak was at until it dried up, and a
15 customer let us know that they noticed that there
16 was a leak across the road, so we went and
17 investigated and repaired it.

18 Q And it says the water line was
19 repaired the next day on South Benson; is that
20 correct?

21 A Yes.

22 Q Okay. And then -- but the whale
23 leak, the one on U.S. Highway 127, how long did
24 that take to repair?

25 A I was not there. I was not

1 employed at that time.

2 Q My understanding was that it was
3 still discussed in some of the minutes for quite
4 some time, so I didn't know if that overlapped with
5 your...

6 A No, no. I think it was repaired
7 in February of '18, and I wasn't there until June
8 of 2018.

9 Q Okay. Can I refer you to PSC
10 Exhibit No. 6 and PSC Exhibit No. 7, please.

11 A Six and...

12 Q Seven.

13 A Six and 7. Okay.

14 Q Okay. Number 6 is the final
15 order in PSC Case No. 2018-249, which is a
16 purchased water adjustment procedure. Do you see
17 that one?

18 A Yes.

19 Q And then No. 7 is the final order
20 and an alternative rate filing for Farmdale, and
21 it's Case No. 2013-485. Do you see that?

22 A Yes.

23 Q Okay. And Mr. Talley provided
24 your latest water loss report and calculation of
25 how much the excess water loss is costing Farmdale

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1 in Farmdale Exhibits 1 and Farmdale Exhibit 4. Did
2 you prepare that water loss report in Farmdale
3 Exhibit 1?

4 A For Farm -- this -- this here?

5 MR. TALLEY: No.

6 MS. KOENIG: Farmdale Exhibit 1.

7 MR. TALLEY: It's the monthly --

8 THE WITNESS: Oh. Yes. Yes, I did. Yes.

9 BY MS. KOENIG:

10 Q So you're calculating the water
11 loss; is that correct?

12 A Yes, yes.

13 Q As part of your duties as general
14 manager?

15 A Yes.

16 Q Okay. And the Farmdale Exhibit 4
17 described the excess as \$92,919.26 as the dollar
18 value of the excess water loss; is that correct?
19 Did you create that calculation?

20 A No.

21 Q No. But you provided the data to
22 do it?

23 A Yes.

24 Q Okay. And so if you'll look in
25 PSC Exhibit No. 6, it is the purchased water

1 adjustment order, it also has a calculation for how
2 much the unaccounted-for water loss over
3 15 percent, the value of that water. And look on
4 Page 2 at the top. Do you see --

5 A Yes.

6 Q -- that amount?

7 Could you read that amount into the record?

8 A "The District's unaccounted-for
9 water loss to 15 percent would result in an
10 approximate \$137,775.20 decrease to purchased water
11 expenses."

12 Q Yes. And so that is, you know,
13 quite a bit more than 92,000. But at the time, and
14 on Page 1, you can see that the percent of water
15 loss used was 35.4044 percent.

16 A Uh-huh (affirmative).

17 Q And it looks like on Farmdale
18 Exhibit 4 the percentage of water loss is
19 30.17 percent, so that accounts for the difference,
20 but...

21 So this order was in 2018, your purchased
22 water adjustment. And so at that time, Farmdale was
23 given notice of how much the value of the water they
24 were losing was; is that correct?

25 A Yes.

1 Q Okay. And then if we also look
2 at PSC No. 7 -- this is Case No. 2013-485. It's
3 the last rate case that Farmdale has had. And do
4 you understand the difference between the purchased
5 water adjustment and the alternative rate filing
6 case?

7 A Not exactly.

8 Q Okay. So Farmdale -- in your
9 responses to staff's data requests, you answered
10 that the last rate case that you had was 2018-249,
11 which was a purchased water adjustment, and it did
12 result in an increase in rates. But during a
13 purchased water adjustment, it's a passthrough.
14 Does that make sense? For however much you had to
15 increase -- if who you're buying the water from
16 increased their rates, then you come to the PSC and
17 show proof of that to validate increasing your
18 rates. Does that make sense?

19 A Yes.

20 Q Okay. And then -- so during a
21 purchased water adjustment, staff doesn't come in
22 and look at all of your records and your financials
23 and the overall business health of the water
24 district. And so -- so then the rate case in 2013
25 was the last time that staff came in and looked at

1 your financial records and the whole business
2 health of your district. Does that make sense?

3 A Yes.

4 Q Okay. And so does Farmdale, do
5 you know, do an annual accounting of their overall
6 business health and looking at if their rates are
7 covering the costs of the district?

8 A I think that would -- would that
9 be -- I guess that would be on their accountant. I
10 don't --

11 Q Okay.

12 A -- I don't do that.

13 Q So do you ever do a cost-benefit
14 analysis with these numbers, the cost of the water
15 loss, like that it's costing you 92,000 or \$93,000
16 in water loss that you're losing, or \$130,000?

17 A Yeah. During our monthly
18 meeting, our commissioner brings up the -- you
19 know, the money value of that, pretty much each
20 month, whatever our loss is and...

21 Q Okay. So as far as like a rate
22 case, that's not your decision. That would be --

23 A Right.

24 Q -- the board's?

25 A Yes. Yes.

1 Q Okay. So -- but do you ever
2 express an opinion as the -- if you're having
3 enough money to execute your part of the budget?

4 A I express my opinion on what we
5 need to do to fix things. I mean, that -- I leave
6 that to -- that's kind of -- I don't know. I don't
7 know about that.

8 Q Okay. So do you ever -- I mean,
9 as far as your plans to address water loss and
10 equipment to buy --

11 A Yes.

12 Q -- and pricing that equipment or
13 pricing the labor to effect a plan to prevent water
14 loss, do you include prices for that to the board?

15 A I do not personally.

16 Q Okay.

17 A No.

18 Q Do you ever provide plans like
19 that to the board?

20 A Yes. Plans of what needs to be
21 done to -- yes. To what we could do to upgrade and
22 stuff like that, yes, I have mentioned that to the
23 board whenever I see fit, you know. What I need --
24 what I need, I tell them and they usually try to
25 provide it for me as quick as we can.

1 Q Okay. So -- but I guess is the
2 excess water loss and the cost of that -- I saw in
3 the board minutes that water loss in general is
4 discussed at the board meetings, but is it
5 discussed in terms of how much money you're losing
6 versus the avenues that you would go to address the
7 water loss? Like, you know, you express one of
8 your major -- I can refer you to the data request
9 later on; I've got a question about it. But one of
10 your major obstacles is you only have two
11 employees; is that correct?

12 A Uh-huh (affirmative). Yes.

13 Q But then I saw that you did just
14 hire a new employee. Jamie or...

15 A Yes. Yes.

16 Q Okay.

17 A And we've hired him in. I've
18 been trying to train him and still, you know, do my
19 daily stuff. And he's doing good so far. He still
20 has a lot to learn. He's more of a -- go ahead.

21 Q Does that make three employees
22 then, or...

23 A No.

24 Q No.

25 A Just two.

1 Q So you still just have two?

2 A Yes.

3 Q And so it's just you and Jamie
4 or...

5 A Yes. Yes. We had one before and
6 it didn't quite work out and we had to find someone
7 else.

8 Q Okay. So Jamie is in the field?

9 A Excuse me?

10 Q Is Jamie, the new employee, in
11 the field?

12 A Yes. Jamie is the new employee,
13 yes.

14 Q So is there anyone in the office?

15 A No. I do both.

16 Q You do the office?

17 A And maintenance, yes. I do the
18 majority of it all.

19 CHAIRMAN SCHMITT: The whole company just
20 has two employees?

21 THE WITNESS: No. We have office staff
22 that does billing and, you know, does --

23 BY MS. KOENIG:

24 Q Okay. I'm sorry. I need to
25 clarify that then.

1 A Sorry. Sorry. For the
2 maintenance staff, there's only two. For -- and
3 the office staff, we have two people and a
4 part-time lady to come in and help for when it's
5 billing time and stuff like that.

6 Q Okay, okay. But there's only two
7 maintenance --

8 A Yes.

9 Q -- and field employees?

10 A Yes, yes.

11 Q And your job as general
12 manager -- well, Mr. Talley clarified that it's
13 manager -- is that -- can you explain that? Are
14 you a general manager? Are you over the office
15 staff and the field employees, or are you just over
16 the field employees?

17 A Yes. I mean, I'm general
18 manager, but, I mean, I have an office manager that
19 I kind of leave that to her because I'm busy. I
20 mean, I have a lot of work to do and just in my
21 everyday tasks. So that's -- I leave that part
22 of -- the billing, the office part to her that she
23 knows. She's been there for years and she's -- you
24 know, understands what's going on there way better
25 than I do. I'm still learning a lot of that part

1 or the office part of it. I come from maintenance,
2 just, you know, being a ditch digger to move -- you
3 know, slowly moving up. And now I have to learn
4 the office part of it, too, still a little bit.
5 It's just David left early, and that's kind of
6 where I'm at.

7 Q I understand. And I understand
8 it's a process, but a lot of things I'll ask you
9 today -- I mean, it's one day to ask you about it,
10 so I don't expect it to all be done in one day that
11 you might be working on something, but I'm going to
12 ask you about it anyway.

13 A Okay.

14 Q So let's see. So as far as --
15 the last rate case was the start of the district in
16 1961, before the 2013 rate case. And should I ask
17 Mr. Toles about that?

18 A Yes. I have no clue. Yes.

19 Q Okay, that's fine. Okay.

20 I know that you did fill out the data
21 requests, though. And you discussed the primary
22 obstacles in staff's second request, Item 3. So it
23 should be the smaller group of questions.

24 MR. TALLEY: Be back in the back after it
25 says Table of Contents.

1 Question 3?

2 MS. KOENIG: Yes, question 3. Sorry.

3 BY MS. KOENIG:

4 Q Are you there?

5 A To provide the list of the top
6 three obstacles? Is that the one?

7 Q Yes, uh-huh (affirmative).

8 A Yes.

9 Q Did you fill out this?

10 A Yes.

11 Q Okay. So can you discuss it?

12 You said the number of employees, the need for more
13 employees, and that -- we just kind of touched on
14 that. Can you say more to that? Have you -- have
15 you discussed this with the board and made any
16 plans?

17 A Yes. Yeah. I mean, we're trying
18 to seek employment right now. With the water loss
19 kind of dropping right now, we're -- and we're
20 getting -- we're trying to purchase more equipment,
21 too, that maybe -- to be more efficient for me to
22 fix these items. But right now it's -- we have not
23 hired anyone. It's kind of difficult in the market
24 to get some people that are qualified. You know,
25 you don't want to get any Joe off the street. It

1 kind of makes it more difficult for me having to
2 train someone and run my job at the same time. So
3 it's kind of hard for us to find someone that has
4 some experience right now, but we're looking, you
5 know, as...

6 Q Okay. Do you have a --

7 CHAIRMAN SCHMITT: Do you drug test --

8 THE WITNESS: Yes.

9 CHAIRMAN SCHMITT: -- the applicants?

10 THE WITNESS: Yes.

11 CHAIRMAN SCHMITT: Has that been -- caused
12 some problems sometimes?

13 THE WITNESS: Not too often. But, I mean,
14 that is a good -- you know, that is part of
15 it.

16 BY MS. KOENIG:

17 Q But you tried to hire somebody
18 and --

19 A We -- we've tried to hire, and
20 I've -- when Jamie applied, he seemed, you know,
21 qualified enough in some of the fields that I
22 needed him for. It was, you know, more of the
23 technical part of it, the -- you know, getting the
24 website stuff. He's going to be doing that for us,
25 our Facebook page and our office page that we have,

1 our home website that we have, and he'll be taking
2 care of that plus a lot of the meter stuff. Once
3 he's getting trained fully, he'll be -- you know,
4 he'll have a lot more responsibilities, but --

5 Q Okay.

6 A -- right now, he's kind of not
7 trained enough to take on more responsibility.

8 Q And in general in your job
9 description and in your search and plans for
10 search, have you discussed with the board like, you
11 know, policy for retention and replacement of
12 future employees due to retirement and things to
13 put in place for trying to --

14 A Well, they --

15 Q -- account for your -- the
16 difficulty you're having in finding the workforce?

17 A No. I haven't talked anything
18 about retirement to them of -- of other employees
19 or anything. No, I haven't talked about that,
20 but --

21 Q Or your situation with not being
22 able to train because you're the only one there --

23 A Right.

24 Q -- as far as how you would
25 approach that?

1 A I mean, yeah, that's -- I mean, I
2 train -- train him, I mean, that -- it's just that
3 he -- he's not -- you know, I don't know if he -- I
4 can't let him go out and do things on his own just
5 yet because I don't -- you know, I guess that's on
6 me. I need to let, you know --

7 Q I don't think so. I think it
8 makes sense exactly what you're saying to -- I
9 mean, logically that makes perfect sense, but it's
10 just the fact that you only have two people. And
11 so it's a problem with having enough employees;
12 correct?

13 A Yes.

14 Q And then that would be a board
15 problem because you need money to hire an employee;
16 correct?

17 A Yes.

18 Q And then that would mean that
19 your rates aren't maybe covering all your
20 expenses --

21 A Correct.

22 Q -- and then that would be why you
23 would come to the PSC, and so that's kind of how it
24 would progress.

25 A Gotcha.

1 Q And so it makes sense exactly
2 what you're saying, and I'm not placing any blame
3 with how you're training him. It's just -- there's
4 a few fundamental issues there that need to be
5 addressed there, wouldn't you think?

6 A Yes.

7 CHAIRMAN SCHMITT: Let me ask some
8 questions.

9 EXAMINATION

10 BY CHAIRMAN SCHMITT:

11 Q Mr. Armstrong, with just two
12 field employees, including you, who's the general
13 manager? I mean, if you were -- you know, you're
14 entitled to a vacation, you took a week off or
15 something and, you know, were out of town and --

16 A What's that? What is that word?

17 Q -- and Jamie got sick.

18 A That's a fictional word, isn't
19 it?

20 Q And if you're gone or he's gone
21 and someone else gets ill or both of you get the
22 flu at the same time and then you had a problem, I
23 mean, is there -- how would that be solved?

24 A I mean, if it was -- I'm sure
25 that we could probably get ahold of David and

1 possibly -- if I ever became ill for a long time,
2 I'd say that that would probably be -- be arranged,
3 but, I mean, I don't -- I'm there every day, I
4 mean...

5 Q Well, I know, but there could be
6 things where you could have a car accident.

7 A True. True.

8 Q Somehow you could break a leg --

9 A Sure. Sure.

10 Q -- God forbid. But all I'm
11 saying is with only two people, if something
12 happens that you're gone, right --

13 A Uh-huh.

14 Q -- maybe you have to leave or he
15 does, and you get sick or you had a problem or
16 needed a day off and just were gone.

17 A Uh-huh.

18 Q And then you have a line break or
19 some other problem that needs immediate attention,
20 there's no one in-house to address the problem; is
21 that correct?

22 A Besides me.

23 Q Okay. Well, I know, but you're
24 gone in my hypothetical.

25 A Yes, sir. Yes, sir.

1 Q You're not there.

2 A Yes, sir.

3 Q You're gone; right?

4 A Yes.

5 Q You're in Florida. Okay. And
6 the other person gets sick or has a car wreck or
7 something happened that he's not there, there's
8 nobody in-house who is available to address the
9 problem or try to fix it or do something to
10 mitigate it until you or Jamie get back; correct?

11 A Correct.

12 Q Now, at this time does
13 Farmdale -- does your water district have any kind
14 of understanding, formal or informal, with, say,
15 Frankfort Plant Board or any other adjoining water
16 district to come in and give you a hand if you had
17 some kind of emergency?

18 A I have -- I have people that I
19 would -- I have friends that if I called them, they
20 would come help me if I really needed it, yes.
21 My -- my stepfather has been on the plant board for
22 the water -- water district for 25 years. So
23 that's kind of how I got into the water business
24 myself.

25 Q Well, I was just thinking, you

1 know, sometimes water's -- not enough, probably --
2 but water districts or municipal water utilities
3 may have an operating agreement or some kind of
4 a -- something in place to where if one has a
5 problem or has a piece of equipment, the other may
6 be able, under certain circumstances, to use it --

7 A Yeah.

8 Q -- or borrow employees.

9 A I don't know of any agreement.

10 Q And I was wondering if you -- you
11 probably don't have -- well, if you had a formal
12 understanding or an operating procedure like that,
13 you would know about it, I assume.

14 A Excuse me?

15 Q Well, I assume you don't have --
16 the Farmdale Water District -- not you. Nobody's
17 blaming you. Farmdale Water District does not have
18 any kind of a formal understanding or operating
19 agreement or procedure with any other water
20 district or utility to come in in case of a problem
21 and kind of give you some help or let your
22 people --

23 A I have BP Pipeline that is a
24 contracting company that -- that comes in at,
25 like -- we call them, they're there, if not an

1 hour, three hours, they're there the next day, and
2 that is a contracting crew that we've used a few
3 times for emergencies that -- you know, of like
4 that.

5 Q But you're there.

6 A Yes.

7 Q But when they call, I mean, a
8 contractor comes in --

9 A The answer for that is no --

10 Q The contractor doesn't have the
11 authority --

12 A -- not that I know of.

13 Q -- to do whatever he wants to do.

14 A Right.

15 Q He has to have supervision;
16 correct?

17 A Yes. And that would go -- if
18 that would happen, I guess that would go to
19 Clifford to supervise that if I wasn't there.

20 Q All right. All I'm saying is, is
21 that with just a few people you're at risk of an
22 emergency happening for which there is no coverage.
23 That's all.

24 A I mean, I -- I don't know.

25 CHAIRMAN SCHMITT: Okay. All right.

1 Ms. Koenig.

2 MS. KOENIG: Okay.

3 EXAMINATION

4 BY MS. KOENIG:

5 Q So I'd like to refer you to PSC
6 Exhibits 1, 2, 3, 4 and 5, and we'll walk through
7 them. As soon as you get them, I'll ask you to
8 identify what these are.

9 A 1, 2 -- 1, 2, 4 and 5?

10 Q 1 through 5. 1, 2, 3, 4 and 5.

11 A 1 through 5.

12 Q And do you see that these are
13 inspection reports from the Public Service
14 Commission?

15 A Yes.

16 Q Have you seen these inspection
17 reports before?

18 A Maybe not this one, but I have
19 seen inspection reports before, yes.

20 Q Have you been able to be involved
21 in an inspection since you've been --

22 A No.

23 Q -- the manager?

24 Okay. And so I note that PSC No. 5 is the
25 latest inspection that we had in -- and it's marked

1 as June 4th, 2018. And would that be around about
2 this time that you were hired or --

3 A That would have been my --
4 June 4th would have been my third day. I was hired
5 on the 1st of June that year.

6 Q Okay. All right. Understand.

7 MR. TALLEY: Excuse me. If I could, it's
8 really hard for the court reporter -- I
9 know you're anxious to answer the
10 questions, and you're doing a fine job --

11 THE WITNESS: Sorry.

12 MR. TALLEY: -- but please let her
13 finish --

14 THE WITNESS: Yes, sir.

15 MR. TALLEY: -- and then you answer, if you
16 can.

17 THE WITNESS: Yes, sir. Sorry.

18 MS. KOENIG: It's okay. I have a hard time
19 doing that as well.

20 MR. TALLEY: Me too.

21 BY MS. KOENIG:

22 Q So -- but let's see. So -- but
23 were you there when Ms. Donges came for that
24 inspection or do you remember that?

25 A No. I don't remember. I don't

1 remember her.

2 Q Okay. Well -- but you said you
3 have seen inspection reports?

4 A Yes.

5 Q And were you aware or made aware
6 of the deficiencies of Farmdale District when you
7 became general manager and as part of your
8 on-the-job training?

9 A Whenever I became the general
10 manager, my -- our main thing was we had a list of
11 bad fire hydrants whenever I first come in, and
12 that was kind of my first priority, as I come in as
13 general manager, was to replace some of these
14 faulty fire hydrants. And that's -- and that's --
15 we were doing that until I received -- had a high
16 water loss, and then I kind of put a stop to that,
17 and I've been trying to find leaks and fix leaks
18 ever since.

19 Q Okay. And I notice that in your
20 response on the fire hydrants, there were a lot of
21 fire hydrants that you replaced. Twenty-seven (27)
22 or so?

23 A Yes. Yes, ma'am.

24 Q So that's a lot of fire hydrants.

25 A Yes.

1 Q But are you saying there really
2 wasn't guidance as far as how to prioritize
3 projects?

4 A Yes.

5 Q It was just...

6 A Yeah.

7 Q Okay, okay. Well, I'd like to
8 point out, though, that -- let's see. PSC Exhibit
9 No. 1 is a March 30th, 2016 inspection. And on the
10 second page of that report -- I'm sorry. Let me
11 just go back and say on the first page it does list
12 your workforce as two office employees and two
13 distribution officers at that time as well. And
14 that's as many employees as you still have; is that
15 correct?

16 A Yes.

17 Q Okay. And then on the second
18 page there, the inspector has written Findings and
19 Additional Inspector Comments.

20 A Yes.

21 Q Okay. And it says utility didn't
22 have written inspection records. It doesn't have
23 pressure charts, and it has not submitted quarterly
24 meter reports, and that's in violation of the
25 regulations, and they are cited there for each

1 deficiency.

2 It does go on below to talk about water loss
3 at that time, which was above 15 percent. And do
4 you see what the water loss was?

5 A Is this the 41.7?

6 Q Yes, for 2015.

7 A Yes.

8 Q Okay. And then it goes on to
9 talk about a construction project and the
10 replacement of asbestos concrete pipes. And I
11 noted that in your three obstacles to water loss,
12 you refer to the asbestos concrete pipes.

13 A Yes.

14 Q And then I also note later in the
15 data requests that you did buy -- one of your major
16 purchases was an asbestos concrete cutter, pipe
17 cutter.

18 A Yes.

19 Q And so can you describe the
20 difficulty that you've had with those types of
21 pipes and how that's attributed to water loss?

22 A It's just an older type of water
23 system that they used a long time ago. And it's
24 kind of fragile, truthfully. It can be broken with
25 pressure. You know, someone driving over it can

1 smash it with -- you know, it's just a fragile,
2 older style of pipe.

3 And just -- I think it -- I think it would
4 help us out tremendously if we got rid of all of it.
5 And that's -- we are in the process of having a
6 project going in effect here whenever I guess the
7 money is -- from the engineer goes through and he
8 gets the -- I don't know. That's part of the stuff
9 I'm still learning, that part of it there.

10 But we have a project to replace lines --
11 five and a half miles or something like that of
12 line, if I remember correctly, of some older lines.
13 And that's in the works right now for that project
14 to get started here as soon as --

15 Q Do you know -- do you know what
16 engineering company that is?

17 A HMB, Hayward, Meyer & Bowen.

18 Q Okay. Well, I'd also like to --
19 just while we're on the obstacles to the water
20 loss, you also mentioned that the Department of
21 Soil Conservation covered lines and concrete next
22 to creeks?

23 A Yeah. I have a -- Ninevah Road
24 has a 3-inch line, and it's going through a valley
25 of hills -- of a -- running through a valley to

1 feed the customers that live in this valley. It
2 kind of bounces along the -- from kind of one side
3 of the road to the other as it makes the curves
4 down through the valley, so it gets close to the
5 creeks some places.

6 And the county road department, or the
7 state, has tried to keep the creek from eroding the
8 road out, so they put in the big rock baskets and
9 then they pour concrete over top of that.

10 So there's -- I have to do more
11 investigating in that area. I've already started
12 there with my valve listen device. I've turned the
13 valve down really low, put a listener on it, and
14 it's not filling up. So I already know that I've
15 got something in there. I've just got to be able to
16 go about finding out exactly where it's at. I can't
17 see it. I don't -- you know, it's not coming up to
18 the ground, you know, so I've got to be able to
19 locate it, and that's a mile, maybe more, of pipe
20 that goes through that area.

21 CHAIRMAN SCHMITT: Like a mile that has a
22 potential leak --

23 THE WITNESS: Yes.

24 CHAIRMAN SCHMITT: -- you need to find?

25 THE WITNESS: Yes, sir. And that's -- and

1 I'm actively pursuing that, and daily
2 stuff, too. So, you know, that's -- that's
3 where my main look is right now is in that
4 area to try to see what I can come up with,
5 what I can fix, what I can find in that
6 area. I think I have a loss in that area.

7 BY MS. KOENIG:

8 Q Do you know when that was done,
9 when the concrete was put on there?

10 A It was before I started there.
11 The work was done before I -- before I started in
12 June, so I have no clue what time -- when they did
13 that. I'd have to contact the county road
14 department, I guess.

15 Q I was going to say would you -- I
16 mean, could you contact the --

17 A Yes. I'd probably get
18 whenever -- find out whenever it was done, yes.

19 Q And just see, you know, what
20 their plans were submitted at the time --

21 A Uh-huh (affirmative).

22 Q -- and whether they knew they
23 were putting them over water lines and --

24 A Right. Right.

25 Q -- and what that cost is to you.

1 A Yeah.

2 Q And at least prevent it from
3 happening --

4 A Right.

5 Q -- maybe in the future.

6 Okay. So PSC Exhibit No. 2 is Farmdale
7 Water District's response to the inspection. And it
8 looks like it was done by your -- the former
9 manager, Mr. Robinson.

10 And the highlighted portions of that letter,
11 do you see, it says, going to be GPS locating valves
12 and using Kentucky Rural Water Association for that.
13 And then it also addresses the pressure situation
14 with new meters, and then it also says that the
15 Farmdale will submit quarterly meter reports as
16 required.

17 And let me go ahead and just ask.
18 There's -- there's a violation in PSC Exhibit No. 3
19 of no quarterly meter reports.

20 And then there's a response in PSC No. 4
21 that says you will do quarterly meter reports as
22 required by regulation.

23 And then in PSC Exhibit No. 5 there's
24 another violation because they still didn't do
25 quarterly meter reports. And I understand this is

1 all before you came. But I did see in the minutes
2 that this was discussed at board meetings and, you
3 know, what they said was that Mr. Robinson provided
4 a quarterly meter report at the June 4th, 2018
5 inspection.

6 But do you realize that there have been no
7 quarterly meter reports filed since all of these
8 inspections, and still haven't? And I just
9 wondered, do you know what a quarterly meter report
10 is?

11 A Yes.

12 Q And that there is a requirement
13 by regulation that those are filed?

14 A There -- our meters were put in I
15 think in 2012, and I think it was a ten-year
16 inspection. They had to reinspect it every ten
17 years. So that -- I think that is why there hasn't
18 been any quarterly inspections done because it --
19 it's not time for them to be inspected, that that's
20 the way I -- the way I was told.

21 Q Okay. I think that you still
22 have to submit the report to --

23 A I was not aware of that.

24 Q Okay.

25 A Sorry.

1 Q But I did see that in your
2 response, is that you have -- all your meters are
3 under the ten-year mark, so that's -- that's good.
4 New meters; right?

5 A Yes.

6 Q Okay.

7 CHAIRMAN SCHMITT: You haven't had -- there
8 hasn't been an inspection made since you've
9 been general manager; correct?

10 THE WITNESS: Except for the June 4th,
11 2018, and I had just got hired June 1st, so
12 that is the only time.

13 CHAIRMAN SCHMITT: And you were still
14 under -- Mr. Robinson was then --

15 THE WITNESS: Yes, sir.

16 CHAIRMAN SCHMITT: -- tutoring you for --

17 THE WITNESS: Yes, sir.

18 CHAIRMAN SCHMITT: So whatever
19 responsibility there is for acting or not
20 acting on that, that's not yours, as far as
21 I'm concerned.

22 But I just wonder, apparently these
23 inspection reports go to the board; right?

24 THE WITNESS: Uh-huh (affirmative).

25 CHAIRMAN SCHMITT: And are discussed?

1 THE WITNESS: Yes, sir.

2 CHAIRMAN SCHMITT: I don't know if your
3 board members know that they're subject to
4 a \$2,500 civil penalty for failing --
5 knowingly failing to abide by PSC
6 regulations. But we'll ask the chairman
7 about that he when he comes up here. Thank
8 you.

9 Go ahead.

10 BY MS. KOENIG:

11 Q And I don't -- I totally
12 understand that that wasn't you, but it is
13 something that we do need to address and so...

14 Okay. So in -- let me see here. I'm going
15 to ask you about your BlueMax lines and something
16 that you noted were PE, PE something lines. Hang on
17 a second. I'll find the reference for you.

18 Okay. It's Data Request 2, Questions 7
19 and 8.

20 A Is this the Excel spreadsheet?
21 Is that the one?

22 Q No.

23 MR. TALLEY: That's correct.

24 MS. KOENIG: Oh, is it?

25

1 BY MS. KOENIG:

2 Q Okay. I'm not referring to the
3 Excel spreadsheet. I'm just referring to your
4 answers to -- that are there, A, B -- A says see
5 attachment, but I'm referring to the rest of it, B
6 and C. And you describe that you have --
7 approximately 50 to 60 percent of your service
8 connection lines remain with BlueMax tubing. Do
9 you see that?

10 A Yes.

11 Q And it says the average age of
12 the BlueMax service connection lines are -- the age
13 is 40 years?

14 A Yes.

15 Q And you're talking about the
16 average age of your lines that are in the ground;
17 is that correct?

18 A Yes.

19 Q Okay. Do you know what the
20 useful life is of BlueMax tubing?

21 A No. Not right off hand, no.

22 Q And have you had trouble
23 specifically with the BlueMax tubing?

24 A I have personally. Some of the
25 service lines that I've messed -- you know,

1 repaired are brittle and they just kind of break.
2 So I have to go back all the way to the corp -- the
3 shut-off at the main and replace the whole service
4 line, just get rid of it. Whenever I do find it,
5 that's -- that's all I can do because it's hard to
6 fix. You just tighten -- you squeeze on it and it
7 breaks. But that type -- me personally, I haven't
8 found a lot of it, but I have -- you know, I have
9 ran into it a few times.

10 Q But you think half the service
11 lines are made out of this; is that true?

12 A That -- yes, to my best -- best
13 guess. I don't -- I don't know.

14 Q Okay. And then the other half is
15 made out of PE tubing?

16 A Yes.

17 Q What is that?

18 A The poly -- it's that black poly
19 pipe, the polyethylene.

20 Q And then that's what you're
21 replacing the BlueMax with?

22 A Yes.

23 Q Okay. And it says approximately
24 18 years old. And do you know what the useful life
25 is on that?

1 A Thirty (30) years, I think. I'm
2 not quite for sure the exact life of that pipe
3 right offhand.

4 Q Okay. So I mentioned that one of
5 the inspections reports talks about your dealing
6 with Kentucky Rural Water Association. And then in
7 staff's second request, Item 9, it states that you
8 plan to propose request -- a request for services
9 from Kentucky Rural Water Association at the next
10 board meeting when this was prepared. Did that
11 meeting happen and was that request made?

12 A I did not make the request. I
13 was -- did not do that, no. That was on me. I
14 didn't -- I haven't called the board yet -- I mean,
15 the Kentucky Rural Water yet. I've been busy and
16 that was -- that was -- that was on me. That is --
17 I have not contacted them yet.

18 Q That's okay. Okay. And so have
19 you -- what kind of training have you had?

20 A I -- on-the-job training. I
21 worked through Gatewood Water Service taking care
22 of the other three mentioned water districts for
23 five years. I've done plumbing, maintenance for --
24 since 2004, you know, just doing maintenance and
25 different, you know, things along with plumbing,

1 housing repair. Different things like that since
2 2004.

3 Q Okay. And is that -- you said
4 you worked at some water utilities?

5 A Yes, for five years. 2006 to
6 2011, I worked for Gatewood Water Service. We took
7 care of Peaks Mill Water District, Northeast
8 Woodford County, and Elkhorn Water District.

9 Q Okay. And your responsibilities
10 there, did they involve any leak detection or leak
11 prevention?

12 A Just repair and meter testing and
13 meter reading. I was a meter reader at that time,
14 and then whenever I was done reading meters for
15 that month -- I had to read them manually at that
16 time -- and I went and did maintenance and did my
17 meter repairs, different jobs that -- of that
18 nature for the few -- the little time that I had
19 for -- in between meter reading. That was my job.

20 CHAIRMAN SCHMITT: May I ask a question?

21 MS. KOENIG: Sure.

22 CHAIRMAN SCHMITT: Did Gatewood provide
23 managerial services for these water
24 districts, or exactly what did they do?

25 THE WITNESS: He was their -- I guess he

1 would be -- I'd call it a contractor, I
2 guess, to take care of the -- do the
3 maintenance for those three water
4 districts, yes.

5 CHAIRMAN SCHMITT: Okay. But didn't do
6 the -- wasn't in charge of billing and
7 running, didn't employ everybody in the
8 district?

9 THE WITNESS: No. He just employed the
10 maintenance department, yes.

11 CHAIRMAN SCHMITT: Okay. Thank you.

12 MR. CICERO: So let me interrupt since
13 there's already been an interruption.

14 MS. KOENIG: Sure.

15 MR. CICERO: So as far as your training
16 goes, I don't think anybody would dispute
17 that you have a lot of maintenance type
18 experience, but you've been appointed to be
19 the general manager, and the office people
20 report to you, and so therefore either
21 Ms. Koenig or myself are going to start
22 asking you questions about the office side
23 of it and the administrative functions.

24 Have you had any training for any type
25 of business -- so you're there -- you've

1 been just kind of thrown to the wolves here
2 in terms of responsibilities of the office
3 administration and what reports or what
4 responsibilities you have to the board for
5 that portion of your responsibility?

6 THE WITNESS: Yeah. I was going through
7 training until the heart transplant of
8 David's wife, and then that kind of -- kind
9 of, yes, threw me to the wolves, as you
10 said.

11 MR. CICERO: Okay. Go ahead.

12 MS. KOENIG: Okay.

13 BY MS. KOENIG:

14 Q Can I refer you to Data
15 Request 1, Question 3.

16 A Is that in my contents book here?
17 Is that what you're...

18 MR. TALLEY: Yes. The thick book. It's in
19 the front part, the front part, Question 3.

20 THE WITNESS: Number 1 you said?

21 MS. KOENIG: Three (3).

22 MR. TALLEY: Question 3 of the first set.

23 THE WITNESS: Sorry. The water loss
24 prevention?

25

1 BY MS. KOENIG:

2 Q Yes.

3 A Yes.

4 Q Do you know who created this
5 policy? It says -- first of all, let me say here
6 that it says it's your -- Farmdale's water loss
7 prevention and leak detection plan, and it says
8 it's part of Farmdale's distribution system,
9 operation and maintenance manual. So you do have
10 a -- you answered yes to that you have a water loss
11 detection plan. And do you know who created this
12 policy?

13 A No. This was in the operating
14 file that was there for, you know, what I'm
15 supposed to do. There is an operating manual, I
16 guess, that --

17 Q Okay.

18 A -- what you would call that.
19 That's where we got this from.

20 Q Okay. That's really good. Is
21 that -- is that followed?

22 A Yes.

23 Q I mean, so that's what you used
24 when you started to kind of guide you --

25 A Yes.

1 Q -- for what you'd do? Okay.

2 But you don't know if Mr. Robinson created
3 this or...

4 A No. I don't know where it come
5 from. I was assuming that it may have come from
6 the Rural Kentucky or PSC or some -- some
7 guidelines that you-all had.

8 Q Okay. It talks about assembling
9 a leak detection team. Is that the two of you?

10 A Yes.

11 CHAIRMAN SCHMITT: You've got to have more
12 than one person to have a team.

13 MR. TALLEY: That's right. Two makes a
14 team.

15 CHAIRMAN SCHMITT: No "I" in team.

16 BY MS. KOENIG:

17 Q Okay. So referring to Question 6
18 in the same set of data requests, it says that
19 Farmdale does not have a long-range capital
20 improvement plan, but that -- I guess in the next
21 one that it says -- in 7 it says HMB Professional
22 Engineers is helping.

23 Do you discuss your policies and your
24 capital improvement plans? Are you part of those
25 discussions with HMB?

1 A Just upgrades. I mean, I tell
2 them what I think needs to be done and then I
3 present it to them and then...

4 Q To the board or to the engineers?

5 A Yes, to the board. To the board.
6 I don't really talk to the engineers too much, too
7 often. I have met them and talked to them, and the
8 boards, but that's -- you know, that's -- I'm not
9 there yet. I'm still learning a lot.

10 Q Okay. I understand.

11 So on -- then just going to the next -- the
12 question in No. 8, it says that you have a
13 preventative maintenance schedule -- or a
14 preventative maintenance program I believe is the
15 title of that. And in Question 8 -- or Response
16 8 --

17 A Yes.

18 Q -- you provide a preventative
19 maintenance program. Do you know who created this?

20 A No. It came out of the same
21 operating -- the manual that's there at the office.

22 Q Okay. And so as part of this, do
23 you have schedules for maintenance and what you
24 repair or test or check? Do you have schedules to
25 comply with like your annual inspections and things

1 like that?

2 A Can you elaborate? Excuse me?

3 Q You have requirements -- well,
4 okay. So I know you haven't been through an
5 inspection, but when you came on the job,
6 Mr. Robinson started talking to you about what you
7 needed to do. Were you ever -- I mean, what kind
8 of training would explain to you, like, the
9 regulations for what's required as far as annual
10 inspections and things like that? Did you go
11 through any training with Kentucky Rural Water or
12 do you have training as you're a certified
13 operator?

14 A Yes. I went to -- when I -- my
15 certified training, and that is the training that I
16 got there for that, yes.

17 Q Okay. Do you have, like,
18 continuing education for that where you stay -- for
19 your license? I'm just -- I don't know.

20 A Yeah. I have to -- yes, I have
21 to go to get hours -- 12 hours every two years for
22 my continuing education for my license -- for my
23 certification I mean.

24 Q Okay.

25 A So that -- I do have to go to

1 that or my license will be invalid.

2 MR. CICERO: Does that provide any type of
3 training as far as regulation goes, whether
4 it's from the Public Service Commission or
5 the -- the EEC, Department of Water, or is
6 there any type of government training for
7 regulations that makes you aware of
8 what's -- I think that's part of her
9 question -- of what's required for you to
10 do as part of your job?

11 THE WITNESS: I mean, I go by this -- what
12 I was pretty much told to do whenever I
13 come here, to go by these guidelines that
14 are in this operating manual, and you have
15 to do certain things daily and monthly and
16 that's -- that's...

17 MR. CICERO: Which is good. The only
18 problem is the regulations change over
19 periods of time.

20 THE WITNESS: Yes, sir.

21 MR. CICERO: Which I'm not faulting your
22 manual or anything. I'm just saying -- I'm
23 wondering, and I think staff is wondering,
24 if there's any way that you are updated on
25 what those changes might be through some

1 kind of a training program as you go along
2 that says this regulation changed and I'm
3 now -- one of the ones that we changed
4 recently is how often meters have to be
5 read in certain situations.

6 But do you receive any kind of a
7 training that allows you to be updated on
8 changes in regulations?

9 THE WITNESS: Not that I -- not that I'm
10 aware of. Just my continuing education.

11 MR. CICERO: Okay.

12 CHAIRMAN SCHMITT: Let me ask you this.
13 Kentucky Rural Water Association has sort
14 of management training courses.

15 THE WITNESS: Uh-huh (affirmative).

16 CHAIRMAN SCHMITT: And I guess the first
17 group, you can complete it over a period of
18 two years, and the total cost is not a lot,
19 650, \$700, but it has management training
20 courses and you get a little of what the
21 law requires about depreciation, you know,
22 a little elementary accounting that you
23 would need --

24 THE WITNESS: Yes, sir.

25 CHAIRMAN SCHMITT: -- in knowing something,

1 getting up to speed on the office staff.

2 THE WITNESS: Yes, sir.

3 CHAIRMAN SCHMITT: If your board -- if the
4 Commissioners were willing to expend that
5 so that you could have that training, would
6 you be willing to go?

7 THE WITNESS: Yes, sir. Yes, sir.

8 CHAIRMAN SCHMITT: Thank you.

9 BY MS. KOENIG:

10 Q Okay. And if I'm correct -- I
11 was trying to find the -- I can ask the board about
12 it, but there's no money set aside for training.
13 But if you needed training, would you go to the
14 board and ask for that and --

15 A Yes.

16 Q -- things like that?

17 A Yes. They would provide it if --
18 yes.

19 Q Okay. I'm going to direct you to
20 the response for Question 30 in DR 1, and it's the
21 management goals. Did you create the response to
22 DR 30? And I can wait until you get there and look
23 at it. It says, Five management goals.

24 A Yes.

25 Q Okay. So they're pretty

1 detailed. Can you kind of walk us through on how
2 you prioritized these and...

3 A Reduce the number of meters,
4 read -- I read these meters -- radio read them, and
5 they -- sorry.

6 Q Excuse me, sir. Are you on call
7 right now?

8 A Yes.

9 Q I wondered. Okay.

10 CHAIRMAN SCHMITT: If you've got a real
11 problem, we can take a break if you need
12 to.

13 THE WITNESS: I mean, it's through calling
14 me now. I don't know who, what this number
15 is, but sorry.

16 CHAIRMAN SCHMITT: If we find out
17 somebody's hit a meter --

18 THE WITNESS: That's what I'm afraid of. I
19 have to answer every call, but this
20 doesn't -- it's a telemarketer number.
21 Sorry. Looks like a telemarketer number.
22 Sorry, guys.

23 CHAIRMAN SCHMITT: We all get those,
24 unfortunately.

25 THE WITNESS: Yes.

1 DR. MATHEWS: The Chairman's student loans
2 have been...

3 CHAIRMAN SCHMITT: I haven't had a student
4 loan in 55 years or so.

5 THE WITNESS: I understand.

6 DR. MATHEWS: I get a call about once a
7 week.

8 THE WITNESS: But, yes. Sorry about that.
9 What were we talking about?

10 BY MS. KOENIG:

11 Q So you were just going to walk me
12 through the five critical projects.

13 A Gotcha.

14 Q And you said you did develop
15 these responses. And they're pretty detailed, so
16 I'd just like you to walk us through it and
17 describe how you prioritize these and...

18 A For this one, whenever I read the
19 meters each month, I'll get some that don't read.
20 Either it's the weather, water -- different
21 variables could be.

22 Q Okay. Let me just stop you. So
23 you have all radio-read meters?

24 A Yes. Yes.

25 Q But sometimes they don't work?

1 A Yes. Yes.

2 Q And then you have to go out --

3 A And manually --

4 Q -- and manually read the ones

5 that don't work?

6 A Yes, manually read --

7 Q And that's what this No. 1 --

8 A Yes. And that is to me going and

9 either changing the wire or changing the meter if

10 it is a bad meter, changing the radio, you know,

11 receiver to it. Just troubleshooting the problem.

12 And I -- there was -- I can change that

13 considerably. I've had -- there at one point I was

14 up to a hundred and -- I think 130 meters each

15 month. They weren't reading properly. And I

16 reduced that down below a hundred now. And that's

17 taken a lot of time out -- you know, given me more

18 time to pursue other things, not having to go back

19 and manually read these or send someone to -- to

20 manually read these.

21 Q And also, I mean, as far as

22 accuracy goes --

23 A Uh-huh (affirmative).

24 Q -- has that affected water loss

25 as far as --

1 A Possibly. I'm sure it has.
2 There has been meters that were faulty and, you
3 know, that weren't working properly, and I changed
4 them out, and I'm sure that has went to some of the
5 water loss because it might not have been --
6 getting paid for the water that was used probably
7 wasn't getting calculated properly.

8 Q Okay. And you said that -- okay.
9 Okay. Let's go ahead and go on to -- the next one
10 is installing backflow preventers.

11 A Yes. On some of these older
12 setters that have been in here since the '60s and
13 '70s, some of them are still original setters, and
14 they don't have -- some of them don't have backflow
15 preventers on them, and that's -- I need to go in
16 and change some of them out that -- you know, that
17 are -- need to be done. Some of them need to be
18 done, and that takes time and, you know,
19 availability.

20 CHAIRMAN SCHMITT: What's the purpose of a
21 backflow preventer?

22 THE WITNESS: It would be to keep from --
23 contaminants from the person's home from --
24 if we ever had a break and I had to shut
25 the main down, if their house is up higher,

1 or a cattle waterer or anything is up
2 higher than my water main, and if I shut
3 the main off, all of that's going to flow
4 back through their meter into my main and
5 it could cause a contamination, and
6 that's...

7 DR. MATHEWS: It's more of a water quality?

8 THE WITNESS: Yes, yes, yes. I guess that
9 would be water -- a water quality thing.

10 DR. MATHEWS: Well, that's important.

11 THE WITNESS: Yes.

12 BY MS. KOENIG:

13 Q Okay. And then the next one is
14 meter vault repairs.

15 A Yes. And as I was saying, they
16 are dated. These meter vaults, some of them are --
17 seem to be made of paper and cardboard. I don't
18 know. Seriously, some of them are literally like
19 cardboard. Then they crumble, and it's hard to get
20 in to -- you know, and that causes the meters not
21 to read properly with the mud that gets in, so --
22 and that's, you know, part of the -- I need to
23 replace some of these meter pits, but that's also
24 finding the time and the hours to be able to do
25 all -- to do that and repairs and...

1 Q And how much would that equipment
2 cost or how much -- the materials, I'm sorry,
3 the -- do you have the parts and the --

4 A Yes. I have the supplies --

5 Q -- pieces?

6 A Yes. I have -- it would be the
7 fact of digging the old meter out, digging it up
8 and putting a new pit in and then repair -- you
9 know, repairing it back.

10 Q So labor is the --

11 A Yes, labor and -- and then the
12 new meter pit, and -- but like I say, that's --
13 it's mainly just that it's covered up and they
14 don't read. And then when the customer, you know,
15 has a leak and you -- I'll go turn it off. I've
16 got to dig it up sometimes, dig the mud off to get
17 to the valve, causing more, you know, time to --
18 before I can get it shut off type of deal.

19 Q Okay. Okay. And then it says
20 Edgewood Subdivision is the focus for all the lines
21 in Edgewood Subdivision. Can you locate that on
22 your map and tell us where that is and if you --

23 A If you see the Cardwell Lane
24 tank? Okay. Do you-all see that the on map there?

25 Q Yes.

1 A If you're looking at it, it would
2 be that -- it looks like a 6 to the right of it.

3 If you're looking straight at it, that little road
4 area there, if you can see that on the subdivision.

5 Q Yes.

6 A I'm sorry. I'm not describing it
7 very well, but --

8 Q I think --

9 A -- that is the Edgewood
10 Subdivision.

11 MS. KOENIG: Commissioners, are you --

12 CHAIRMAN SCHMITT: Uh-huh (affirmative).

13 MS. KOENIG: Okay. I think that's fine.

14 THE WITNESS: Did you-all see it?

15 DR. MATHEWS: I think we got it.

16 BY MS. KOENIG:

17 Q But that says that all the lines
18 in that Edgewood Subdivision are giving you
19 problems. And it says they're thin-walled pipe.
20 Is that BlueMax?

21 A It's --

22 Q Or...

23 A It is -- it is an older -- there
24 is a 2-inch -- 2-inch line that I've had to repair
25 a couple of times, and at that time that was -- but

1 here recently, I've not had too many problems out
2 of that neighborhood since I've repaired it, but I
3 think I had a couple of little small service leaks
4 and a main leak on there.

5 Q Okay. And then the next -- the
6 final one says, Replace all AC pipe, asbestos
7 concrete pipe.

8 A Yes.

9 Q And you don't know how much AC
10 pipe that you have?

11 A Not currently. It's -- I think
12 it's just a -- yeah, it's -- I don't know exact.
13 It is quite a few miles of -- still existing. I
14 think that was original line that was put in.

15 Q All right. And let me just refer
16 you back to -- the 2015 inspection report says
17 there are no records kept as far as like meters and
18 lines and things, that they -- they got a violation
19 for the records that they kept. So is that why you
20 don't know where these pipes are and what -- I
21 mean, what kind of records are you working with to
22 know where the pipe and what kind of pipe is there?

23 A It's just a lack of --
24 inexperience with the system is why I really don't
25 know the type of line and where it's exactly

1 running at. I'm still learning my system at the
2 same time of where, by being able to go look at
3 this map and then go to that site and be able to,
4 you know, put --

5 Q Do you have accurate maps and
6 things there? It's just the matter of time that
7 you haven't been able to prepare for it or, you
8 know, what --

9 A My -- they're pretty accurate, to
10 an extent, you know. I mean, it gives me a general
11 area and then I have to go and manually dig and
12 spot to find the line, but -- but, I mean,
13 that's --

14 Q Okay. And it says that you are
15 zoned.

16 A Yes.

17 Q So there are zone maps?

18 A Yes. We have isolation meters
19 that kind of give us an idea of where the water is
20 going to. We have meters at -- you know, that
21 Mills Lane meter that tells us, you know, that's --
22 tells us what -- how much is going out in this
23 area. We have isolated it to five different
24 sections, our system to five different sections,
25 and that kind of helps us out, determine where the

1 water's going.

2 Q Okay. So it sounds like that you
3 have some parts of the puzzle and some -- some
4 programs and policies, but do you think that
5 your -- you have enough personnel to adequately
6 focus on leak detection at this time?

7 A Not at this current time, no.

8 Q Okay. And in staff's second
9 request, Item 10, you talked about hiring
10 additional employees to focus on leak detection,
11 and you describe that you had changed your mind
12 after looking at the cost analysis.

13 A Yes. Not really changed our
14 mind. We just got to look at it more.

15 MR. TALLEY: This is the second request.

16 It's in the back. The back section.

17 THE WITNESS: Number 10?

18 MR. TALLEY: Number 10 in the back.

19 BY MS. KOENIG:

20 Q Yeah. I'm sorry to jump around,
21 but second request, No. 10. And it discusses the
22 cost of the water loss and water sales and
23 comparing the numbers. So it looks like that
24 you're -- that you were -- were you preparing this
25 response?

1 A This one here, I -- yes, I'd
2 say -- I don't remember quite right offhand, but...

3 Q That's okay. That's okay. But,
4 I mean, it looks like you are starting to look at
5 the numbers, or that you were at this time --

6 A Yeah.

7 Q -- comparing that, and we
8 discussed that earlier, just the amount that it's
9 costing the district in water loss versus --

10 A Uh-huh (affirmative).

11 Q -- you know, what you could
12 afford to do to stop that --

13 A Right.

14 Q -- just doing that analysis.

15 Okay. So you -- the Frankfort -- I'm
16 sorry -- Frankfort -- Farmdale does not have a theft
17 policy?

18 A Not that I'm aware of. Not --
19 not that I'm aware of, no.

20 Q Well, there's no theft policy in
21 your tariff, but -- and it said you had no written
22 policy. But you responded that when theft of
23 service occurs, the meter is simply removed and the
24 customers come into the office -- and I'm sorry,
25 this is second request, No. 22. Sorry. If you

1 want to look at it. But it says that you do have a
2 way to respond.

3 A Yes.

4 Q It says the customer must come
5 into the office and pay the delinquent amount and
6 pay an additional \$60 to reconnect.

7 A Uh-huh (affirmative). Yes. Yes.
8 That -- I have had customers that haven't paid, and
9 I'll go and shut them off and I'll come back and
10 that's on. So once that happens, I pull the meter,
11 you know. So some of the -- some -- I lock off
12 some. I usually lock them off, but sometimes I run
13 out of locks and I don't have enough. You know,
14 I'm going to get more, but -- and a clasp because
15 some of them don't have the -- I don't know if
16 you-all are familiar with setters, but some of them
17 have little locking apparatuses you can just put a
18 lock through, some of them don't, and I have to buy
19 a clasp to put all around it and put a lock on it.
20 And I've had quite a few shutoffs in -- you know,
21 during one month and sometimes I don't have enough
22 clasps, you know. I need to get -- purchase more,
23 but that is --

24 DR. MATHEWS: You've got some amateur
25 plumbers out there.

1 THE WITNESS: Yes. Yeah. And that's part
2 of it. And I'll go back and check it, you
3 know, and it's on and they've been using
4 it. As soon as I find that out, I pull the
5 meter and then they -- they don't get any
6 water --

7 MS. KOENIG: Okay.

8 THE WITNESS: -- you know, until they pay.

9 CHAIRMAN SCHMITT: Let me ask, do you -- in
10 terms of theft or where you detect that
11 people are getting water because they
12 bypass the meter or something, I mean, how
13 frequent is that?

14 THE WITNESS: Not very often. I mean,
15 usually, like I say, whenever I shut them
16 off for nonpayment, it's usually that day
17 or the following day that they'll -- I have
18 to turn them back on because they'll come
19 and pay.

20 But like I say, sometimes there's --
21 that's -- like right now I have a meter out
22 that a guy hasn't paid, and he did it to --
23 did it to me twice, so I pulled his meter.
24 And he still hasn't come in and paid and
25 he's not going to get his meter back and

1 he's not getting any water until he pays for
2 what he used and that -- pretty much what
3 I -- because whenever I shut them off, I
4 write down the number, the last number on
5 that meter so that I know if they come and
6 turned it back on. The next time I go to
7 turn it on, you know, if those numbers are
8 different there, there's something, you
9 know, going down, there's something --
10 they've either turned it on or I've got
11 another issue I need to look at, you know,
12 but that's my -- my procedure is to go --
13 whenever I get them -- get a order to turn
14 them off for nonpayment, I go write down the
15 reading and shut them off and then wait for
16 them to call back to get it turned back on,
17 and if they don't, then that's -- like I
18 say, I'll go check on the meter and make
19 sure they haven't turned it back on.
20 CHAIRMAN SCHMITT: If it's a question of
21 just theft where somebody's bypassing the
22 meter or what -- how do you find that? How
23 do you find -- I can understand if someone
24 is billed and then they don't pay their
25 bill.

1 THE WITNESS: Yes.

2 CHAIRMAN SCHMITT: But -- and it may not be
3 a problem that you have because none of
4 your meters are manually read.

5 THE WITNESS: Right.

6 CHAIRMAN SCHMITT: Except when something's
7 broken and...

8 THE WITNESS: Yes, sir.

9 CHAIRMAN SCHMITT: And there have been a
10 lot of districts where they are. I mean,
11 there are people that get a lot of water
12 and they just don't have a meter at all.

13 THE WITNESS: Yeah.

14 CHAIRMAN SCHMITT: Doesn't seem to be a lot
15 of people looking for those either.

16 THE WITNESS: Yeah, well, that's -- no,
17 that's like I -- yeah.

18 CHAIRMAN SCHMITT: That's a few miles east
19 of here.

20 THE WITNESS: I gotcha. I understand now.

21 CHAIRMAN SCHMITT: All right, Ms. Koenig.

22 BY MS. KOENIG:

23 Q Okay. So it doesn't sound like
24 that you have a policy or procedure in addressing
25 this, but do you see the value in writing that down

1 and having that as part of your operations manual?

2 A Yes, I do.

3 Q And then also to give notice to
4 the customers as far as how their -- excuse me,
5 sorry -- how their bill is handled, like the
6 delinquent bill, how that's calculated and the fee.
7 It sounds like you're keeping track of that, but to
8 give notice on how that would be calculated or...

9 A That's -- I leave that part to
10 our billing. I just -- I -- you know, that's
11 the -- they give out -- we -- you pay by the
12 10th -- your bill is due by the 10th and then we
13 send out red notices, you know, that's...

14 Q But you're going to be in charge
15 of that, right, as general manager?

16 A Yeah. Yes. And I leave that up
17 to my office manager, truthfully, to take care of
18 the delinquency notifications and billing
19 notifications. That is left up to the office
20 manager, yes.

21 MS. KOENIG: Okay.

22 DR. MATHEWS: How much experience does the
23 office manager have?

24 THE WITNESS: Thirty (30).

25 MS. KOENIG: So who is that?

1 DR. MATHEWS: That's about as much as you
2 can ask for.

3 THE WITNESS: Yeah. Jan Sanders.

4 BY MS. KOENIG:

5 Q So does she run --

6 A The billing and the office, yes.

7 Q Okay. And there's only two
8 office employees; right?

9 A Yes. Her and another full-time
10 employee, and they have a part-time lady that comes
11 in to help during the 10th of the month and
12 shut-off times because it does get pretty hectic in
13 there in the office whenever the bills are due.

14 Q Okay.

15 A Everybody comes in at once and
16 tries to pay and it gets kind of hectic sometimes.
17 So they do have part-time help there.

18 Q And do you know, does she keep
19 the records there on site and does she -- or does
20 she send out...

21 A Jan does, I think, yes, keep
22 records there on site.

23 Q Do you use like an accountant for
24 end of the year or...

25 A Yes, we have an accountant. I

1 mean, that -- truthfully, I don't know that -- all
2 the answers to that.

3 Q So I can ask Mr. Toles?

4 A Yeah.

5 Q He'd probably know.

6 Do you track the amount of water used for
7 flushing?

8 A Yes.

9 Q And do you report that on your
10 water loss reports?

11 A Yes.

12 Q And in staff's first request,
13 Item 35, Farmdale District responded that it
14 doesn't map its service connections. Do you know
15 why?

16 A Excuse me?

17 Q Do you know why Farmdale District
18 doesn't map its service connections?

19 A I guess it wasn't procedure
20 before. But I think on a lot of our new maps,
21 they -- I think they have them indicated -- service
22 lines indicated on our newer maps that we get on
23 new projects, I think.

24 Q So service lines and then -- so I
25 believe it's -- this is the service connection. So

1 it would be the valve?

2 A It would be your service -- yeah.
3 The service connection to me is the corp, the
4 saddle and the line feeding to the meter, the
5 service line going to the meter. That's service
6 connections.

7 Q Okay. And you -- Farmdale
8 District doesn't have any master meters. They just
9 rely on Frankfort Plant Board; is that correct?

10 A We have purchased meters. We
11 have three purchased meters from the plant board
12 and then we have what I call isolation meters, I
13 guess, as master meters.

14 Q Zone meters?

15 A Yeah, zone meters is what I call
16 those. That we have five of those, but...

17 Q So -- but you said from the plant
18 board. So the plant board checks the --

19 A Uh-huh (affirmative).

20 Q -- the amount of water that
21 you're buying from them?

22 A Yes.

23 Q They are the ones that...

24 A Yes. And we get a report from
25 them each month of what we've purchased, and that's

1 what I use my numbers against is what we've
2 purchased and what we've sold.

3 Q Is that ever tested or do you
4 ever get a record for when they've tested?

5 A We had those tested -- they test
6 those quite regularly. They will change the inner
7 workings out every other year and do a test every
8 other year. They will do a test one year and then
9 replace the inside mechanisms the other year. So
10 it's done yearly, I guess.

11 Q Okay. Do you have any opinion as
12 to why the water loss has been a problem for so
13 long other than what you've already stated as far
14 as not having enough employees to address the
15 situation or...

16 A Just the older -- older lines and
17 from the -- with the record, looks like it was --
18 we had a new tank added in 2012, that Stewart Home
19 tank added on to an older system, and it's caused a
20 lot of pressure to go up causing, I think, these
21 older lines to break after a while. It's causing a
22 lot more force on these older lines and that's what
23 I was -- what I've seen with the numbers and what I
24 was pretty much told by the predecessor.

25 Q Okay. And I'm sorry to ask you

1 to repeat, but I couldn't hear the first part.
2 What caused the uptake in pressure is the repairs?

3 A Stewart Home. Stewart Home. A
4 tower was put in. The new tank was put in in 2012
5 on an older system that was put in --

6 Q Okay.

7 A -- in '66, and they added a new
8 tank that's caused the pressure in some of these
9 parts to go up to 120 pounds on these lines.

10 Q Okay.

11 A So there's -- you know, that's a
12 considerable amount on an older system. And I
13 think that's why a lot of these lines are breaking
14 is there's a lot of pressure on the old system.

15 Q I'm sorry to go back to the meter
16 readings for the Frankfort Plant Board where you
17 purchased the water. Do you ever read the meters
18 yourself just to verify the reading?

19 A Sometimes if I try -- to try to
20 kind of isolate where, but the majority of the time
21 it is read by them and I just get the report from
22 them. That was -- I didn't really know that I
23 needed to read them every -- you know, every day
24 with my isolation meters. But that -- I didn't,
25 you know -- no.

1 Q Okay. And as part of when you
2 came on board and -- did you -- did you read the
3 regulations, the PSC regulations as far as
4 operations?

5 A I've -- yes, I have read -- I've
6 read my operating manual that I -- that's what I
7 read, and -- and kind of go by is the operating
8 manual that I have. That's...

9 MS. KOENIG: Okay. I don't have any
10 further questions. Thank you so much.

11 CHAIRMAN SCHMITT: Vice Chairman Cicero,
12 questions?

13 EXAMINATION

14 BY MR. CICERO:

15 Q How many hours do you work in a
16 month? Or even in a week, if that's easier.

17 A In a week? Over 45 -- about 45
18 at the -- at the least.

19 Q So 45 to what?

20 A To sometimes 55. It depends
21 on -- depends on the situation.

22 Q Forty-five (45) to 55 hours a
23 week. How much of that would you say is spent
24 outside with maintenance or repair?

25 A Majority of it. Probably a good

1 80 to 90 percent of my time is trying to repair
2 meters or service lines or mains.

3 Q So when you have a major leak and
4 there's just the two of you, how do you do a
5 repair? Do you call in a contractor?

6 A Just -- I call in a locate,
7 emergency locate, and I have to sit and wait until
8 they get it located or call me and let me know that
9 I have nothing in that area, and then I fix it
10 myself if I can. If it's like -- I haven't had
11 anything too major that I can't do on my own, and
12 if I do, I can call -- I call BP Pipeline if it's
13 something that he -- you know, it's someone that
14 they will come and help me right then and there,
15 you know, but --

16 Q So you have a leak that occurs
17 beside a highway and you've got to excavate it,
18 would you operate the excavator --

19 A Uh-huh (affirmative).

20 Q -- and have a dump truck there,
21 and the other guy will drive the dump truck? And
22 who would you have flag? I mean, how do you
23 actually make that work?

24 A Carefully. Very carefully. And
25 it's...

1 CHAIRMAN SCHMITT: Admire your prudence and
2 judgment.

3 THE WITNESS: I mean, that's -- I just do
4 it. I got -- you know, I got to get it
5 done.

6 BY MR. CICERO:

7 Q As a former small business owner,
8 I understand the cost-saving effort that is going
9 on.

10 A Okay.

11 Q I don't -- that's not lost on me,
12 okay? I'm just trying to -- from the perspective
13 of safety and --

14 A Yes, sir.

15 Q -- practicality, where we're
16 going here.

17 A Yes, sir.

18 Q What type of equipment do you
19 have for doing leak repair?

20 A I have a Case backhoe, and
21 currently I have been renting a smaller trackhoe
22 that doesn't tear up the yard as much, and I can
23 get in in small -- you know, in wetter areas than I
24 can with the bigger backhoe that we had. I'd get
25 into a leak with it and it gets stuck sometimes and

1 then I have to either tear the yard up more to get
2 it out or call a wrecker and come pull me out.

3 And that's, you know -- but we've -- we're
4 in the process of buying some used equipment. And
5 then I've been renting from General Rental here in
6 Frankfort a smaller excavator track -- trackhoe type
7 and been using that for the lesser jobs or -- yeah,
8 I guess it would -- and most of the jobs that
9 require me getting --

10 Q Dump truck?

11 A Do not have one.

12 Q Trailer?

13 A In the process of getting a dump
14 bed trailer right here within weeks.

15 Q Pickup trucks?

16 A They have trucks, yes.

17 Q One or two? Three?

18 A Two.

19 Q You and the other --

20 A Yes.

21 Q -- operator drive those two?

22 A Yes.

23 Q Drive them all the time, home,
24 whatever?

25 A I do take my vehicle home for --

1 because I'm on call all the time, but other --

2 Q Believe me, for as many hours as
3 you're putting in, I don't know how you could not
4 drive it home.

5 A Yeah, it's...

6 Q There's no argument there.

7 A But the other employee does not,
8 no. He drives his own personal vehicle home,
9 leaves that other vehicle at the shop.

10 Q So let's switch. All this time
11 you're spending out in the field, shorthanded, you
12 read meters when they're broken, you repair meters,
13 you repair leaks. Maintenance on the vehicles, I
14 guess you take locally. But all of that is under
15 you and one other person to make sure that that's
16 completed. And I don't know how you find time to
17 go on vacation or do anything else, or get sick,
18 because --

19 A That's right.

20 Q -- I'm not sure what happens when
21 that occurs.

22 A Kind of stay away from everybody
23 else in the office and I come to work with a cold.
24 Rain, sleet or snow, like the mailman, I'm here all
25 the time.

1 Q So let's switch to the other
2 side, which is the office. You're the general
3 manager?

4 A Uh-huh (affirmative).

5 Q General managers usually have
6 responsibility for both inside and outside. And I
7 know why you're focusing on outside. But that
8 leaves the inside. And you have two and a half
9 people basically?

10 A Yes.

11 Q And your current office manager
12 has been there 30 years?

13 A Yes.

14 Q Which is good and bad. Thirty
15 years means lots of experience. Thirty years means
16 approaching the end of the career probably.

17 A (Witness nods head.)

18 Q You're heavily dependent on that
19 person to provide you -- provide any information
20 you need, but make sure the office runs.

21 A Yes.

22 Q So how much time would you say
23 you spend with that person to understand what's
24 going on in the office?

25 A Not very much.

1 Q Not very much. So really that
2 office manager is probably doing a lot of the
3 duties you should be doing but don't have time to
4 do; right? No criticism there, okay?

5 A Yeah, I mean, on the billing
6 side -- that's mainly what she takes care of, the
7 billing, the calls, the customers. She writes up
8 my reports of what -- the customer complaints or
9 requests and -- and she kind of writes up the
10 reports and directs me to where I need to go next
11 is kind of, you know, what she does.

12 But she takes care of all the billing and,
13 you know, the -- but I do -- I do my -- the PSC
14 Commission reports, I do my MORs for the Division of
15 Water. I do that.

16 We've considered bringing David in to help
17 me out on that. He has helped me out a couple of
18 times on some of the paperwork when I've been
19 behind. I'll call him, like, Hey, can you come in
20 and, you know, do my MOR for me, or something like,
21 you know, different things like that, and he has
22 helped when he's been available, but that's, you
23 know, the...

24 Q So you have a procedure that you
25 follow for the field?

1 A Yes.

2 Q Does she have something similar
3 in the office?

4 A Yes.

5 Q So she actually has a set of
6 procedures that she follows that talks about if
7 there is theft, as far as what you've said occurs,
8 she knows how to do that in the office?

9 A Right. We don't have -- there is
10 no written policy of that. We do not have a theft
11 policy. We don't really deal with it a lot, but
12 whenever it does occur, I just pull the meter and
13 keep them locked off. That's -- that's what we do
14 with our, you know, theft part of it. But other
15 than that, there's -- I don't know.

16 Q Is there a procurement policy on
17 purchases?

18 A Excuse me?

19 Q How purchases are handled, who
20 approves them, who does bill matching, and who
21 pays --

22 A I think that goes to our
23 treasurer. He does the -- I think he looks over
24 all the --

25 Q Okay. But I'm just asking if

1 there's a written policy.

2 A Not that I'm aware of for that,
3 yeah.

4 Q This is the type of manual that
5 I'm referring -- just like all the things that you
6 have in knowledge and experience on outside --
7 without the same degree of difficulty because
8 weather is not involved, those functions that are
9 pertinent to the administrative side means that
10 they should have something -- while 30 years is
11 good, nobody lives forever, and that means that
12 there's going to be transition.

13 And during transition, that's when usually
14 written policies help to make certain that
15 everything goes forward smoothly. And with such a
16 small office staff and a small outside group, if you
17 don't have those to follow -- like the chairman
18 said, you could be in a car accident. God forbid
19 anybody can't go to work because of whatever happens
20 that forces them not to, but it does occur.

21 A Yes.

22 Q And that's why those type of
23 policies are typically written down. And there's a
24 lot of water districts and utilities and the Public
25 Service Commission that can help direct somebody on

1 how to establish written policies and procedures.
2 And I'm sure part of this whole process is going to
3 be talking about those types of deficiencies and
4 possibly offer recommendations on where to go to.
5 So those type of policies should be written down.

6 Who does the primary accounting for the --
7 is it the office manager that makes all the general
8 journal entries or does she -- do you depend on an
9 outside accountant?

10 A I don't know. She -- she does
11 the -- I think we have a company -- a CPA that
12 audits us regularly. I'm not sure. I can't answer
13 that question. I don't know.

14 Q Okay. So I'll ask the chairman;
15 I'll ask your commissioners how that works.

16 But typically, even if you have an inside
17 office manager and they're making journal entries,
18 there's certain year-end entries that require
19 advice, like depreciation schedules, that write-off,
20 whatever it may be, usually they're giving advice,
21 and I'm just curious how that works. But I'll --

22 A Yeah, I think we do have an
23 accounting firm that does help us on that, and I do
24 recall --

25 Q That group is different from who

1 audits.

2 A Gotcha. Then I do not know that
3 question.

4 Q There's two different --

5 A I do not know that question.

6 Q There should be two different
7 entities.

8 A Yes, sir. I do not know that
9 question.

10 Q How often do you meet with the
11 board?

12 A Monthly. The first Friday of
13 each month.

14 Q Okay. So when you meet with the
15 board, do you go over invoices that are due,
16 whether they should be paid, what your planning is
17 for the upcoming period of time, whether we're
18 going to do meter inspections over the next four
19 weeks or whether we have these major lines, or is
20 it more of a --

21 A It's more of me presenting my
22 water loss to them and kind of going over a plan of
23 what we -- what needs to be done. And it's just
24 mainly talking about new items in -- and what, you
25 know -- mainly it's been the project here lately

1 that's going to be going in within -- here soon for
2 the Green Wilson. We're replacing AC lines for
3 that. That's mainly -- here lately is what we've
4 kind of been discussing.

5 We also have a trailer park that is going
6 from a master meter to a bunch of individual meters
7 and that's going to give us 52 new customers, and
8 that's kind of mainly what we've been talking about
9 here lately. That's been what's on the agenda, and
10 this -- the PSC meeting.

11 Q So, again, that's the maintenance
12 side, now, or the -- for future development or
13 whatever it may be.

14 How about on the financial side, is there a
15 report that's presented to the board?

16 A Yes. Yeah. The treasurer brings
17 that and pretty much states what we've spent and
18 lets me know that I've been working in the negative
19 sometimes because that's -- you know, I've had
20 bores and different things, but that's, you know...

21 Q This is the treasurer of the
22 commission?

23 A Yes.

24 Q And he or she receives their
25 report from the office manager?

1 A Yes.

2 Q So you don't have an opportunity
3 to look at the report before it goes to the
4 treasurer, or do you?

5 A If I -- I could, but like I say,
6 the majority of the time I'm in the field, you
7 know, that's...

8 Q Again, it's a matter of how much
9 time is available?

10 A Yes, sir.

11 Q So the average bill for your
12 customers is \$30.40, basically, for consumption of
13 4,000 gallons per month, which is really pretty
14 reasonable. And you haven't been in for a rate
15 increase since 2013. Is there a lot of increasing
16 or applying for a rate increase in order to address
17 some of the manpower issues, and you talked about
18 being in the red for cash flow purposes or...

19 A That -- I mean, that -- that
20 was -- that's not -- I don't see that as my
21 decision on the rate increase, truthfully. I don't
22 know about that part of it.

23 Q I think we had this discussion
24 yesterday with another utility. Typically, a
25 general manager -- and I understand you're

1 understaffed, so it's not going to be the typical
2 structure. But typically a general manager would
3 present to the board a plan of action with some
4 options, and the board would -- it will be just
5 like you're a CEO of a business and you're
6 reporting to a board that makes the ultimate
7 decisions on the corporation from a long-range
8 macro perspective and you're giving them options on
9 what to do.

10 Now, I understand your situation is not
11 going to allow that to happen. But on the other
12 hand, it should be a lot of your input that goes to
13 the board, making recommendations on what to do,
14 whether you need a rate increase because you -- but,
15 again, that's going to require an interface with
16 your --

17 A Accountant.

18 Q -- accounting or business manager
19 that says --

20 A Yes.

21 Q -- and I'm not sure what his or
22 her name is, but, you know, This is happening,
23 which direction do you want to go? And then from
24 your perspective you would be saying, Looking at
25 what I know here and what's going on over here,

1 this is the direction. I do think we need a rate
2 increase or we don't need a rate increase or
3 whatever.

4 Again, I understand you've only been there a
5 little over a year, so that's a difficult...

6 A Me, myself, I kind of do -- I
7 don't want a customer rate increase because that is
8 kind of the one good thing about us compared to the
9 plant board, is that we buy purchased water from
10 the plant board and we can sell it cheaper than
11 what they sell it to their customers. I kind of
12 like that in a way because it --

13 DR. MATHEWS: I don't.

14 CHAIRMAN SCHMITT: Commissioner Mathews
15 doesn't like that. She's a customer of the
16 plant board.

17 A But that's -- I mean, you know,
18 that's -- truthfully, that's, you know, a plus for
19 being on our -- in our water district is the way I
20 see it. But I -- that's more of the numbers game,
21 and that's the part that I'm still learning.

22 Q So it's not a matter of not
23 keeping your rates low or whether you purchase
24 water, produce water, but in order to make certain
25 that your infrastructure is going to be maintained

1 for the future, if you don't generate enough cash
2 to put it in a depreciation account that says, I've
3 got this reserve so that when I'm doing these
4 projects -- and I'll ask your commissioners about
5 their interaction with your outside engineers. But
6 in order to do those projects, if you're not
7 generating enough cash to build some kind of
8 reserve, you're either going to borrow it, if you
9 have the cash flow to pay the loan, or you have
10 something in the reserve that helps you make that
11 investment --

12 A Yeah.

13 Q -- and if you don't generate cash
14 through your rates, then you can't do those things
15 that you need to do in order to ensure the
16 viability of the operation going forward.

17 A Yes, sir.

18 Q So everybody likes cheap rates,
19 but on the other hand, water loss --

20 A Yes, sir.

21 Q -- if you reduce that -- we've
22 already talked it's either 92,000 or 137,000, it's
23 somewhere around that six-figure number, that says
24 I could do a lot of things if I reduced my water
25 loss by maintaining my infrastructure, which you

1 don't want the rate -- the water loss rate going
2 up, obviously.

3 A Yes.

4 Q The goal is to bring it down.

5 A Yes.

6 Q Do you know how much money is in
7 your accounts or your total value of your --

8 A No, not right off.

9 Q Okay. Is the treasurer here?

10 A Yes.

11 Q All right. So I'll ask that of
12 him.

13 MR. CICERO: I think that's all I have,
14 Chairman.

15 CHAIRMAN SCHMITT: Why don't we take a
16 break until 25 until 11:00. We've been at
17 it a little bit. So we'll be in recess
18 until 10:35.

19 (THEREUPON, A BREAK WAS TAKEN.)

20 CHAIRMAN SCHMITT: We are now back on the
21 record.

22 Commissioner Mathews, you have
23 questions of this witness?

24 DR. MATHEWS: I do.

25 * * * * *

1 EXAMINATION

2 BY DR. MATHEWS:

3 Q Do you have the document that
4 your counsel handed -- the Farmdale annual water
5 loss graph that looks like this?

6 A Yes. That's the yearly one?

7 Q The yearly one.

8 A Years. Years.

9 Q The yearly one.

10 A Yes. Yes, I have that one here.

11 Q And then lets keep the map.

12 A Yes.

13 Q And I have a question for you.

14 I heard earlier that the installation of the
15 Stewart Home tank, which I can see on the map, is
16 the reason that it's believed that there are all
17 these new leaks; right?

18 A (Witness nods head.)

19 Q Did it take two years for those
20 leaks to start showing up, and almost three,
21 because --

22 A That would be before my time.

23 Q -- the tank went in and -- right.

24 A Yeah.

25 Q The tank went in in 2012. The

1 high leaks are -- they peak in 2015. So three
2 years to...

3 A I guess so.

4 Q And does that tank impact the
5 Edgewood --

6 A No.

7 Q -- section?

8 A No, ma'am.

9 Q Which you said was a particular
10 section that --

11 A Yes.

12 Q -- that you've just now gotten
13 under control because it was older?

14 A Yes. Older lines, yes.

15 Q So the -- the narrative of the
16 tank causing all the -- you know, causing the
17 increase in leaks is maybe to some extent true, but
18 it's -- likely it's the aging infrastructure --

19 A Yes.

20 Q -- that really --

21 A It would be more into that, that
22 putting the new tank on an aging --

23 Q The tank was -- right.

24 A Yes. Yes.

25 Q With maybe the -- speeded it up a

1 little bit.

2 A Yes.

3 Q But it really is the aging
4 infrastructure and the maybe delayed maintenance
5 over the years or...

6 A (Witness nods head.)

7 Q And prior -- and I know you may
8 not know this, but I just want to kind of ask and
9 maybe if you don't have -- I don't have in front of
10 me all of the information.

11 Prior to the 2013 rate case, do you know
12 when the -- the last rate case prior to that one
13 would have been?

14 A No.

15 Q So that's something I could ask
16 Mr. Toles you think?

17 A (Witness nods head.)

18 DR. MATHEWS: That's all I have.

19 CHAIRMAN SCHMITT: I know that your duties
20 as general manager include the office, but
21 you haven't had much time because of the
22 necessity of spending time away to do
23 office work, but since you are the general
24 manager, I need to ask these questions, and
25 if you don't know it, then we'll follow up

1 with the chairman.

2 Do you know the -- do you know the
3 name, identity of the auditor, the
4 accountant who audits Farmdale?

5 THE WITNESS: Kenny? Kenny Black --
6 Blackwell; is that correct? Kenny
7 Blackwell? I think that's his name. That
8 is our -- I don't know.

9 CHAIRMAN SCHMITT: Is he from Frankfort?
10 Is he here locally, or do you know?

11 THE WITNESS: I do not.

12 MR. TALLEY: Mr. Chairman, Harrod &
13 Associates is the name of the firm here in
14 Frankfort. H-A-R-R-O-D. And
15 Mr. Blackwell, I think, is the accountant
16 for that firm that actually does the --
17 Farmdale's work. But Mr. Toles will be
18 prepared to answer that.

19 CHAIRMAN SCHMITT: What I was going to ask,
20 we don't have any audits on file ever for
21 Farmdale, and I'd like to make a data
22 request, and we'll do it in writing, for
23 the audits, for the last five audits that
24 have been performed.

25 Usually I think the audit -- and

1 correct me if I'm wrong, but on the annual
2 report it'll say that we've been audited and
3 then it'll say, if so, then file a copy, but
4 apparently they haven't filed and we haven't
5 picked up on it until now when I asked to
6 see the most recent audit.

7 MR. TALLEY: I do know for a fact that the
8 annual report has been filed recently and
9 the audit was presented to the Farmdale
10 Water Board at their July board meeting.
11 It's hot off the press. I got mine
12 yesterday.

13 CHAIRMAN SCHMITT: Well, yeah, we don't
14 have that. We don't have any of the other
15 audits either for the last five years.

16 EXAMINATION

17 BY CHAIRMAN SCHMITT:

18 Q What about -- what about -- so we
19 don't know anything about, you know, cash, cash
20 flow or what's available to get you the equipment
21 that you need.

22 What about inventory, your inventory of
23 parts, materials, meters? Can you tell us about
24 that? Do you need more inventory?

25 A I just -- I give -- I have

1 supplies in my shop, yes. I have some inventory
2 for in case of emergency type -- bands,
3 different...

4 Q Pumps. What about pumps?

5 A Yeah, I have pumps, too, for
6 leaks, yeah, whenever I've repaired. I have -- I
7 mean, I can get -- get supplies. I mean, that's no
8 problem.

9 Q I guess is your inventory
10 adequate as far as you're concerned?

11 A Yes, to an extent. To -- you
12 know, to have what I need until I realize I don't
13 need it, but I go pick it up, you know, it's -- I
14 guess I have inventory. Usually try to keep
15 stockpiled at least five to -- four to five
16 different, you know, you know, pieces of pipe or --

17 Q What about the meter inventory?
18 I know your meters aren't real old.

19 A Correct.

20 Q Do you have spare meters?

21 A Yes, sir. Yes, sir.

22 Q Like about how many? Estimate.

23 A I have -- I think I have like
24 probably two boxes, which would be, I guess, a
25 dozen. I buy them by the box whenever that -- get

1 low on one box, I'll go ahead and order another one
2 and go pick it up to have it in reserve just in
3 case. That has -- that -- I do have some in
4 reserve. And like I say, sometimes I dig it up and
5 then I find out what the problem is and go to the
6 shop and, like, Ah, I don't have it, now I have to
7 go pick it up.

8 Q In terms of getting parts -- and
9 I know you're in an area where it's probably easier
10 for you to get parts quickly --

11 A Uh-huh (affirmative).

12 Q -- pumps, meters, whatever, than
13 it is in some parts of the state.

14 A Uh-huh (affirmative).

15 Q But how is it -- well, if you
16 needed a pump, if you need something from
17 Thornburg's --

18 A Uh-huh (affirmative).

19 Q -- or something --

20 A Uh-huh (affirmative).

21 Q -- how long would it take you to
22 get a pump or parts or -- in that you might need in
23 an emergency?

24 A Drive time, 30 minutes to an hour
25 there and back, a little over an hour there and

1 back, getting the parts and getting back.

2 Q Where would that be? Louisville?

3 A Lexington?

4 Q Lexington.

5 A Yes, sir.

6 Q Your equipment, you've got two
7 pickup trucks, you have a backhoe and you're
8 renting a smaller piece of equipment, a trackhoe or
9 a track-something.

10 A Yes, sir.

11 Q Anything else? Any other type of
12 equipment that you have or equipment that you'd
13 like to have but you don't have now?

14 A Not that I can think of offhand.
15 We are in the process of getting a used boring
16 machine, a smaller version of a boring machine.

17 Q Under driveways? Roads?

18 A Yes, to get under driveways and
19 roads. That way I don't have to call out -- call
20 BP Pipeline or someone else to come in and pay them
21 to do it if I can do it, you know. And that is --
22 that is one thing we've mentioned, that we are in
23 the process of getting that here within a week or
24 two or so.

25 Q Are you capable of testing

1 meters?

2 A Not at my office. Not here. But
3 when I -- I take them out, replace it with a
4 alternate meter, a newer meter, and send it to
5 C.I. Thornburg, they test the meter, send back the
6 information of what the readings were and whether
7 it was good or not, and that takes sometimes a week
8 or sometimes more for that.

9 Q I know -- I think I saw -- and
10 perhaps I'm wrong because we see so many with 11
11 different entities. But I think that in response
12 to data requests, the -- maybe the previous general
13 manager, maybe Mr. Robinson, which you said was on
14 a salary, but you are paid on an hourly basis; is
15 that correct?

16 A I do not know what he was paid,
17 how he was paid.

18 Q Are you paid by the hour?

19 A Yes, sir.

20 Q And I think it said \$20 an hour;
21 is that correct?

22 A Yes, sir.

23 Q And do you have to turn in time
24 to anybody?

25 A I sign -- sign in and out each

1 day, yes. Turn --
2 Q With the time --
3 A Yes, sir. Yes, sir.
4 Q -- you sign in at 8:00 or 7:30 --
5 A Yes, sir.
6 Q -- and leave at 6:30 p.m. or
7 something; right?
8 A Yes, sir.
9 Q Now, does somebody then take your
10 time card or your time sheet and then compute your
11 hours times your hourly rate? Is that how you're
12 paid?
13 A Yes.
14 Q So are you eligible for overtime,
15 working 55 hours or so a week?
16 A Yes. Yes. I get paid overtime.
17 Q And overtime is time and a half
18 over 40?
19 A Yes.
20 Q And so I take it that you
21 probably get a good bit of overtime. With what you
22 say --
23 A Yeah.
24 Q -- and I'm not criticizing, I'm
25 just saying you work hard if you're working, you

1 know, 50, 55 hours a week.

2 A It's usually an average -- it's
3 usually an average of about 45. You know, about --
4 that's about what I average is about 45 hours a
5 week, and that's, you know...

6 Q I've always believed whatever it
7 says. And I guess this is a quote from a John
8 Wayne movie, which is a quote from the Bible
9 somewhere about a workman is worthy of his hire;
10 right?

11 A Uh-huh (affirmative).

12 Q So, no, I don't begrudge you the
13 money. I wish you had more.

14 A Me too.

15 Q I just -- you and Mr. Talley.
16 You and Mr. Talley. A lawyer's worth all he can
17 get; right?

18 A Yes.

19 Q So I would -- your -- Jamie;
20 right?

21 A Yes.

22 Q Can you tell me how much Jamie
23 makes? I suppose he's an hourly employee also;
24 right?

25 A He is. We don't discuss other

1 people's pay. I mean, but I think he makes \$15 an
2 hour; is that correct?

3 MR. TOLES: He just got a raise.

4 A He just -- yes, to 15.

5 BY CHAIRMAN SCHMITT:

6 Q You hired him; correct? Or did
7 the board hire him?

8 A The board hired him.

9 Q And when they hired him, were you
10 the general manager?

11 A Yes.

12 Q And the board set his salary and
13 you didn't set it; correct?

14 A Correct.

15 Q I apologize if Commissioner
16 Cicero's asked this question. He may have.

17 Are you familiar with any -- basically any
18 discussions or conversations between the
19 commissioners at Farmdale and any other utility,
20 such as Kentucky American Water Company, about a
21 potential purchase --

22 A No, I haven't.

23 Q -- about the sale of Farmdale?

24 A No.

25 Q Or any -- any consideration by

1 Farmdale of merging with either Frankfort Plant
2 Board or any other -- any other rural water
3 district?

4 A We talked about that we don't
5 want that to happen. I mean, that's the discussion
6 is that, no, we don't want to be.

7 Q Yeah. I think maybe we mentioned
8 that -- talked about it a little. Tell me --
9 elucidate me -- elucidate me on this. What is the
10 reason why you wouldn't want that to happen?

11 A Because that -- to me, I feel
12 like I would be out of a job.

13 Q Well, okay. That's a valid
14 reason. That's a valid reason. All right.

15 Other than that, all right, are there any
16 other reasons?

17 A Me, for the customers. I mean,
18 truthfully, the customers that I have, if they --
19 if the plant board takes it over, their rates are
20 going to go way up. I mean, and that's -- I mean,
21 they may be happy with the -- all the -- having
22 plant board people everywhere and all over the
23 place, but I don't think they're going to be happy
24 with how much their rate goes up. It's that -- you
25 know, I don't know.

1 Q Well, I wondered if that's
2 because -- for reasons expressed by the general
3 manager of the plant board, they sell water to
4 other utilities at wholesale for less money than
5 they charge their own customers.

6 CHAIRMAN SCHMITT: Isn't that correct?

7 DR. MATHEWS: Yes, that is correct.

8 BY CHAIRMAN SCHMITT:

9 Q And they do that on the basis
10 because they want to sell all the water they can;
11 right?

12 A Yes.

13 Q They don't care about making
14 money. They like to sell water.

15 A Right.

16 Q At some point, though, wouldn't
17 you believe that your rates, if -- as you point out
18 in the data requests that there are 40 to 50 miles
19 of this asbestos concrete pipe that need to be
20 replaced, that's going to cost a fairly sizeable
21 amount of money.

22 A I don't know how accurate that
23 number is, but, yes, there is AC line that does
24 need to be taken out.

25 Q Somebody said that, it's in

1 the --

2 A Yeah, it is, but I don't know if
3 that number was correct.

4 Q Whatever it is --

5 A It says approximately --

6 Q -- it's going to cost a lot of
7 money to replace the line.

8 A Yes, sir.

9 Q And whatever -- whatever is done
10 in terms of fixing infrastructure, the Edgewood
11 Subdivision, the mile where the -- I guess you --
12 maybe that's where the tank is --

13 A That's where it makes --

14 Q -- and you've got a lot of
15 brittle, old line that needs to be replaced.

16 A (Witness nods head.)

17 Q Whatever it is, the costs have
18 to -- ultimately all costs are passed on to the
19 customer, aren't they, in one way or another? If
20 they aren't passed on now, when something breaks
21 down in ten years and you either get a grant or
22 you've got to borrow money, but to the extent --
23 somebody is paying for it; isn't that right?

24 A We have a reserve, and that's
25 mainly what we've been doing a lot of our projects

1 out of here recently is the reserve money that
2 we've had from collecting up through before I was
3 here, and that's what we've been using to do a lot
4 of our maintenance, repairs and upgrades to the
5 fire hydrants at that time. We were paying for it
6 out of, I guess, our bank reserve.

7 Q How much is in the reserve now?

8 A Do not know.

9 Q How much was spent out of the
10 reserve in order to fix the fire hydrants?

11 A Over -- probably over 100,000.

12 MR. CICERO: Therein lies the question:
13 What was the balance, what was spent, and
14 what is remaining?

15 THE WITNESS: That would be -- I couldn't
16 answer that.

17 MR. CICERO: I know. We're waiting our
18 turn.

19 BY CHAIRMAN SCHMITT:

20 Q I guess all I'm saying is I
21 understand that you have a small water district,
22 less than 3,000 customers. And ultimately, over
23 time, your costs are going to go up and your
24 sales -- you're in an area that is likely to grow,
25 and so not -- in most rural areas sales are going

1 down, if for no other -- I mean, one, they lose
2 population, but even if you don't, the advances
3 made in water use or water conservation for
4 toilets, dishwashers, washing machines, ultimately,
5 you know, it's -- your costs are likely to go up,
6 and you have -- don't have a lot of people to
7 spread those costs over. When you buy things, you
8 can't -- you're not going to buy as much in bulk as
9 Frankfort Plant Board is; right?

10 A Yes, sir.

11 Q Or some other -- or you could if
12 you had a cooperative agreement with other
13 utilities.

14 A Uh-huh (affirmative).

15 Q That's all I'm saying. In
16 looking to the future, it seems to me difficult to
17 sustain small water districts that -- you know, on
18 an economic basis because at some point if your
19 infrastructure deteriorates enough because rates
20 aren't kept up, then ultimately the customer loses.

21 A Uh-huh (affirmative).

22 Q That's what he's paying for. The
23 customer wants good water. And you're supplying
24 good water --

25 A Yes.

1 Q -- I'm assuming on a reliable
2 basis. But at some point if you don't replace some
3 of these lines or do something with the leaks,
4 that's not going to happen; right?

5 A Yes, sir. True.

6 Q How is your water quality? How
7 are you -- are you in good standing with Division
8 of Water?

9 A Yes, sir.

10 Q Have you had any issues with
11 water quality?

12 A Not that I know of, except for
13 this recent distillery fire that we had here, and
14 the water has -- or the bourbon went into the
15 river. I did get a call from the plant saying that
16 we may have a high carbon base now; that it is safe
17 to drink, but it will smell sweet and taste like
18 bourbon. So you have to -- you have to chase your
19 water now with some Mountain Dew or something,
20 but...

21 MR. CICERO: That may not be a
22 disadvantage.

23 DR. MATHEWS: Not that I know what that
24 tastes like or anything, but I've heard.

25 THE WITNESS: But other than that, that is

1 the -- I haven't heard anything from -- any
2 complaints.

3 BY CHAIRMAN SCHMITT:

4 Q They'll put you on the Bourbon
5 Trail.

6 A Yes.

7 Q Do you treat any water at all?

8 A No, we don't treat it.

9 Q Everything comes from Frankfort?

10 A Yes, sir.

11 Q And you don't have to -- if you
12 had a water quality issue, it would ultimately go
13 back --

14 A Yes.

15 Q -- to Frankfort; correct?

16 A Yes, sir.

17 Q And they're the sole supply of
18 your water --

19 A Yes, sir.

20 Q -- correct?

21 A Yes, sir.

22 Q And your service territory is
23 entirely in Franklin County?

24 A We do -- do have some, I think,
25 across the Anderson County line and some in the

1 Shelby County line -- over across the Shelby County
2 line, too.

3 Q Are some of your customers
4 actually within the city limits of Frankfort?

5 A No.

6 Q No.

7 A Unless that -- is Big Eddy
8 considered? Because that's the only time we cross
9 the interstate. That's not considered inside the
10 city, is it? No. No one else.

11 MR. CICERO: My only comment would be what
12 the chairman said. As long as the water
13 delivered to you is good, that it should be
14 good. But we know from our experience with
15 Martin County that if your leaks are bad
16 enough, you do have contamination that
17 comes back into the lines before it's
18 delivered to the ultimate customer, which
19 is another reason why --

20 THE WITNESS: Yes, sir.

21 MR. CICERO: -- leak detection and repair
22 is so important, because you're paying for
23 that water -- or the customer's paying for
24 that water. And by the time it gets to
25 their delivery point and it's been

1 contaminated --

2 THE WITNESS: Yes.

3 MR. CICERO: -- then you're paying for
4 water that ultimately is no good to them,
5 so...

6 THE WITNESS: Right. And if you have a
7 leak, pretty much the chlorine is lower
8 further past that leak and you're not
9 getting a better water quality.

10 MR. CICERO: Right.

11 THE WITNESS: Yes, I agree. I understand
12 that. Yes.

13 DR. MATHEWS: But your only water quality
14 is if there's a leak and you have to do a
15 boil-water advisory while you're -- after
16 you fix it.

17 THE WITNESS: Yes. Yes.

18 CHAIRMAN SCHMITT: I have no further
19 questions.

20 Mr. Chandler?

21 MR. CHANDLER: Thank you, Chairman.

22 EXAMINATION

23 BY MR. CHANDLER:

24 Q Good morning, Mr. Armstrong.

25 A Good morning.

1 Q So there has been discussion
2 about your responsibilities. I want to go back to
3 some of the Chairman's questions about the hiring
4 of employees, particularly field employees. So can
5 you explain when -- is it Jamie? Is that right?

6 A Yes.

7 Q When Jamie got hired, how did the
8 board know that -- I mean, obviously somebody left;
9 right?

10 A (Witness nods head.)

11 Q And they needed to hire somebody.
12 So the board knew that there was an open position;
13 correct?

14 A Yes.

15 Q How did the board know what
16 qualifications that were needed or -- strike that.
17 Do you communicate with the board as to the
18 district's needs?

19 A Yes.

20 Q And so how does the board know
21 what sort of employee is needed to hire?

22 A Experience.

23 Q Okay. Do you communicate those
24 needs to them?

25 A I have, yes.

1 Q Okay. And so going forward, do
2 you believe that you're the best person to identify
3 what the field needs are for an additional
4 employee, or the board is the entity that should
5 identify those?

6 A Both.

7 Q But if the board makes the
8 decision, at a minimum, they're getting their
9 information from you; correct?

10 A Elaborate.

11 Q Yeah. You're the one in the
12 field every day --

13 A Yes, sir.

14 Q -- and you know where the leaks
15 are.

16 A Yes, sir.

17 Q And you know who needs to --
18 whether you need somebody that has the -- say you
19 have two employees already. Both of you can run
20 the backhoe; right? So you're the one that knows
21 that the two of you-all can run the backhoe and
22 maybe a new employee doesn't necessarily need that
23 skill; correct?

24 A Right.

25 Q Okay. The board may not know

1 that.

2 A Right.

3 Q Okay. So in terms of your
4 responsibilities, as -- as having the title general
5 manager, does -- do the office staff report to you?

6 A Yes.

7 Q Okay. So you are their boss?

8 A Yes.

9 Q And if one of the two positions
10 in the office came open, would it be your
11 responsibility or the board's responsibility --
12 your understanding, that's all I'm asking.

13 A To my understanding --

14 Q Wait. Sorry. Let me finish the
15 question.

16 A Sorry.

17 Q Is it your understanding that it
18 would be your responsibility or the board's
19 responsibility to hire that person?

20 A To my understanding, I think that
21 would be the board's responsibility to -- like I
22 say, I'm still new to this managerial position. On
23 hiring the people, I -- I would like -- I'd like to
24 be the one hiring and interviewing. I understand
25 that. But I -- you know, I don't know. I don't

1 know.

2 CHAIRMAN SCHMITT: Let me ask one. Did
3 you -- did the board interview Jamie or did
4 you or did both?

5 THE WITNESS: The board.

6 CHAIRMAN SCHMITT: You didn't interview
7 Jamie?

8 THE WITNESS: No.

9 DR. MATHEWS: And this recent raise that
10 you got, that was not -- did you have any
11 input into that?

12 THE WITNESS: No, huh-uh (negative).

13 CHAIRMAN SCHMITT: Go ahead.

14 MR. CHANDLER: Okay. No, that's fine.

15 BY MR. CHANDLER:

16 Q In terms of the three employees
17 that report to you, or three and a half we'll call
18 them, do you do any evaluation on how well of a job
19 they're doing?

20 A Yeah. I mean...

21 Q Formal evaluations.

22 A Like a written evaluation?

23 Q Yeah. Annually do you sit down,
24 talk to them, what concerns they have, what
25 concerns you have about their job performance, what

1 they could do better, anything like that?

2 A At -- during the board meeting
3 while Jamie was doing his little -- while I was
4 training him there, they kept asking about it, and
5 I, you know, let them know that -- what I thought,
6 how he was doing, and, you know, there is some
7 parts that he does great and excels at and then
8 there's other parts that he's not so proficient at,
9 you know, and it's -- until he learns that, and
10 that's -- I guess I don't know if that's on me or
11 if that's -- you know, I don't know. I'm trying to
12 train him the -- and he's picking up on stuff
13 really good, you know. But, no, that's...

14 Q Are you having that conversation
15 directly with him at any point?

16 A With him? I -- yeah, we work
17 together every day, yeah. I mean, yeah, I let him
18 know that you need to step it up, yes, but, I mean,
19 that's -- that's part of it.

20 Q But what I want to clarify is --
21 in your opinion, is it at least not clear as to the
22 delineation of management between you -- your
23 responsibilities and the board responsibilities as
24 it relates to employees?

25 A Say that again.

1 Q Would you prefer more clarity on
2 what your responsibilities are as it relates to
3 employees?

4 A Just -- that's the way it was.
5 They hired him and...

6 Q So let me ask: Can you fire him?

7 A No.

8 Q And you know you can't fire him
9 or your assumption is since the board hired him --

10 A I know I can't fire him.

11 Q Okay. That's -- okay. And in
12 terms of the office staff, same thing?

13 A Same.

14 DR. MATHEWS: Can the office manager fire
15 the one and a half person --

16 THE WITNESS: Do not know.

17 DR. MATHEWS: -- that works for her?

18 THE WITNESS: I do not know.

19 DR. MATHEWS: Is Jamie working on his
20 certification to be a distribution systems
21 operator?

22 THE WITNESS: He has to work for -- he has
23 to be there over a year before, I think, he
24 is able to take a test.

25 DR. MATHEWS: Is he planning to do that?

1 THE WITNESS: Yes. I'm planning on trying
2 to get him certified, too, so I can take a
3 vacation.

4 DR. MATHEWS: Good luck.

5 THE WITNESS: Yes. Yes.

6 DR. MATHEWS: Thank you.

7 CHAIRMAN SCHMITT: Then he can supervise
8 himself; right?

9 THE WITNESS: Yes. Yes, sir.

10 BY MR. CHANDLER:

11 Q I don't want to skip back and
12 forth, so I'll ask this line of questioning. Do
13 you have the PSC Exhibit 1 in front of you? It's
14 the inspection report from 2016.

15 A Yes. 2016.

16 Q Do you mind to turn to Page 7 in
17 that.

18 A All right.

19 Q And do you see No. 38, where the
20 question says, "Does the Utility inspect all of its
21 facilities per 807 KAR 5:006, Section 26(6)," and
22 there's some other things there, but regarding the
23 semiannual or annual inspections of certain
24 property? Do you see that?

25 A I do.

1 Q Okay. Are you aware of this
2 section generally?

3 A Aware of...

4 Q This regulation or its
5 requirements.

6 A No, and I -- not fully.

7 Q Okay. So do you see there that
8 the third paragraph of it starts off with "Annually
9 inspect"?

10 A Yes.

11 Q So just for a second we'll skip
12 the initial portions of it because it's about
13 sedimentation basins and things like that.

14 But do you see at the bottom where it says
15 that -- well, it starts off saying, "Annually
16 inspect all structures." And at the bottom, the
17 line says, "Including electric power wiring,
18 controls, hydrants, mains, meters, meter settings,
19 and valves." Do you see that requirement?

20 A Yes.

21 Q Are you aware of that
22 requirement?

23 A Yes.

24 Q Okay. And does the -- do you
25 inspect those annually?

1 A More than -- I inspect my towers
2 and my pump stations and my -- I do that -- I
3 usually try to do that at least once a month at the
4 least, but we -- and I also have to mow -- we mow
5 the tank lots, I mean -- yes, mow the tank lot and
6 we mow the pump stations. We do a kind of rough
7 inspection whenever we do that to kind of make sure
8 nothing's broken or anything there whenever we go
9 mow that each -- each -- probably every two weeks
10 whenever we mow that.

11 Q One of these are meters. Do you
12 know if you inspect every meter once a year?

13 A No, not -- no, I don't know if we
14 inspect every meter once a year.

15 Q And I guess the setting -- meter
16 settings would be the same?

17 A Yes.

18 Q Same answer?

19 A Yes.

20 Q How about the valves?

21 A Valves are tested whenever --
22 whenever I can. I'm trying to get a schedule set
23 up, but with all of these -- trying to get these
24 leaks down, I have not been able to go about my
25 schedule.

1 Q Yeah. And these aren't even --
2 you don't even have to -- I don't think the
3 regulation requires you to operate the valves.
4 It's just to inspect them.

5 A Right.

6 Q But you don't think that maybe
7 over the last year you've inspected every one of
8 the valves?

9 A No, not every one of them. No.

10 Q And then the hydrants. Do you
11 know if you've inspected all the hydrants?

12 A Probably 90 percent of them since
13 I've been here I've -- have been inspected.

14 Q So when you go out and inspect
15 any of these things, do you have a checklist and
16 some sort of log where you note the individual, the
17 date, the item that you're checking --

18 A No.

19 Q -- so that if inspections comes
20 by and says, Have you inspected these over the last
21 year?

22 A No.

23 Q Okay. Do you think that would be
24 something that may be important to add to the
25 operational manual?

1 A Yes, sir.

2 Q Okay. And did you ever have that
3 conversation with the previous general manager?

4 A Not that I recall, but -- but
5 there was a job -- and he told me stuff -- that
6 there is stuff that I have to do, you know,
7 regularly, but, I mean, I go by -- I go to my
8 operating manual and I read from that a lot of the
9 time, or if I do have a question, I call David and
10 ask, but other than that, no, I -- no.

11 Q Okay. But given sort of -- you
12 know, getting thrown into it headfirst, you would
13 have effectively -- unless the board told you about
14 these, you wouldn't know about them if they were
15 outside of the operational manual; right?

16 A Correct. Unless I -- whenever I
17 went to school, I did learn a lot more, you know,
18 whenever I was going to my continuing education
19 classes. I do pick up -- did pick up more stuff
20 there than I did -- realized that I needed to do.
21 That really wasn't -- it was -- it was an emergency
22 exit, you know, and things got confused and, you
23 know...

24 Q You don't know what you don't
25 know --

1 A No.

2 Q -- right?

3 A Exactly.

4 Q Until you find out that you

5 didn't know?

6 A Exactly. Exactly.

7 Q Until you find out --

8 A That's the truth. I don't -- if

9 I wasn't told, I don't know. That's the truth,

10 unless I learned it at school, and that's, you

11 know, or...

12 Q Does the utility have -- does the

13 utility have counsel that comes to its monthly

14 board meetings?

15 A Not monthly, no.

16 Q Do you-all have an ongoing

17 attorney that represents the water district?

18 A I do believe we do.

19 Q Would that be a question for the

20 board members?

21 A Yes. Yes.

22 Q And so in terms of legal

23 requirements, regulations, law, things like that,

24 unless you were explicitly told prior to the

25 previous general manager leaving or unless it's in

1 the operational manual or that you might have
2 picked it up at one of your trainings, there is no
3 opportunity for somebody to provide -- there's no
4 forum for you to learn these new things is what
5 you're saying?

6 A Yes.

7 Q Okay. Do you mind to turn --
8 it's a couple of pages later -- to Page 10 of that
9 report. Is that an inspection report? Just let me
10 know when you're there.

11 A There.

12 Q Okay. Do you see Question No. 57
13 where the question says, "How does the utility mark
14 the location of its valves?"

15 A Yes.

16 Q And do you see the response is
17 that the Utility stated it marks the location of
18 its valves using GPS?

19 A Yes.

20 Q Do you know if all of the
21 Utility's valves are located using GPS?

22 A I do not.

23 Q Do you know -- let me ask this:
24 Do you have any equipment that would indicate to
25 you which valves are located with GPS or marked

1 with GPS?

2 A Yes. I have a Vanguard map that
3 has valves and meters located on Vanguard mapping,
4 I think is...

5 Q Okay.

6 A But I can pull it up on an app on
7 my phone and I can search it and look, you know,
8 meters and valves from a digital map.

9 Q Do you know if all the meters and
10 valves are on the GPS?

11 A The best of my knowledge, they
12 are.

13 Q They are. Okay. So you've not
14 run across a meter or a valve that hasn't been on
15 the GPS?

16 A I have valves, yes. I have ran
17 across a few valves that were not on the GPS, yes.

18 Q And did you mark them?

19 A Yes.

20 Q So when you --

21 A I know where they're at, but
22 they're not marked GPS, no.

23 Q Do you have that opportunity to
24 mark them on GPS?

25 A I do have the equipment, yes.

1 Q Okay. Do you think that's
2 something that maybe needs to be added to the
3 operational manual, that when you come across a
4 meter or valve that's not located on the GPS to go
5 ahead and do it then so that it's on there for
6 good --

7 A Yes.

8 Q -- moving forward?

9 Okay. So asking about responsibilities. Do
10 you believe as general manager that you have the --
11 that it's part of your responsibility to update the
12 operational manual? Does that fall on you or does
13 that fall on the board, in your opinion?

14 A I'm still learning. I don't -- I
15 don't know.

16 Q Yeah, I'm not asking that. I'm
17 asking -- you've got this operational manual --
18 right --

19 A Right.

20 Q -- that you're depending on to do
21 your job. If you find out something is wrong in
22 it, do you feel that you have the power to change
23 the operational manual?

24 A Well, yeah.

25 Q Okay. The next -- two pages

1 later, Page 12. Just let me know when you're
2 there.

3 A Okay.

4 Q Number 68. And I get that this
5 is from, I think, 2016, well before you arrived at
6 the Utility. But No. 68 says that the person
7 responsible for the Utility's safety program is the
8 chairman of the board. Do you see that?

9 A I do.

10 Q Were you aware of that?

11 A Not until I just read that,
12 truthfully. I didn't --

13 Q Do you think it makes more sense
14 for an employee or the chairman of the board to be
15 responsible for the Utility's safety program?

16 A Clifford is a smart man and he
17 has been in the construction business for a long
18 time and, you know -- but, I mean, I -- if there is
19 a problem with it, I'm sure that if I brought it up
20 to him we could change it.

21 Q No, and I'm not saying there is a
22 problem one way or the other. I'm just asking your
23 opinion. You're person in the field every day;
24 right?

25 A Yes.

1 Q Okay. And so -- but you had not
2 heard of the Utility's safety program until today?

3 A No. I mean, I didn't -- no, I
4 didn't know that Clifford was the one that was in
5 charge of it is what I thought the question was.

6 Q Yeah. And I'm just trying to
7 figure out who's the responsibility -- whose
8 responsibility it is.

9 A Probably both of ours,
10 truthfully. I mean, if I have a problem with it
11 and it's not in our manual, if I told him about it,
12 I'm sure it would be no problem with changing it.
13 I don't -- I'm not understanding what you're
14 wanting.

15 Q Well, so does Jamie know who is
16 in charge of the Utility's safety program?

17 A Yes.

18 Q He knows that Clifford's in
19 charge of --

20 A Well, it would -- no, I don't.

21 Q And that's all. I'm just trying
22 to make a point that for employees, it may be
23 important for them to know who to go to or know who
24 they should be receiving their training or --

25 A Come to me.

1 Q -- orders on that.

2 A I train him in everything that he
3 does.

4 Q And if you'd turn to Page 14 of
5 that. Do you mind looking at No. 79 about the
6 meter testing. Do you-all still use Definitive
7 Testing Services for your meter testing?

8 A If that is the people that C.I.
9 Thornburg uses, then the answer is yes.

10 Q Okay.

11 A I take a meter out, I send it to
12 C.I. Thornburg, and I guess they either test it
13 there or they send it to this company, and then we
14 get it -- receive it overnighted in the mail
15 whenever the testing is done, and that's how we
16 receive our meter back.

17 Q And how often do you-all test
18 meters? Are they the large zone meters that you're
19 testing that often?

20 A Those -- the zone meters are
21 supposed to be tested every two years or depending
22 on the size of it. But on the regular meters, no,
23 I haven't -- I've tested a few out of customer
24 requests, and that's about the only testing that I
25 have done is mainly due to a customer request. Or

1 if I think that it's bad, I can -- I'll send it off
2 myself.

3 Q Has the two-year cycle for the --
4 I think it's the 4-inches-and-above meters --

5 A Uh-huh (affirmative).

6 Q -- has that come up during your
7 tenure or was that before you got there?

8 A I -- say it again.

9 Q The testing for the -- the
10 testing for the large meters. You said they need
11 to be tested every two years.

12 A Right.

13 Q Has that two-year cycle come up
14 during your tenure?

15 A Yeah. It will be -- I think next
16 year I have to retest a couple of the -- I just
17 added a brand-new 2-inch meter that we had probably
18 about two weeks ago and -- so that, you know, that
19 was...

20 Q So would you say that your larger
21 meters are up to date on their testing?

22 A Yes, they should be.

23 Q They're not out of date?

24 A No, not that I -- not that I'm
25 aware of.

1 DR. MATHEWS: And are you keeping those
2 records so that when the inspector comes
3 and asks you about those records you have
4 them?

5 THE WITNESS: I am now, yes.

6 DR. MATHEWS: Okay. You can only be held
7 responsible for what you're doing, not what
8 was done before you.

9 BY MR. CHANDLER:

10 Q You want to turn to Page 15 of
11 that same document.

12 A Uh-huh (affirmative).

13 Q So do you see No. 86 there?

14 A Eighty-six (86)? Yes.

15 Q So the first part of that answer,
16 you just sort of explained it, that -- or you've
17 explained today that your meters are new enough
18 they've not -- you did a mass -- the district did a
19 mass replacement, and other than customers
20 requesting the meters be tested, you've not needed
21 to pull any to test or replace, anything like that
22 yet; right?

23 A No, yeah. To test, no. I have
24 replaced some that were faulty, through that time,
25 my time here.

1 Q Gotcha. And when you pull
2 those -- do you have those tested when they're
3 pulled for being faulty?

4 A No. I can tell. A lot of times
5 the screen -- the digital part of it just
6 doesn't -- is what is not reading a lot of times
7 or -- or it just stops reading, it won't move. You
8 know, that's usually how -- whenever I take it out.
9 But I already know that it's bad and I'll -- I
10 don't get it tested because I know it's bad. But
11 the ones that are questionable we'll send off and
12 get tested and we'll get the results back and...

13 DR. MATHEWS: And you flag that by knowing
14 that that's one of those 100 meters that
15 doesn't register that you have to go
16 manually test -- manually read, you look at
17 it, and you're like, it's not reading.

18 THE WITNESS: Yeah. Or Jan, she does the
19 billing and she'll -- sometimes readings
20 are really weird and I'll have to go check
21 it out.

22 DR. MATHEWS: Right. So she does flag
23 those for you?

24 THE WITNESS: Yes, yes, yes. And that's --
25 and she'll write up the work order and I'll

1 go check it and, you know, I'll test it the
2 best I can that way, you know.

3 DR. MATHEWS: And that's part of the water
4 loss detection procedure.

5 THE WITNESS: Gotcha.

6 DR. MATHEWS: If it's not reading --

7 THE WITNESS: Yeah.

8 DR. MATHEWS: -- it shows up as lost.

9 THE WITNESS: Right.

10 BY MR. CHANDLER:

11 Q So the Chairman was asking you
12 earlier about expected capital expenses in the next
13 couple of years. Particularly I think the
14 questioning was about the asbestos cement pipe. Do
15 you remember that?

16 A Yes.

17 Q So No. 86 there indicates that --
18 and I think this is consistent with your testimony
19 today -- that the meters were replaced here in the
20 2011-2012 time frame.

21 And do you see the next question there about
22 asking whether the utility has a proactive written
23 meter testing/replacement plan? And it says,
24 "Nothing written"?

25 A Yeah.

1 Q Do you know if that's still the
2 case?

3 A Yes. It's nothing written.

4 Q Okay. So you would agree that
5 the ten years on those mass replacement meters is
6 coming up --

7 A Uh-huh (affirmative).

8 Q -- in next year or two?

9 A Yes.

10 Q Is it your expectation as general
11 manager it's your responsibility to come up with
12 what's the next step for meters or whether it's the
13 board's responsibility?

14 A It's mine, my responsibility,
15 and -- and all's I can do is present it to the
16 board and go from there.

17 Q Right.

18 A And that's what I do.

19 Q Okay. So the -- you think that's
20 the clear -- a clear segregation of duties that
21 it's your responsibility knowing the timing of the
22 meters and you'll come up with a plan to the best
23 of your abilities and then bring it to the board
24 for their approval or denial or comment or whatever
25 it may be?

1 A Yes. Yes.

2 Q And when you replace a meter,
3 right, say it's getting -- it went a whole month
4 with somebody living there and it read no usage,
5 you pull it, you replace it, you trash it; right?

6 A (Witness nods head).

7 Q How does -- can you explain to me
8 the process that you perform to ensure that the
9 district's records reflect that that meter is brand
10 new?

11 A Yeah. We change it out in our
12 billing process. I take down all the information
13 from the new meter and take down the information
14 from the old meter, and I pretty much give all that
15 information to Jan and she changes it in the
16 computer. That's...

17 Q Okay. And so in terms of how
18 that's accounted for, that would be a question for
19 somebody else? Like in terms of accounting, you
20 lost -- you lost -- you lost the beneficial use of
21 an asset and you're replacing it with something
22 else. In terms of how that's accounted for on the
23 books, that would be a board or a Jan question?

24 A Yes. Yes.

25 Q Okay. Fair enough.

1 And then do you mind to turn to Page 20 of
2 that same document, and No. 118. Let me know when
3 you're there.

4 A All right.

5 Q You see that it states that the
6 chairman of the board is responsible for cyber
7 security within this organization?

8 A Go ahead.

9 Q As general manager, were you
10 aware of that?

11 A That Clifford was the...

12 Q Cyber security.

13 A No, I wasn't aware of that.

14 Q And then do you have the PSC 3 in
15 front of you?

16 MR. TALLEY: Exhibit No.3. PS -- is that
17 what you're talking about?

18 MR. CHANDLER: PSC 3. Yeah. It's another
19 periodic compliance inspection report.

20 THE WITNESS: Oh, yes. This, yes.

21 MR. TALLEY: The 2017 report, inspection
22 report?

23 MR. CHANDLER: Yes, sir.

24 BY MR. CHANDLER:

25 Q Do you mind to turn to Page 9 of

1 that.

2 A Okay.

3 Q And would you agree that under
4 Section 25, Safety Program, that all of the
5 questions about the safety program indicate the
6 answers to all of them are, no, that it doesn't
7 have a safety program, that the utility has not
8 adopted and executed a safety program appropriate
9 to the size and type of its operations, and that
10 there's not a safety manual with written guidelines
11 for safe working practices and procedures to be
12 followed by the utility employees? Do you see all
13 that?

14 A I do.

15 Q And the answers to all those are
16 no?

17 A Yes.

18 Q And day to day, if something goes
19 wrong, that's on you, right, as the general
20 manager?

21 A Yes, sir.

22 Q Okay. And so do you mind to turn
23 to PSC 4.

24 A Okay.

25 Q And do you see No. 3, the

1 response to that 2017 deficiency? Response No. 3
2 states, "We are currently in the process of
3 developing a safety program. We plan to have this
4 complete and in place by December 1, 2017." Do you
5 see that?

6 A Actually, I -- we may have -- may
7 have started the one -- did we? I truthfully --

8 Q That's -- all I'm asking is are
9 you aware of it.

10 A Not right offhand.

11 Q Okay. And so my final question
12 in this line is if the board chose to do so, would
13 you take on the responsibility of being the person
14 in charge of the district's safety program?

15 A Yes.

16 Q And I hate to add another add-to,
17 but you would feel comfortable with that?

18 A Yeah. In taking over the safety
19 program?

20 Q Yeah.

21 A Yes.

22 Q Being the board's person for
23 safety.

24 A Yes. Yes.

25 Q I have a question about the

1 backflow meter -- or the backflow devices you
2 talking about earlier.

3 A Yes.

4 Q Have you-all had a problem with
5 that?

6 A No. That's just something I
7 learned in school. And that was something that
8 they brought up and that was -- and I realized that
9 there might be some possibly questionable places
10 that I would definitely need to possibly put one
11 in, but that's, you know...

12 Q Okay. And you agreed earlier
13 that that's not -- that's a water quality issue?

14 A Yeah, I guess it is.

15 Q But you would agree, though, that
16 there's a significant cost should there be a
17 backflow issue and you have to flush the entire
18 line? That's lost product that you can't sell;
19 right?

20 A Right.

21 Q And have you looked at what other
22 district or what other water providers' rates are?

23 A No.

24 Q Would you be surprised to find
25 out that Farmdale's rates for the average customer

1 are the -- one of the lowest in Central Kentucky?
2 Would that surprise you or is that what you
3 understand?

4 A I -- no, that -- I mean, that's
5 not surprising, but, I mean, that's...

6 Q Farmdale has the benefit of not
7 having an EPA consent decree. That always helps in
8 Kentucky. You have that benefit. And you don't
9 have sewer, though; right?

10 A Right, not in our -- we have it
11 in some of our subdivisions but not in --

12 Q Farmdale doesn't operate sewers?

13 A Right.

14 Q You were talking about the
15 Frankfort Plant Board's rates. What's your
16 understanding of what their rates are?

17 A What I pay each month on my bill?
18 That's -- I mean, that's my understanding.

19 Q That's your understanding, but
20 like what -- I mean compared to -- is it twice --
21 is your understanding it's about twice as much as
22 Farmdale's?

23 A Pretty close.

24 Q Sixty (60), \$70 for an average
25 customer?

1 A Yeah. Probably, yeah.

2 Q And so in terms of
3 competitiveness, right, let's just say that you're
4 competing, somebody's thinking about living --
5 everything else equal except for utilities; right?

6 A Right.

7 Q Does it look like that,
8 especially compared to Frankfort, that Farmdale
9 could benefit from having an additional employee
10 even if it meant raising the rates a little bit to
11 accommodate them?

12 A I mean, I'm sure if the numbers
13 were to equal out, then yes.

14 Q Well --

15 MR. CHANDLER: May I approach, Chairman?

16 CHAIRMAN SCHMITT: Yes, you may.

17 MR. CHANDLER: Just for -- to make it --
18 and I'll ask it quicker.

19 BY MR. CHANDLER:

20 Q So you've seen --

21 A Yes.

22 Q -- that? Farmdale No. 4. How
23 much did it say that the excess of -- the water
24 loss in excess of 15 percent, what's the estimation
25 of that annual cost to the district?

1 A This right here. This is the --
2 Q How much is it?
3 A \$92,000.
4 Q \$92,000. And what is the
5 percentage in excess of 15 percent? What's the
6 total water loss that assumes?
7 A This here?
8 Q Yeah.
9 A We were currently, I think, at
10 30 percent.
11 Q Right. And so let's just have
12 this conversation for a second. That's about a
13 30 percent, right, approximately?
14 A Yeah. I think that's what it
15 was, yes.
16 Q So that's -- that
17 90-something-thousand dollars is half of your water
18 loss. Your water loss is actually costing you
19 \$180,000; right?
20 A Gotcha. Yes.
21 Q And water loss -- you do that
22 every month, you know what the calculation's like.
23 A (Witness nods head.)
24 Q That doesn't even assume the
25 amount that you -- that may -- the water that may

1 be contaminated or for whatever issue gets -- for
2 whatever reason gets flushed; right?

3 A I calculate in flushing, yes.

4 Q But that's excluded from the
5 water loss; correct?

6 A Right, right. Yes.

7 Q So when we start talking about
8 \$180,000 plus the amount that's flushed, we're not
9 even talking about -- if you could get an employee
10 that could fix some of those problems, we're not
11 even taking about changing any of the rates, are
12 we --

13 A (Witness shakes head.)

14 Q -- if they could make up for some
15 of that amount?

16 A Right.

17 Q And, again, whose responsibility
18 is it -- do you think it's your responsibility to
19 look at that or the board's responsibility to
20 determine whether or not to hire?

21 A Both.

22 Q And would you feel more
23 comfortable if that responsibility was more clearly
24 detailed as to these are your jobs, this is what
25 the board's going to do? Would you feel more

1 comfortable with that?

2 A Sure. Yes.

3 Q From your conversations with the
4 office staff, do you feel -- does the office staff
5 feel -- is it your understanding that the office
6 staff is at the level that it should be?

7 A I mean, there's always room for
8 improvement in any job, but, I mean, I -- I
9 don't -- I don't know what you're wanting.

10 Q It's your testimony that you
11 could use another person in the field?

12 A Yes.

13 Q Is it the feeling that the office
14 staff is -- has the right number right now?

15 A Yes.

16 Q Okay. That's all I want to make
17 sure that -- I want to make sure that's clear.

18 So if you were going to -- if you as general
19 manager were going to request an employee, it would
20 be in the field rather than in the office?

21 A Yes.

22 MR. CHANDLER: I think that's all the
23 questions I have, Chairman. Thank you.

24 CHAIRMAN SCHMITT: Mr. Talley.

25 MR. TALLEY: Farmdale moves that Farmdale

1 Exhibits 1 through 4 be admitted into
2 evidence at this time.

3 CHAIRMAN SCHMITT: Sustained.

4 MR. TALLEY: I don't have any follow-up
5 questions.

6 CHAIRMAN SCHMITT: Anything else from
7 anybody before we stop?

8 MS. KOENIG: Commission moves that our
9 exhibits be admitted as well.

10 CHAIRMAN SCHMITT: Sustained.

11 MS. KOENIG: Thank you.

12 CHAIRMAN SCHMITT: May this witness be
13 excused?

14 MS. KOENIG: Yes, sir.

15 CHAIRMAN SCHMITT: Thank you, sir. You may
16 step down.

17 THE WITNESS: Thank you.

18 MR. TALLEY: Mr. Toles, if you want to come
19 around.

20 CHAIRMAN SCHMITT: Please raise your right
21 hand, sir.

22 * * * * *

23 The witness, CLIFFORD TOLES, after first
24 being duly sworn, was examined and testified as
25 follows:

1 CHAIRMAN SCHMITT: Thank you. Be seated.
2 Mr. Talley.

3 EXAMINATION

4 BY MR. TALLEY:

5 Q State your full name, Mr. Toles.

6 A Norman Clifford Toles.

7 Q And your address?

8 A 55 Boone Creek Estates,
9 Frankfort.

10 Q How far from the water office do
11 you live?

12 A About three mile.

13 Q And how long have you been a
14 commissioner?

15 A Since 1983.

16 Q And how long have you served as
17 chairman of the commission?

18 A Probably ten years.

19 Q And were you just recently
20 reappointed within the last year or so?

21 A Well, last June -- well, I got a
22 card laying there that'll tell when I was
23 appointed. Last week or two, July.

24 Q What is your work experience?
25 Are you retired now?

1 A Yes, sir.

2 Q What was your work experience
3 before you retired?

4 A Plumber.

5 Q In the Frankfort area?

6 A Frankfort, uh-huh (affirmative).

7 Q I understand that recently there
8 was another large leak that was found out -- was it
9 Smith Farm? Is that --

10 A Smith Farm.

11 Q Can you tell us a little bit
12 about, who found it and what happened that caused
13 the leak?

14 A The farmer found it himself. It
15 was in -- it's a field that he has corn in every
16 year. And it's in kind of a drainage ditch. And
17 he gets the notion that it wasn't -- wasn't drying
18 up. So he called us and we went and checked it out
19 and found a good-sized leak.

20 Q And what size was the line, if
21 you recall?

22 A 3-inch.

23 Q Then I also understand that
24 recently there was something about the meter at the
25 Stewart Home School.

1 A Yes.

2 Q Are you familiar with that issue?

3 A We've just recently replaced the
4 meter. And the company we bought it from, we had a
5 meeting with them -- or last -- last month, not
6 this month, last month -- and discussing the meter.
7 And he was telling us that a meter that size, if
8 you just turn your water on, brush your teeth, it
9 won't register. Well, I just -- I went all to
10 pieces. And so I told him, I said, We need to do
11 something about that.

12 And so I asked the engineers. And he was
13 telling me that you can put another meter in,
14 probably the same -- or half the size, they would do
15 the reading and the smaller meter will do the same
16 thing, same amount of pressure and everything that
17 the big meter will.

18 Q So did you-all replace the meter
19 then?

20 A We -- we discussed at our last
21 business meeting and we're in the process. We're
22 going to do it.

23 Q So I guess the issue was that the
24 meter was oversized for the amount of water they
25 were using --

1 A Uh-huh (affirmative).

2 Q -- and some of the water might
3 have been undetected?

4 A Yes.

5 Q And is Stewart Home School a
6 large user?

7 A Yes, sir.

8 Q I understand they do have other
9 meters, though.

10 A They have about five meters.

11 MR. TALLEY: That's all the questions I
12 have of this witness.

13 CHAIRMAN SCHMITT: Ms. Koenig.

14 MS. KOENIG: Yes.

15 EXAMINATION

16 BY MS. KOENIG:

17 Q Hello, Mr. Toles.

18 So you've been on the board since 1983?

19 A Yes, ma'am.

20 Q Okay. And can you tell me a
21 little bit about -- when you got here today, you
22 said that the former manager, David Robinson --

23 A Uh-huh (affirmative).

24 Q -- was the nephew of -- was it
25 the gentleman that started the --

1 A Yes.

2 Q -- the water district?

3 And what was his name?

4 A Burl Robinson.

5 Q Okay. And I know that you've
6 been here all morning, but I'm going to ask you to
7 clarify some things that I asked Mr. Armstrong
8 about. Okay?

9 So if you could refer to PSC Exhibit 7 and
10 Exhibit 6.

11 MR. TALLEY: Is exhibit -- is one of those
12 the map? Is the map Exhibit 7?

13 MS. KOENIG: No. These are the orders, the
14 PSC orders from the purchased water
15 adjustment and the rate case.

16 CHAIRMAN SCHMITT: The map is 8, I think.

17 MR. TALLEY: Okay. Thank you.

18 MS. KOENIG: The map is 8.

19 MR. TALLEY: Yeah. He has 7 now and he
20 has 6.

21 Mr. Armstrong did a good job
22 organizing it.

23 BY MS. KOENIG:

24 Q So, Mr. Toles, do you have those
25 exhibits?

1 A Yes.

2 Q Okay. And you were on the board
3 when these cases were filed; correct?

4 A Yes.

5 Q Okay. So let's look at PSC
6 No. 7. That's the last rate case that Farmdale had
7 with the PSC. And would it surprise you to know
8 that that's the -- that was the first rate case
9 that the Farmdale District had at the PSC since
10 they started in 1961?

11 A Yes.

12 Q So you disagree with that or you
13 feel like you...

14 A No. I agree with it, yes.

15 Q Okay.

16 A Yes.

17 Q Okay. So -- and if you look
18 at -- that's the rate case where the staff came in
19 and looked at your overall business health and your
20 accounting records and all of your operations and
21 things.

22 You understand the difference between the
23 purchased water adjustment case and then a rate
24 case?

25 A Yes.

1 Q So does the board annually assess
2 whether the district is meeting the demands -- if
3 the rates are meeting the demands of the district?
4 Do they look at that annually?

5 A Yes.

6 Q And who helps you with that as
7 far as your numbers and...

8 A Our auditor.

9 Q I'm sorry, I couldn't hear you.

10 A The auditor.

11 Q Auditor.

12 A CPA.

13 Q And who is that auditor again?

14 A Harrod & Associates.

15 MR. TALLEY: That's H-A-R-R-O-D.

16 BY MS. KOENIG:

17 Q Okay. And so looking at
18 Exhibit 7. On the front page there, it explains --
19 do you see that for the meter tap-on charge, the
20 second one listed, that it was a 92 percent
21 increase and the reconnection charge was a
22 300 percent increase --

23 A Yes, ma'am.

24 Q -- at the time?

25 A Yes, ma'am.

1 Q So how was the -- how did the
2 district account for the changes in inflation and
3 the rising cost of doing business between 1961 and
4 2013?

5 A Well, back then we didn't have as
6 much water loss as we do now. And we operated just
7 like you would operate your house, on a tight fist,
8 and we took care of our money, had it all invested
9 and...

10 Q Okay.

11 A That -- so that's for us. We
12 didn't have to do a lot of expenses, didn't have no
13 breakdowns or anything. We didn't have any water
14 line leaks as we have now.

15 Q Okay. Have you -- so have you
16 looked at your expenses and the district's needs
17 since the 2013 rate case --

18 A Yes.

19 Q -- as to whether you -- whether
20 you should come in for another rate increase or a
21 rate case?

22 A Our auditor told us this time we
23 need to come in and discuss one.

24 Q And why is that?

25 A Well, the water loss that we've

1 had and what we're selling, it doesn't equal out.
2 But in the process -- I have a contract with me
3 today to replace a number of miles of water line.

4 Q Okay. Can you explain that
5 project a little bit? Are you working with RD or
6 your HMP Engineering --

7 A HMB.

8 Q -- HMB Engineering, on a project?
9 And are you going -- you have several RD
10 loans; correct?

11 A Yes.

12 MR. TALLEY: One.

13 BY MS. KOENIG:

14 Q Just one? Okay.

15 A Uh-huh (affirmative).

16 Q Well, it kind of -- let's see.
17 In one of the inspections, I think they discussed
18 in 2012 you had an RD loan. Do you recall that
19 project?

20 A Yes.

21 Q Okay. Can you explain the
22 process of how -- who decided that you needed to do
23 that project and -- and then who went to RD or who
24 went to the engineering...

25 A The Public Service Commission.

1 Q The Public Service Commission
2 decided that you needed --

3 A Decided that we need to have more
4 water storage.

5 Q Okay. Is that the tank that we
6 were talking about?

7 A The tank.

8 Q Okay.

9 A But all the process before that,
10 we have written letters from Frankfort that we have
11 plenty of storage, but then Public Service
12 Commission required that we have one on our
13 property.

14 Q To comply with regulations --

15 A Uh-huh (affirmative).

16 Q -- and have enough money for the
17 new housing district?

18 A Uh-huh (affirmative).

19 Q Okay. All right. You heard me
20 talk to Mr. Armstrong about using Kentucky Rural
21 Water Association --

22 A Yes.

23 Q -- for training?

24 A Yes.

25 Q Okay. And I saw that -- I'm not

1 sure if it was the minutes or the inspection
2 reports, but in the past you've used Kentucky Rural
3 Water Association. Are you interested in using
4 them for leak detection training or --

5 A We have. We're a member of
6 their -- of their company, and they have helped us
7 in the past.

8 Q Okay. I know that it said you
9 don't have money set aside for training, you pay
10 for it as it comes up; is that correct?

11 A Yes.

12 Q Okay. And so in the event
13 that -- you have a new general manager who was
14 training and then all of a sudden had to go into
15 on-the-job training because the person training him
16 was called elsewhere. Have you discussed what kind
17 of training Mr. Armstrong would need to do his job
18 the best that he could?

19 A Well, as far as I know right now,
20 he's doing a good job. We -- anybody can use more
21 education, more training.

22 Q Well, did the board discuss a
23 water loss plan --

24 A Well, we've been working --

25 Q -- to reduce --

1 A -- feverishly with ourself and
2 we've had -- we bought equipment to help locate
3 lines, leaks.

4 Q So you discussed that with the
5 former manager, Mr. Robinson?

6 A Yes.

7 Q Is that when it started? Because
8 the water loss has been going on for a while.

9 A Yes.

10 Q And did you meet with the general
11 manager? Did he bring a plan to you, the leak
12 detection and prevention policy plan that is in the
13 operations manual?

14 A I don't recall.

15 Q Okay. Let me just refer you to
16 that data request number so you can see it.

17 MR. TALLEY: First set or second set?

18 MS. KOENIG: It's the first set. It's
19 DR1-3, so Question 3.

20 BY MS. KOENIG:

21 Q Are you there, Mr. Toles?

22 A Yes.

23 Q Okay. Have you ever seen the
24 water loss prevention and leak detection policy
25 that's filed here?

1 A No.

2 Q Okay. So to the best of your
3 knowledge, that was something that the general
4 manager was using or it was just part of his
5 manual?

6 A Something he was using.

7 Q Okay. So does the board have a
8 plan, a written policy or a plan to address the
9 water loss? You said you bought equipment and
10 you've discussed it, and I see on the board minutes
11 that it's discussed. But is there a plan? Have
12 you worked with the engineer or anything like that?

13 A We worked with the engineer.
14 They come in and talked to us. We've had people
15 come in and help us like RD. They've helped us out
16 in the field looking for leaks. We've more or less
17 walked the lines ourself. I've spent many a day
18 out there walking the lines trying to locate, and
19 driving around, talking to people, have you noticed
20 anything.

21 We have one subdivision that they -- they
22 finally told us that the creek was running all the
23 time, wasn't drying up, so we found a leak there.
24 There was a pipe laying on top of a rock. So got
25 that leak taken care of.

1 We found other -- we took -- while they had
2 the engineer -- not the engineer, but the contractor
3 there, we went the whole length of that line from
4 that point to the end of it and found other places
5 that -- that had eroded out and the pipes were
6 laying on top of rock, replaced those. Put in new
7 valves so we'd have a cutoff valve. About halfway
8 through it when you'd check it again, you'd know if
9 it's on that end or this end.

10 Q Okay. And so you feel like
11 you're doing a lot toward the water loss efforts?

12 A Doing a whole lot.

13 Q And so when you discuss it, do
14 you discuss it in terms of how much it's costing
15 the water district?

16 A Yes.

17 Q And have you, you know -- I know
18 you've been here, but we've talked about the
19 \$92,000 figure that you filed in your Exhibit 4,
20 Farmdale Exhibit 4, and the \$130,000 approximate
21 figure that was in the last rate case where the PSC
22 gave you notice on how much it was costing you-all.

23 A Right.

24 Q And then also in 2018 in this
25 passthrough, PWA, we -- the Commission gave you

1 notice -- oh, I'm sorry. That's the 137,775.20
2 figure. So the board discussed the water loss
3 problem in terms of how much money that it was
4 costing?

5 A Yes.

6 Q And so in these discussions, did
7 it ever come up how much it would cost to hire an
8 additional employee to dedicate to leak detection
9 or even an additional employee --

10 A We've discussed --

11 Q -- because your staff is so
12 undersized?

13 A We're in the process now looking
14 for another employee.

15 Q What has the been the problem?
16 Like why have you only had two field employees for
17 so long? What has been the philosophy behind that?

18 A Well, we didn't have the trouble
19 back then that we do now.

20 Q You've had it for a while,
21 though; correct?

22 A Well, I mean, yeah, but --

23 Q I mean...

24 A It all started after we put the
25 new tank in and the tower.

1 Q So 2012 is when you're thinking
2 that your water loss...

3 A It began there because it doubled
4 the pressure. Went from 35 to 40 pounds -- homes
5 were putting pumps under their houses to get the
6 amount of pressure. So when we put this tower in,
7 their pressure doubled to 80 pounds and the old
8 water lines that are in the ground, service lines,
9 been in there since the late '50s, early '60s,
10 began to break. And also the main lines began to
11 crack. So we've decided this last -- this past --
12 this year to start replacing all the old water
13 lines.

14 Q And is that what your new project
15 is for?

16 A Yes.

17 Q Okay. And as part of that, in
18 discussions with the engineer, did they talk about
19 your small -- your small workforce --

20 A Uh-huh (affirmative).

21 Q -- and the number of employees
22 that you have?

23 A Yeah.

24 Q Have you been advised to hire
25 more employees before?

1 A No, we haven't, but we've done it
2 on our own.

3 CHAIRMAN SCHMITT: Let me ask a question.
4 Are you going to -- replace these lines,
5 are you talking about soliciting bids and
6 having an independent contractor come in
7 and do the replacement, do that work?

8 THE WITNESS: Right. We already have -- I
9 have the bids of what it's going to cost me
10 on my desk.

11 CHAIRMAN SCHMITT: So you've already
12 advertised for bids --

13 THE WITNESS: Yeah, it's already been --

14 CHAIRMAN SCHMITT: -- and you have
15 proposals?

16 THE WITNESS: We already signed the bid --
17 signed the contract with HMB.

18 CHAIRMAN SCHMITT: So you've already
19 awarded the contract?

20 THE WITNESS: Yes.

21 MR. TALLEY: Well, let -- we'll need some
22 clarification. I think all you've done is
23 to hire the engineering firm --

24 THE WITNESS: Right.

25 MR. TALLEY: -- and they're going to do

1 Q When the PSC ordered the tank to
2 be built, that caused the water pressure to
3 increase and caused the lines to break?

4 A Yes, sir.

5 Q But the tank was installed -- I
6 think Commissioner Mathews pointed this out -- it
7 was installed in 2012, and by your own exhibit,
8 which is Exhibit No. 3, your leaks didn't spike
9 until 2015. How do you account for the three-year
10 lag?

11 A Well, they just kind of creeped
12 up on you.

13 Q But you have a spike. You go
14 from 20-some percent to 40-some percent between
15 2014 and '15. This is your own exhibit.

16 A Yes, I have it. It just -- we
17 didn't realize that we were in -- using some money
18 that we have in the bank, then finally --

19 Q I guess my question is if this
20 pressure increased, you would have thought that it
21 would be a gradual breakage of lines. As the
22 pressure affected more and more lines, your loss
23 would gradually increase. But instead, for two
24 years everything held fairly steady. And then in
25 the third year, it spikes, it doubles, your water

1 loss doubles. It doesn't follow the path of an
2 event that occurred two years before was going to
3 cause that kind of spike in the third year. Do you
4 understand my...

5 A Yes.

6 Q Okay.

7 A I don't know the answer. I know
8 it's -- just trying to find the leaks, we worked
9 vigorously. We knew it had the leaks, we just
10 couldn't locate them.

11 Q And I agree. I'm just not sure
12 the tank is the total cause of your problem because
13 the timing of events doesn't seem to correlate.

14 A Well, we've had a subdivision
15 that didn't have enough pressure. The pipe was
16 sufficient enough, but it didn't have enough
17 pressure -- to have enough pressure in the house to
18 even take a shower. Most of the people had to put
19 pumps under their house, hook it into the water
20 line to have sufficient water. And after they put
21 the tank in, turned the water on, well, they
22 complained the pressure's too high. So then that's
23 when we realized maybe that's what's causing the
24 leaks. The pipes have been in the ground since in
25 the '60s and '50s.

1 Q Well, I understand that, but the
2 proof is in the calculation, and the calculation
3 shows that the water loss didn't increase until
4 2015. That's my only point. I mean --

5 A I guess --

6 Q -- if you were starting to have
7 gradual leakage, it would have started not all at
8 one time. Maybe it's -- maybe it was a break or a
9 leak in some large line, but it doesn't seem like
10 it would be a failure of service lines all at one
11 time and three years later.

12 A Those old lines put in the
13 ground, I put some of them in.

14 Q There's no argument they may need
15 replaced.

16 DR. MATHEWS: And that's what we say. It
17 really is aging infrastructure.

18 THE WITNESS: Aging infrastructure, yes.

19 MR. CICERO: I'm sorry.

20 MS. KOENIG: That's okay.

21 EXAMINATION (Continued)

22 BY MS. KOENIG:

23 Q And so to clarify before -- the
24 board decides when you want to come in for a rate
25 case? Is that what you answered?

1 A Well, I don't know if it's coming
2 in for a rate case, but an increase.

3 Q Rate increase.

4 A Every year Frankfort raises their
5 rates and we'll get a passthrough.

6 Q But the general manager doesn't
7 decide when you come in for a rate case?

8 A No.

9 Q Okay. And that's what you were
10 saying, that you referred to an auditor to decide
11 if you need more rates to cover the expenses of the
12 district?

13 A Uh-huh (affirmative).

14 Q Okay. So just wanted to clarify
15 that.

16 Do you -- does the board create the budget
17 for the water district?

18 A Yes.

19 Q And does somebody help you create
20 that budget?

21 A We do it ourself.

22 Q Okay.

23 A Somebody with the PSC -- I mean
24 our auditor.

25 Q With your auditor?

1 A Uh-huh (affirmative).

2 Q And so do you have a budget for
3 this year? Was that passed?

4 A Yes.

5 Q Okay. What is the process that
6 the board and the general manager have between them
7 if the general manager needs to make a purchase of
8 equipment or a large purchase?

9 A The board usually does that.

10 Q The board makes the purchase?

11 A (Witness nods head.)

12 Q Does the general manager come to
13 the board and say --

14 A Well, he comes to us and tell us
15 we need this or we need that, and we'll discuss it
16 and take it from there.

17 Q Okay. Are the members of the
18 board -- do they all have water utility experience?

19 A Ma'am?

20 Q Do all the members of the board
21 have water utility experience on?

22 A No.

23 Q I know you said that you live
24 near the offices of water -- or of the Farmdale
25 Water District. How often are you at the offices?

1 A A couple times a week.

2 Q Okay. So are you involved at the
3 office, the office work or the billing and those
4 processes?

5 A I'm not in there working with
6 them, but I'm there -- a lot of times he'll call me
7 and need to ask a question or So-and-So needs this
8 answered, and I'll go.

9 Q Do you know if they have written
10 policies for the -- for the office work for the
11 billing and...

12 A I'm sure they do.

13 Q Okay. I saw in some of the
14 minutes that it's -- and this is from the Data
15 Request 3 or the response to the July 1st request
16 in the board minutes that -- so Yvonne Hill is a
17 board member? Is that true?

18 A She was.

19 Q Oh, she was. Okay. And then --
20 was she hired --

21 A Yes.

22 Q -- in the office?

23 A She was hired in the office.

24 Q Okay. And is she still working
25 in the office?

1 A Yes.

2 Q Do you have a lot of board
3 members that work at the water district or has that
4 been the custom?

5 A There's three of us.

6 Q Oh. So you-all work for the
7 water district as well?

8 A No, we don't work for the water
9 district. We're just board members.

10 Q But Ms. Hill is on the payroll as
11 an office employee?

12 A She resigned from the board.

13 Q She resigned from the board and
14 then was hired as an office employee?

15 A Then was hired in the office,
16 yes.

17 Q And you've heard us talk about, I
18 think, the May 5th, '19 minutes -- or I'm sorry --
19 May 3rd, '19 minutes show that you -- when you
20 hired Jamie, the new employee.

21 A Yes, ma'am.

22 Q Okay. So who did Jamie replace?

23 A Ricky.

24 Q So it was Ricky and Mr. Armstrong
25 there after Mr. Robinson left?

1 A Right.

2 Q Okay. And so was there a time

3 when it was just Mr. Armstrong?

4 A No.

5 Q Why did Ricky leave?

6 A Maybe a week, maybe two or three

7 days.

8 Q Oh, okay. Why did Ricky leave?

9 A He was fired.

10 Q Can you tell us why?

11 A Insubordination.

12 Q Okay. And who made that

13 decision?

14 A Mr. Tanner.

15 Q He's a board member --

16 A Board member.

17 Q -- Mr. Tanner is a board member?

18 Q Okay. Was there a board meeting on that

19 decision?

20 A No.

21 Q So --

22 CHAIRMAN SCHMITT: Wait, wait, wait, wait,

23 wait. The decision to fire Ricky was made

24 by one board member?

25 THE WITNESS: Yes, sir.

1 CHAIRMAN SCHMITT: And that one board
2 member said, "You're fired," and then he
3 never came back --

4 THE WITNESS: Right.

5 CHAIRMAN SCHMITT: -- is that correct?

6 BY MS. KOENIG:

7 Q Okay. I'm sorry to skip around
8 here, but I just want to make sure and cover some
9 of the items that we that -- that we couldn't with
10 Mr. Armstrong.

11 But who appointed you on the board of
12 commissioners? What judge executive? I'm sure
13 they're not judge executive anymore, but...

14 A I can't think of her name.

15 Q Well, that's okay. Actually --
16 so what kind of relationship does the board have
17 with the judge executive now?

18 A Pretty good relationship.

19 Q Do they attend meetings or...

20 A They have occasionally if they
21 need something.

22 Q Occasionally --

23 A Uh-huh (affirmative).

24 Q -- is that your -- okay. Sorry.

25 A They -- the magistrates come to

1 our meetings pretty regular. We have two
2 magistrates, one on each end of our water district,
3 separated, but they usually come to our meetings,
4 sit in and take minutes, take it to the judge.

5 Q Does the judge executive or the
6 magistrate, do they advise you as far as coming in
7 for a rate case?

8 A No.

9 Q And do you know -- I know that
10 the vice chair asked Mr. Armstrong, and maybe he
11 referred to a different -- is Mr. Tanner your
12 treasurer? Is Mr. Tanner your treasurer of the
13 board?

14 A Yes, he's treasurer.

15 MS. KOENIG: Okay. And, Mr. Talley, is he
16 going to be available to testify --

17 MR. TALLEY: Yes.

18 MS. KOENIG: -- Mr. Tanner?

19 BY MS. KOENIG:

20 Q But do you know, just in general,
21 Mr. Toles, if you are using your depreciation
22 reserve for current expenses at the moment?

23 A Yes.

24 Q You are? Okay. Has that been an
25 indicator of why you need to come in for a rate

1 increase or --

2 A No. We didn't indicate it.
3 We've -- our CPA recommended it.

4 Q Okay. And can I clarify? In
5 some of your -- let's see. Let's go back to
6 that -- the third DR in the board minutes, it
7 refers to -- let's see. You got permission to use
8 the money market account from --

9 MR. TALLEY: Are you referring to some of
10 the minutes?

11 MS. KOENIG: I am.

12 MR. TALLEY: What month?

13 MS. KOENIG: I'm referring to the minutes
14 and I'm trying to find them to give you an
15 exact date.

16 MR. TALLEY: Okay. I've got a copy here I
17 can furnish the witness.

18 MS. KOENIG: Oh, okay. Great. I thought
19 he had one. Sorry about that.

20 MR. TALLEY: As long as you tell me which
21 month.

22 MS. KOENIG: Right. Go ahead.

23 MR. TALLEY: It's not in that book. It was
24 filed separately here. Put that back over
25 there.

1 MS. KOENIG: Let's see. Okay. I'm looking
2 at May 3rd, 2018. It's the whole exhibit
3 that you filed in response to July 1st, and
4 it's this section on minutes. It was just
5 the updated minutes from that portion, and
6 so it's just May 3rd, 2018.

7 MR. TALLEY: He has it now.

8 MS. KOENIG: Okay.

9 BY MS. KOENIG:

10 Q And so in that portion of minutes
11 it talks about the big leak on U.S. 127; is that
12 correct?

13 A Yes, ma'am.

14 Q Okay. And so it looked like in
15 some of your data responses that -- that you
16 thought that finding these big leaks, that that was
17 being to be the solution to the water loss; is
18 that...

19 A We thought -- yes.

20 Q Is that pretty accurate?

21 A Yes.

22 Q So -- but in discussion with the
23 commissioners and stuff, do you think that that's
24 sustainable with the age of your infrastructure,
25 just finding these isolated large leaks?

1 A With the age of infrastructure.

2 Q But the age of infrastructure,
3 that would not be sustainable, even the improvement
4 where it says it dropped it down to 15 percent and
5 things?

6 A The big one, we dropped it to
7 15 percent.

8 Q Right. And so -- but -- but is
9 that sustainable with the age of your
10 infrastructure? Is that going to fix the problem
11 of just these few big leaks that you found? That's
12 really great --

13 A That's not going -- that's not
14 going to cure it all, no.

15 Q Okay, thanks. That's what I was
16 trying to get at.

17 Okay. And then if you turn on to June 27th,
18 '18, that's where you referred to the whale leak.
19 Is that the -- that's the same one, that 127 leak;
20 is that right?

21 A Yes.

22 Q And that is where the board
23 discussed not submitting the quarterly reports.
24 And do you recall discussing that, that
25 Mr. Robinson was not submitting quarterly reports

1 in accordance with the regulations for the PSC?

2 A I don't know why he didn't report
3 it.

4 Q Okay. And you were cited for
5 years for not filing quarterly meter reports.

6 And it does look like that the board
7 discussed it, and you also sent a letter with --
8 Mr. Robinson sent a letter. Did he, like, approve
9 his letters that he sent to the PSC with the board?

10 A Yes.

11 Q And so it said that he was going
12 to, but -- but they didn't, did they?

13 Okay. So I just wanted to ask, who is
14 Mr. Rockaway?

15 A He's a -- going to be a new
16 customer we've had for quite a while. He owns a
17 trailer park, and it's going to be changed over to
18 individual meters in the park. There's 52 meters
19 to be installed.

20 CHAIRMAN SCHMITT: May I interrupt? I'm
21 going to leave for the next hearing in a
22 few minutes. But I could probably ask
23 questions for 45 minutes, but I'd like to
24 ask three questions before I leave.

25 MS. KOENIG: Yes, please do.

1 CHAIRMAN SCHMITT: And then I'll turn over
2 the meeting to Vice Chairman Cicero.

3 EXAMINATION

4 BY CHAIRMAN SCHMITT:

5 Q I guess it was indicated earlier
6 you-all have a regular attorney --

7 A Yes.

8 Q -- that meets with you on
9 occasion. Is that Mr. Talley or someone else?

10 A No. It's someone else.

11 Q Who is someone else?

12 A Bob Bowman.

13 Q And he lives here in Frankfort?

14 A Not Bowman.

15 MR. TALLEY: Jim Boyd.

16 THE WITNESS: Jim Boyd.

17 BY CHAIRMAN SCHMITT:

18 Q Jim Boyd?

19 A Yes.

20 Q Used to be the county attorney?

21 A Yes.

22 Q A classmate of mine.

23 A Is he?

24 Q Does Mr. Boyd come to every
25 meeting?

1 A No. Just when we -- we think we
2 need him, we'll call him and he'll come.

3 Q The other is -- I know that you
4 probably have -- go through whatever the annual
5 training is, either at Public Service Commission or
6 Kentucky Rural Water Association; is that correct?

7 A Yes, sir, here.

8 Q And probably all your board
9 members do it --

10 A Do it --

11 Q It's easier here because --

12 A -- all the same time.

13 Q -- it's all in the same town.

14 Kentucky Rural Water -- Mr. Larimore has a
15 program I guess as part of a -- I'm sure he doesn't
16 do it all the time. But I've seen it because I read
17 all of the training materials that are furnished
18 before we approve the training, all of us do.

19 But one was on corporate governance, and it
20 actually tells how the board functions, the
21 functions of the general manager, and the
22 relationship between the two. And I'd suggest that
23 if you ever have an opportunity to attend that
24 program. Or we could probably, on our next session
25 that's here in Frankfort, either have him do it --

1 or I've done one, too -- have one. I'd suggest that
2 it would help you-all to go through that.

3 A Okay.

4 Q And the only other thing that I'd
5 like to say is I know -- I guess there's a
6 disconnect, and it's not just with you-all, it's
7 with a number of districts, where there are
8 continuing deficiencies noted on inspections, but
9 they're never corrected and they're just carried
10 over from year after year.

11 And some of these just require doing
12 paperwork, seeing that it's done. But if they
13 aren't done, I mean, the only way the Public Service
14 Commission can enforce these regulations -- and some
15 of them are safety and -- is basically to start
16 assessing a civil penalty, not just against the
17 water district but against the commissioners
18 personally, and we've actually done that on several
19 occasions.

20 And I don't mean that as a threat, but I --
21 you ought to realize that when you get a report and
22 it says you're not furnishing the meter inspection
23 reports, and all that -- the meter reports, that's
24 all that is, is somebody doing some paperwork, or
25 having a safety program. I mean, those things can

1 be done and Kentucky Rural Water will help you with
2 that. There's really no excuse for it. And it just
3 puts you at risk when there's no need to. So I
4 offer that as a helpful suggestion, not as a threat.

5 A That happened to us one time, and
6 Mr. Robinson failed to make those reports and it
7 cost us a fine.

8 Q Well...

9 A And it's -- it hasn't happened
10 since.

11 Q One of the things, though,
12 when -- we had a water district, I guess in 2016,
13 and they had a problem. They borrowed -- come to
14 ask for authorization to borrow money and the
15 Commission approved it. And then they borrowed a
16 lot more money than they were authorized to do.
17 And it turned out it was a lawyer's mistake. They
18 blamed the lawyer and the lawyer blamed them.

19 And so we had a hearing. And as a result,
20 we were going to -- or had thought about assessing
21 the district, and somebody here said, Well, all
22 you're doing is punishing the ratepayers. After
23 that, we decided to punish the commissioners
24 personally who were responsible for it.

25 So, I mean, you know, it's like my old

1 teacher I had said: Let a word to the wise be
2 sufficient.

3 All I'm saying is probably need to talk to
4 Mr. Boyd or Mr. Talley and just get those things
5 cleaned up so when there's another inspection, if
6 there's a deficiency, that you actually get that
7 corrected because it doesn't -- your deficiencies
8 don't cost anything to fix.

9 A Right. Right.

10 CHAIRMAN SCHMITT: Okay. All right. Thank
11 you.

12 THE WITNESS: Thank you.

13 CHAIRMAN SCHMITT: Appreciate you-all
14 coming.

15 EXAMINATION (Continued)

16 BY MS. KOENIG:

17 Q Mr. Toles, I just have one more
18 clarification. On the February 1st, 2019 board
19 minutes, at the bottom of the page it says that
20 Richard talked with David Harrod, CPA, about Jan
21 pulling money from the money market account to the
22 regular checking account, and David said it was
23 safe to perform this action, and he will send a
24 letter indicating his approval.

25 Do you know what that was for? Was that for

1 the fence repair or --

2 A No. We had some CDs come due and
3 we moved them to money market to a -- I don't know
4 if you've heard of a sweeping account.

5 Q Okay. And so would Mr. Tanner
6 know more about, like, the amount that's in the
7 accounts and --

8 A Yes.

9 Q -- that would be -- okay.
10 And then again -- so you said
11 Mr. Rockaway -- it says in the -- in the board
12 minutes from June 6, 2019 that he -- that he was
13 paying \$58,864 for the meters. And is that the
14 trailer park?

15 A Yes.

16 Q Is that what you said?

17 Also, the board noted the Kentucky Rural
18 Water Association, asking them to come help with
19 leaks and things like that.

20 A Right.

21 Q So -- okay. We already discussed
22 that.

23 Okay. As far as state agencies that have
24 helped you, it looks like it's taken a while. If
25 I'm looking at the board minutes and the

1 inspections, it maybe has taken a while for you to
2 get to the point to ask Kentucky Rural Water for
3 help. Is that -- but you did say the RD was helping
4 you locate leaks?

5 A RD, they're there for money.

6 Q RD is there for money. I
7 understand that. But who was helping you with
8 leaks? Maybe I misunderstood what you said.

9 A Well, the name you just
10 mentioned.

11 Q Kentucky Rural Water Association?

12 A Kentucky Rural Water, yes.

13 Q Okay. So they're already helping
14 you?

15 A Yes, they have. We've called
16 them several times.

17 Q Oh, okay. So you have a good
18 relationship with them?

19 A Yes.

20 Q Okay. And is that the only
21 agency that's helping you or advising you as far
22 as --

23 A Yes.

24 Q -- your leak detection plan?

25 A Yes. Other than what we've put

1 in place ourself.

2 Q Did they approach you or do you
3 approach them for help?

4 A We approach them.

5 Q Okay. So you have to call them
6 for help?

7 A Right.

8 MS. KOENIG: Okay. Thank you very much. I
9 have no further questions.

10 MR. CICERO: Commissioner Mathews?

11 EXAMINATION

12 BY DR. MATHEWS:

13 Q I just -- and I did this
14 calculation while I was sitting up here. What is
15 your rate for 4,000 gallons? Your bill for an
16 average customer, 4,000-gallons?

17 DR. MATHEWS: Did I see that was around
18 \$30?

19 MR. TALLEY: I recall \$30 and change.

20 DR. MATHEWS: Okay.

21 Q Would it surprise you to learn
22 that the plant board is not twice what yours is?
23 It's 31.20 if you're within the city boundaries and
24 34.96 if you're outside the city boundary. Just
25 thought I'd -- I was making sure I didn't need to

1 move.

2 And then on the map -- and it's probably an
3 error, but if you have the PSC Exhibit 8. If you
4 look in north part of the county, there's a section
5 around Choateville that is colored the same color as
6 the Farmdale.

7 MR. ARMSTRONG: It's ours.

8 BY DR. MATHEWS:

9 Q So it is yours? So it's just a
10 small section that --

11 A It's a small section, yes.

12 Q -- that's legacy? You inherited
13 it?

14 A Yeah. We're taking it over from
15 Frankfort. Frankfort wouldn't put the water down
16 there for the people and we asked them to, and they
17 give us that property and we put water down there
18 to them.

19 Q And that's -- that's served off
20 of an interconnection with the plant board?

21 A Uh-huh (affirmative).

22 Q You handle the distribution and
23 they give you the water?

24 A Right.

25 Q How many customers?

1 MR. ARMSTRONG: Eighteen.

2 BY DR. MATHEWS:

3 Q Eighteen?

4 A Eighteen.

5 DR. MATHEWS: Okay. That's all I have. I
6 just wanted to -- I was curious about
7 the -- how the plant board compared and
8 then I was just curious about the
9 disjointed system. I hadn't -- I hadn't
10 noticed that until I was sitting here.
11 That's it.

12 MR. CICERO: So we still have some more
13 testimony to take, and it's already quarter
14 after. I think we'll break until 20
15 after 1:00, come back in. I'm going to
16 start my questioning, then we'll go to the
17 AG and if Mr. Talley has any questions, and
18 if there's any follow-up by staff. Then
19 we'll proceed through with any other
20 witnesses that there might be. So we'll
21 adjourn now until 20 after 1:00.

22 MR. TALLEY: Will anyone still need Brian?
23 He's getting a lot of calls on his phone.
24 He would be available if you-all want him
25 here.

1 MR. CICERO: That's okay. I think he can
2 go. That's not on the record, but it's --
3 MR. CHANDLER: We can just agree.
4 MR. CICERO: I'll ask after we start back
5 in.
6 DR. MATHEWS: If we have a question for
7 him, we'll do it in a post hearing data
8 request.
9 MR. TALLEY: Okay.
10 MR. CICERO: If you have to come back,
11 we'll call you and let you...
12 MS. KOENIG: That's fine. Thank you very
13 much for coming.
14 (THEREUPON, A LUNCH BREAK WAS TAKEN.)
15 MR. CICERO: We're back on the record. And
16 I think we are going to continue with our
17 examination of chairman. And I think it's
18 up to me at this point, and I'd like to go
19 ahead --
20 MR. TALLEY: Excuse me, one housekeeping
21 matter. I think after we went off --
22 MR. CICERO: Yes.
23 MR. TALLEY: -- the record, then we all
24 agreed among ourselves that our general
25 manager would no longer be needed, and

1 Mr. Armstrong went back to work then during
2 the lunch hour. So he is not here for this
3 afternoon's questioning, but all our board
4 members are here.

5 MR. CICERO: Thank you for reminding me.

6 And, Mr. Chandler, did you have any
7 objections to that?

8 MR. CHANDLER: No.

9 MR. CICERO: Staff?

10 MS. KOENIG: No objection.

11 MR. CICERO: So we're fine and we'll --
12 he's gone. If we have to call him on his
13 emergency bat phone, we'll call him.

14 MR. TALLEY: Thank you.

15 EXAMINATION

16 BY MR. CICERO:

17 Q It became apparent this morning
18 that the board seems to be very involved in the
19 day-to-day operations of Farmdale. Would you say
20 that's an accurate statement?

21 A Yes, sir.

22 Q And so when we speak of
23 Mr. Armstrong as being the general manager, he's
24 really not doing the duties that you would expect a
25 general manager to do?

1 A No.

2 Q Who basically has that role? Or
3 can you explain a little bit about the board
4 members' involvement in the day-to-day activities?

5 A Well, we pretty much -- if
6 someone calls me, something that needs to be
7 discussed, I'll contact the board members at any
8 time I need to or they can call me any time they
9 want to.

10 If Brian -- he'll call. If he needs
11 something he needs to go get, we can okay him to go
12 get it. He don't take it on himself to spend a
13 dime.

14 Q Are you there every day?

15 A Not every day, but my wife says I
16 should take my bed with me.

17 Q Okay. So it's more frequent than
18 it's not frequent?

19 A No.

20 Q Turn to the everyday
21 decision-making. Would the staff at the office
22 contact you or another board member or would they
23 try to contact --

24 A They contact me 90 percent of the
25 time.

1 Q And you say you've been on the
2 commission since 1983?

3 A Yes, sir.

4 Q Do you think that the
5 organization is helped or hurt by the fact that
6 they're so dependent on a commission that -- I
7 mean, in your case, I realize you're retired and
8 you probably enjoy this, but at some point you may
9 want to do something else or just bug your wife at
10 home, I'm not sure. But the fact that
11 structurally, from an organization standpoint, the
12 operation is more dependent on its commissioners
13 for day-to-day direction than it should be, would
14 you agree with that?

15 A To a certain part. Anything
16 outside that Brian -- outside of the office doors,
17 it's Brian's.

18 Q Uh-huh (affirmative).

19 A And if he -- whatever he needs to
20 do, he's got the okay to do it.

21 DR. MATHEWS: Would you say except spend
22 money?

23 THE WITNESS: He don't even -- he don't
24 spend no money.

25 DR. MATHEWS: So if he needs a part --

1 THE WITNESS: Oh, well, no. Now, if he
2 needs parts, now, he's okay to do that.
3 DR. MATHEWS: All right. So he has
4 boundaries?
5 THE WITNESS: Yes.
6 DR. MATHEWS: Does he know exactly what
7 those are?
8 THE WITNESS: I'm pretty sure.
9 DR. MATHEWS: Are they dollar -- I mean,
10 anything below...
11 THE WITNESS: He knows not to go spend a
12 bunch of money unless he calls one of us or
13 he contacts us all, then we'll decide.
14 DR. MATHEWS: And define "a bunch." I
15 mean, does he know what a bunch of money --
16 THE WITNESS: Well, now, anything --
17 DR. MATHEWS: That's a pretty loose term.
18 THE WITNESS: If he's out working on a fire
19 hydrant and he needs a new hydrant, he's
20 got the okay to go get that to repair it,
21 get the water back on. Anything that he'd
22 have -- that he has to do with repairing
23 leaks, we don't question it. He goes and
24 gets what he needs to fix it, get it all
25 back in working order.

1 BY MR. CICERO:

2 Q So if I understand that
3 correctly, your response is not a dollar limit, but
4 the type of activity?

5 A Uh-huh (affirmative).

6 Q Within the -- what are the words?

7 A Well, if you go buy a new
8 hydrant, that's \$4,500.

9 Q My point was if he goes and buys
10 a new hydrant and you're okay with that, but if he
11 decided that he was going to replace 700 feet of
12 line, you might have a problem with him doing that?

13 A Right. We'd know about that
14 first.

15 Q I think Commissioner Mathews was
16 pointing out that sometimes while there's good
17 intent and reasonableness and common sense, that's
18 great, but again sometimes there's parameters that
19 should be established so that -- we could tell from
20 Mr. Armstrong that he is a very, very hard worker,
21 very dedicated to his job. We were also able to
22 determine that he's not quite certain what all his
23 boundaries are, what actually he can do and can't
24 do, and he's following a set of guidelines that
25 were there when he came, and I don't think they've

1 been touched or updated since he got there. Is
2 that...

3 A He doesn't have anything over the
4 secretarial work, to be honest.

5 DR. MATHEWS: So he's not the general
6 manager?

7 THE WITNESS: No.

8 DR. MATHEWS: He is the operations manager?

9 THE WITNESS: He's just operations.

10 MR. CICERO: Okay.

11 DR. MATHEWS: So does he know that?
12 Because it didn't appear this morning he
13 did.

14 THE WITNESS: He wants to be over
15 everything, but he's not.

16 DR. MATHEWS: So you don't have a
17 general -- you're the general manager?

18 THE WITNESS: Right.

19 BY MR. CICERO:

20 Q Well, then that places a lot of
21 the responsibilities on how the office functions
22 and how information is delivered to the board
23 because you're directly involved in the activities.

24 A Uh-huh (affirmative). The office
25 is run as well as any clock runs. They're

1 excellent in everything they do, and they do it --
2 they may call me two or three times, We need to ask
3 you this or need to do this. And I go up and talk
4 to them. And I say, Well, you're the best in that
5 field than I am, and so they'll make a decision to
6 go ahead and do it. And nine out of ten times or
7 100 percent they're right.

8 The one girl's been there 30-some years and
9 you ain't going to find a better person in the
10 country.

11 Q I always love people with
12 experience. The only issue I have is that people
13 eventually retire or go somewhere else.

14 A Well, Richard and I talk about
15 that. We need to look for somebody younger to come
16 in and work with them.

17 Q I think part of it was discussed
18 earlier, and that's whether there's policies and
19 procedures. In other words, is the legacy
20 knowledge being passed down through some form of
21 memorialized documentation or is she just really
22 good, has it all in her head, and when she goes it
23 goes with her?

24 A I think she -- about 100 percent
25 of it's all wrote down, and she's got a certain way

1 it's done and she's got it all wrote down.
2 Somebody else could come in -- well, just like
3 Yvonne Hill. She was commissioner and she changed
4 over to work in the office, and them two were just
5 together...

6 Q To give you an idea, we talked
7 about procurement, purchasing.

8 A Uh-huh (affirmative).

9 Q Is there a policy on purchasing
10 that exists in the office that if your office
11 manager were to leave today that somebody could
12 say, I know how the purchasing function flows, how
13 a PO is issued, who authorizes it, who signs for
14 the -- on the invoice when it's paid? Is there
15 anything like that that exists?

16 A There's no invoice paid unless
17 there's two signatures.

18 Q Okay. I'm not arguing with the
19 process you use. I'm saying is that written down
20 or documented somewhere?

21 A I'm not sure about that.

22 Q Okay. I think that's what we're
23 trying to point out, is there -- there's a
24 procedure you have on the operations side and it
25 helped out when Mr. Robinson ended up leaving

1 prematurely. That's what Mr. Armstrong has used as
2 his Bible.

3 And my only point is on the office side,
4 again, you have good people, but if something were
5 to happen that those people weren't there or caused
6 them to be gone for an extended period of time,
7 while I appreciate the fact that you're there, you
8 could be on vacation in Key West or somewhere, I
9 don't know, but there is not going to be some
10 roadmap like Mr. Armstrong was able to follow
11 because it doesn't exist on the office side.

12 A No.

13 Q I think that's something that
14 should be looked at from the board's perspective.

15 A I don't think Mr. Armstrong would
16 know because he's not done work in the office.

17 DR. MATHEWS: We're saying that he had the
18 operations manual when he took over.

19 THE WITNESS: Yes, yes. Yeah.

20 DR. MATHEWS: But we were wondering if a
21 new office manager came in, would they also
22 have a manual that said, Here's how we do
23 everything? Because that's what we've seen
24 in some of the other water districts is
25 it's been all in someone's head and they

1 left. To some degree, that's happened
2 here.

3 THE WITNESS: I don't know, but I'll find
4 out when I leave here today.

5 MR. CICERO: Okay. That's good.

6 BY MR. CICERO:

7 Q You use Harrod, you said, as your
8 CPA?

9 A Yes, sir.

10 Q And they do your audit; right?

11 A Uh-huh (affirmative).

12 Q Do they -- and they're also
13 assisting with entries that an accountant would
14 normally make in terms of a depreciation entry at
15 year end and some of the other -- so you've got the
16 same accountant that's putting in entries and being
17 auditor at the same time --

18 A Yes.

19 Q -- doing the auditing?

20 A Uh-huh (affirmative).

21 Q It's a little bit of a control
22 lapse there because normally you wouldn't have
23 someone that actually creates entries in the system
24 auditing the system. That's -- it's not the best
25 control that you would have out there.

1 How long has Harrod been doing the
2 audit/helping out with the accounting?

3 A Since Mr. Robinson died. He had
4 another company that it will take her months and
5 months to get our taxes done. Always late. I
6 don't know how many times they filed for...

7 Q So this isn't very -- not very
8 long?

9 A No.

10 Q Okay. Is it under -- do you pay
11 a -- I guess you pay a fixed fee? Is he paid on an
12 hourly basis? How is he retained?

13 A I don't know exactly how he
14 prices it, but it's a little pricey, but...

15 Q I'm not questioning whether
16 you're paying too much or too little. My question
17 is, is there some way that you know before he
18 engages in services of having an idea of what he's
19 going to charge so that when his invoice comes in
20 you're not surprised at it?

21 A Well, we never have been
22 surprised. It...

23 Q Well, let me phrase it
24 differently. So that you can validate what he's
25 charging you --

1 A Yes.

2 Q -- is there some kind of an
3 agreement of rates or is there a retainer?

4 A Well, every year has been always
5 about the same.

6 Q So he gives you an upfront letter
7 that says, This is the expected cost of the audit?

8 A No, he doesn't do that. But we
9 grew up together and good friends, and I know that
10 doesn't mean anything because -- when it comes to
11 business --

12 Q Something between the two of you,
13 again, it goes on to a continuity of operation.
14 After players change, it's always good so that --

15 A Yeah, well...

16 Q -- people know -- there should be
17 an engagement letter that's issued by the auditing
18 firm that says, Here's what we estimate our
19 services are going to cost. These are the services
20 we're going to perform. We'll need these items
21 from you in order to complete the audit, and our
22 results should be complete by some period of time.
23 That would be a best practices type engagement
24 letter, similar to what you'd do with an attorney.

25 If you were going to engage an attorney in

1 some kind of an activity where you needed them to
2 perform a service, you would like them to provide
3 you with their hourly rates, what you expect for
4 them to do. A lot of times you'd like to have it be
5 a not-to-exceed, but it depends on what type of
6 activity you're going to --

7 A Okay.

8 Q -- engage them.

9 A I'll check into that.

10 Q Okay. Does the board -- it
11 sounds like the board is engaged in basically the
12 HR function. In other words, you are responsible
13 for hiring, firing, raises, anything along those
14 lines; is that right?

15 A Yes, sir. Yes, sir.

16 Q Does Farmdale have a pension plan
17 or a 401(k) or anything like that?

18 A It's retirement through the
19 state.

20 Q So you use the state system?

21 A Uh-huh (affirmative).

22 Q And those entries are probably
23 made by your office manager and then reviewed by
24 your accountant/auditor?

25 A Uh-huh (affirmative). Yes.

1 Q Do you do any type of a personnel
2 evaluation of, in particular, like Mr. Armstrong?
3 It sounds like he's been there a year. He is
4 probably due for some kind of formal evaluation
5 that says you're doing a great job, you're doing a
6 bad job, you deserve a raise, you don't deserve a
7 raise. Has that happened?

8 A Yes, we do.

9 Q So he's -- and he's been
10 evaluated formally and...

11 A Yes.

12 Q Okay.

13 A The new person we just hired
14 three or four months ago, he's done a perfect job
15 and we've given him a raise.

16 Q And through an evaluation --

17 A Uh-huh (affirmative).

18 Q -- I mean that goes into a
19 personnel folder with his name on it that says,
20 Excellent job, evaluated, you give him a raise?

21 A Uh-huh (affirmative). Yes.

22 Q Has the board considered merging
23 with anyone? I know this question was asked of
24 Mr. Armstrong. We heard -- all heard his response.

25 What about from a board perspective, a

1 consolidation with another district, or has anybody
2 ever approached you to purchase the operation?

3 A Frankfort.

4 Q Frankfort Plant Board has
5 approached you?

6 A Yeah, they have in the past.

7 Q What is the reaction from the
8 board about that?

9 A No.

10 Q Through an evaluation of the
11 offer or just because you weren't interested in
12 being part of Frankfort Plant Board?

13 A We didn't want them to take us
14 over.

15 Q So it was just an out
16 rejection --

17 A Uh-huh (affirmative).

18 Q -- of any type of...

19 A Uh-huh (affirmative).

20 Q In listening to Commissioner
21 Mathews' comparison of rates, which are very
22 similar, and knowing that probably both parties
23 would benefit from an expansion of customer base
24 and probably a decrease in administration, but
25 probably not really negatively impacting Farmdale

1 because Farmdale really doesn't have that much of a
2 staff to start with, so I'm not sure what economies
3 of scale you'd gain there, but you'd absolutely
4 have access to equipment and other assets that they
5 use for their leak repairs, and obviously we've
6 already talked that leak repairs run anywhere from
7 90- to 140,000 depending on what year we look at.
8 Wouldn't that be something that would be --

9 A In our last board meeting, we
10 purchased a truck, an excavator, and a trailer.

11 Q Okay.

12 A And it's going to be delivered.

13 Q I could purchase all those, too,
14 but -- I could go out and buy those as well, but
15 it's not really a reflection on anything except I'm
16 either borrowing money or somebody just --

17 A No, we're not borrowing any
18 money.

19 Q Okay. So do you know what the
20 reserve balance in the depreciation account is or
21 would that be --

22 A You'd have to ask Mr. Chandler
23 that.

24 Q Okay. Because we all know that
25 spending money isn't necessarily an indicator of

1 anything that's good. It just means that somebody
2 came up with some money and they bought some things
3 that they thought were good at the time.

4 A I don't know the exact dollar,
5 but...

6 Q It's still something that the
7 board shouldn't reject out of hand because your
8 fiduciary responsibility is to your customers, not
9 from the perspective of whether Farmdale continues
10 as an independent operation, but more from the
11 perspective of what is best for our customer. Are
12 they better off because they're consolidated with
13 somebody else or sold to somebody else, or we're
14 doing a great job, we'll stand on our own, but
15 there should be an evaluation that says this is why
16 we rejected it, not just because we're rejecting
17 it. Is that a fair enough statement?

18 A Yes, sir.

19 MR. CICERO: I don't have anything else.

20 Mr. Chandler?

21 She's already had her shot at you.

22 DR. MATHEWS: I only get one.

23 MR. CICERO: She gets another chance after
24 you. She might want to comment on
25 something you say.

1 EXAMINATION

2 BY MR. CHANDLER:

3 Q So if requested, would you be
4 able to provide the formal evaluation that you
5 performed for Mr. Armstrong?

6 A Yes.

7 Q So there's a piece of paper that
8 the attorney general could request and you-all
9 could provide in the record?

10 A Uh-huh (affirmative).

11 Q Okay.

12 MR. CICERO: Are you requesting them?

13 MR. CHANDLER: I will I guess at the end,
14 but, yeah, that would be a post-hearing...

15 MR. CICERO: Okay.

16 MR. CHANDLER: Mr. Talley, does the witness
17 have a copy of the notice of filing --

18 MR. TALLEY: Yes.

19 MR. CHANDLER: -- that includes all the --

20 MR. TALLEY: All the minutes?

21 MR. CHANDLER: -- board's minutes?

22 MR. TALLEY: Yes, he does.

23 MR. CHANDLER: Okay. Would you mind to --
24 does he have that in front of him?

25 MR. TALLEY: Yes, he has it.

1 BY MR. CHANDLER:

2 Q Do have the item in front of you
3 that says notice of filing on the front of it?

4 MR. TALLEY: Yes, he has that.

5 MR. CHANDLER: Okay.

6 BY MR. CHANDLER:

7 Q And do you mind to turn -- it's
8 about halfway back in there to the -- get on the
9 right page -- the October 5th, 2018 minutes of the
10 Farmdale District.

11 A October?

12 Q Yes, sir. Let me know when
13 you're there.

14 A I don't see the notice on that
15 one.

16 MR. TALLEY: There you go.

17 THE WITNESS: Yes.

18 BY MR. CHANDLER:

19 Q Okay. Do you see the -- one,
20 two, three, four, five -- the sixth line down that
21 starts off "Water loss for the month of September"?

22 A Yes.

23 Q All right. So it says, "Water
24 loss for the month of September is 40.9 percent."
25 Do you see that?

1 A Yes, sir.

2 Q And then the next sentence says,
3 "Perplexed because no one has notified Brian of any
4 water leaks." Do you see that?

5 A Yes, sir.

6 Q All right. So let me ask you a
7 couple of questions. Who was perplexed?

8 A Brian.

9 Q Brian was perplexed. And Brian
10 is Mr. Armstrong that we spoke to earlier?

11 A Yes.

12 Q And so I want to ask, as a
13 general matter, you've heard questions here today
14 about a water -- a water loss detection plan or any
15 plan to address water loss. You've heard that
16 today?

17 A Uh-huh (affirmative).

18 Q And does the board have a written
19 plan to address water loss?

20 A We've gotten together and
21 discussed hiring more help, we've purchased more
22 material to do work with, to help with the
23 locating, and personally ourselves have been riding
24 around looking, help to repair. I've got out of my
25 truck and worked on repairing water leaks many a

1 night.

2 Q And I appreciate that all those
3 things should lead to a lower water loss.

4 A Right, uh-huh (affirmative).

5 Q But that's not necessarily the
6 question. The question is does the board have a
7 written policy or plan to address ongoing water
8 loss?

9 A No.

10 Q And do you think that would be
11 something that would help --

12 A Probably so.

13 Q -- a prioritization of issues?

14 A Yes.

15 Q And something that you can set
16 goals or metrics or targets?

17 A Uh-huh (affirmative).

18 Q And, sorry, for the court
19 reporter, do you mind to give an audible answer?

20 A Yes.

21 Q Okay, thank you. I know it's
22 hard for her. She just has to have -- she has to
23 write "head nod" every time, so...

24 How about -- how about a plan that's written
25 that you can come back to and say what is working

1 and what's not working, would that be helpful?

2 A Yes.

3 Q And is that something that our
4 office can expect the board to do within the year?

5 A Yes.

6 Q And is it an expectation that as
7 chair of the board that you would lead that effort?

8 A Yes, sir.

9 Q Do you mind to turn to the next
10 page there? It's October 15th, 2018 special
11 meeting.

12 A Yes, sir.

13 Q Okay. So this is a week after
14 the -- or ten days after that previous meeting;
15 right?

16 A Yes, sir.

17 Q So do you know whether or not
18 Farmdale provided notice of the special meeting?

19 A No.

20 Q You don't know?

21 A No.

22 Q Okay. And whether or not you
23 provided notice or not is not reflected in the
24 minutes at all; correct?

25 A Right.

1 Q Okay. Who keeps minutes? Let me
2 withdraw that question.
3 Who kept these minutes?
4 A Craig Blanton.
5 Q And is Mr. Blanton still on the
6 board?
7 A No, sir.
8 Q And who will be keeping minutes
9 going forward?
10 A Rob Gardenhire.
11 Q Can you spell Rob's last name for
12 me?
13 A Garden --
14 Q Okay.
15 A -- hire, H-I-R-E.
16 Q H --
17 A -- A-I-R. No.
18 MR. TALLEY: No. H-I-R-E.
19 THE WITNESS: H-I -- that's him sitting
20 there.
21 BY MR. CHANDLER:
22 Q I-R-E, okay. Hire?
23 A Hire.
24 Q Okay. Garden and hire. Okay.
25 Rob.

1 And so looking at these minutes, can you
2 tell me what happened in this meeting?

3 A Well, the board approved to --
4 him as treasurer.

5 Q Who?

6 A Richard Turner --

7 Q Okay.

8 A -- Tanner.

9 Q And who nominated Mr. Tanner to
10 be treasurer?

11 A I did.

12 Q And who seconded that?

13 A Craig Blanton.

14 Q And how do you know that?

15 A He was there.

16 Q Yeah, but you know that because
17 there's only three commissioners; right?

18 A Right.

19 Q And you know you were the one
20 that nominated him. And Mr. Tanner didn't second
21 himself, did he?

22 A No.

23 Q Okay. And so would you agree
24 that as a person reading these minutes, they would
25 have no idea who moved or seconded that nomination?

1 A Right.

2 Q And would you agree that as a
3 general matter, the minutes need to be overhauled?

4 A Yes, sir.

5 Q Any expectation that
6 Mr. Gardenhire will do a better job of keeping
7 minutes?

8 A Yes, sir.

9 Q Okay.

10 A Matter of fact, we've already
11 taken care of that. We've hired a lady to come in
12 and take the minutes.

13 Q Okay.

14 A And she's -- he's there with her
15 and she takes it and he takes it home and prints
16 it.

17 Q Were you here earlier when we
18 were talking about the safety program?

19 A Yes, sir.

20 Q And you're the person in charge
21 of the safety program?

22 A Yes, sir.

23 Q Do you think it makes more sense
24 for employees to be in charge of the safety program
25 rather than the board?

1 A Well, they're out in the field
2 working, and I don't know -- we -- they know what
3 kind of shape their equipment's in. But we have
4 always had a program on site and on hands, that
5 every business meeting we go out and check our
6 equipment, go over it, look at it, see if it
7 needs -- if it needs any repairs or serviced, and
8 we've been -- that's been in place -- written down
9 every month. But the last few months with
10 everybody changing hands and everything else, it's
11 been lax.

12 Q Let me ask, what line of business
13 were you in before you retired?

14 A Plumbing contractor.

15 Q Say that again.

16 A Plumbing contractor.

17 Q Okay. So you were -- were you --
18 during your entire career, were you your own boss
19 or did you ever work for somebody else?

20 A Well, for five years I worked for
21 another plumber.

22 Q And as an employee, would you
23 agree that it was beneficial to know with some sort
24 of direction and clarity what your job was?

25 A Yes, sir.

1 Q And would you agree that
2 Mr. Armstrong may need a bit more clarity as to
3 where his job starts and where his job ends and
4 what the board's expectations of him are?

5 A Yes, sir.

6 Q And when he was hired, would you
7 agree that that may have been an oversight by the
8 board not to set that out at the outset?

9 A Yes, sir.

10 Q And the other gentleman that was
11 hired, his first name's Jamie; is that correct?

12 A Yes, sir.

13 Q Just for the record, what was his
14 last name? It's okay. We'll leave it with Jamie.
15 That's fine.

16 Do you believe that the board set out the
17 direction and responsibilities for his job at the
18 outset?

19 A Yes. We told him he would be
20 under Brian Armstrong.

21 Q And so -- go ahead. Excuse me.

22 A He would be under Brian
23 Armstrong's guidance.

24 Q Okay. And it's Jan that runs the
25 office; right?

1 A Uh-huh (affirmative).

2 Q Do you believe that she knows her
3 duties and -- would you agree that --

4 A Right.

5 Q -- she knows her duties --
6 withdraw that.

7 Do you believe that she knows her duties
8 because the board told her what her duties are or
9 because she's been doing it 30 years and it's just
10 as custom she understands?

11 A She understands. She's been
12 doing it for 30-some years and...

13 Q But she doesn't know necessarily
14 because the board told her; she just found out from
15 on the job?

16 A Right.

17 Q And if you-all are going to get
18 serious about fixing the water loss, you would
19 agree that there needs to be clear goals, there
20 needs to be direction from the board, and there
21 needs to be direction to the employees as to what's
22 expected from them to fix the problem?

23 A Right.

24 Q In terms of finances, would you
25 agree that would be questions for Mr. Tanner?

1 A Sir?

2 Q In terms of finances, you would
3 agree that would be a question for Mr. Tanner?

4 A I could tell you, but I couldn't
5 tell you the dollar -- right down to the dollar.

6 Q That's fine. I expect the staff
7 may call Mr. Tanner, so I'll wait to ask him
8 questions. Thank you.

9 MR. CHANDLER: That's all the questions I
10 have.

11 MR. CICERO: Mr. Talley.

12 MR. TALLEY: I don't believe I have any.

13 MR. CICERO: Mrs. Koenig?

14 MS. KOENIG: I have no further questions
15 for Mr. Toles, but we would like to hear
16 from Mr. Tanner, please.

17 MR. CICERO: Commissioner Mathews?

18 DR. MATHEWS: I don't.

19 EXAMINATION

20 BY MR. CICERO:

21 Q The only last question I have for
22 you, if you don't mind...

23 A All right.

24 Q When the AG -- when Mr. Chandler
25 asked you the question about safety and you went

1 through your discussion about the equipment is
2 examined at business meetings, safety isn't just
3 about whether the equipment is safe. It's about
4 what procedures you have for your employees and
5 what constitutes safe, and safety meetings, what
6 kind of protective gear you wear. There's all
7 kinds of other items that would be considered that
8 promote safety. Okay? Is there any type of
9 program like that that Farmdale has?

10 STAFF PERSON: Pardon me. We need to ask
11 you to go ahead and sit down so we can
12 actually get the recording. Thank you.

13 A We've never discussed that
14 problem. We don't -- we've been checking all our
15 equipment and making sure it's working like we
16 discussed.

17 We've been told -- I told him numerous times
18 don't put yourself in a hard place you can't get out
19 of.

20 BY MR. CICERO:

21 Q So you've got two guys working on
22 a project, okay? I use the -- I'm working
23 alongside the road and I'm excavating. I've got
24 one guy that's digging and the other guy is either
25 helping him direct the hoe or he's directing

1 traffic, I'm not sure which, but the guy may be
2 looking in the hole and gets hit by a vehicle or a
3 guy running the backhoe accidentally hits him. You
4 will have OSHA in a heartbeat.

5 A Well, we do have flags and cones,
6 things we set out on the road.

7 Q There's some kind of procedure
8 that exists that says when you're working in a zone
9 like this, these are the things you're supposed to
10 do?

11 A Yes, sir.

12 Q As a matter of verbal
13 encouragement or a written policy or how does it
14 work? Is there a safety manual? I guess that's
15 the question.

16 A I don't know a safety manual we'd
17 have.

18 MR. CICERO: All right. That's fine. I
19 don't have any other questions. You may
20 be -- you may be excused.

21 Ms. Koenig, do you have...

22 MS. KOENIG: Yes, sir. We'd like to hear
23 from Mr. Tanner, please.

24 MR. CICERO: Would you please raise your
25 right hand, please.

1 * * * * *

2 The witness, RICHARD TANNER, after first
3 being duly sworn, was examined and testified as
4 follows:

5 EXAMINATION

6 BY MR. TALLEY:

7 Q Mr. Tanner, state your full name
8 and your home address.

9 A Richard Lynn Tanner, 5320 Sleepy
10 Hollow Road, Frankfort, Kentucky.

11 Q How far from the water office do
12 you live?

13 A Probably about five miles.

14 Q You live in Franklin County?

15 A Yes, I do.

16 Q And when were you appointed as
17 commissioner?

18 A In September of '18, 2018.

19 Q Now, were you appointed to fill
20 out someone else's term?

21 A I was. Mrs. Hill, Yvonne Hill.

22 Q So Mrs. Hill resigned off the
23 board and started working in the office?

24 A That's correct.

25 Q And then you -- the judge in

1 fiscal court appointed you to fill out her term?

2 A Yes, sir.

3 Q And I believe your term expires
4 in 2021, I think. Does that sound right?

5 A That is correct, May of 2021.

6 Q Now, what -- currently you're
7 what, treasurer?

8 A Yes, sir.

9 Q And before that, what were you?
10 Or were you --

11 A I have -- well, okay.

12 Q I'm sorry.

13 A I'm a -- I'm retired.

14 Q Well, we'll get to that in a
15 second, but as far as your position on the board --

16 A Oh.

17 Q -- when they -- when you were
18 appointed to the board to start serving, did you
19 start out as treasurer?

20 A I did.

21 Q And you still have that position?

22 A Yes, sir. Nobody wants it.

23 Q Now, before -- I assume you're
24 retired at this point?

25 A Yes, sir.

1 Q What was your day job before then
2 when you was working?

3 A I was executive director of the
4 Kentucky Magistrates & Commissioners Association
5 and also worked with the Kentucky Coal County
6 Coalition.

7 Q Here in Frankfort?

8 A Here in Frankfort.

9 Q Now, that's a statewide
10 organization, the Kentucky Magistrate &
11 Commissioners Association?

12 A Yes, sir.

13 Q How long did you have that
14 position, approximately?

15 A Approximately 25 years.

16 Q Now, what's your educational
17 level?

18 A I have a master of -- master
19 degree in adult education.

20 Q Just out of curiosity, when the
21 judge appointed you to serve on the board, did he
22 give you any specific instructions or guidance or
23 orders?

24 A Well, he -- he was concerned
25 about the water loss. He said that he was not

1 going to micromanage anything, that he just wanted
2 us -- me, us to work with the board to try to get
3 that into a reasonable level, which is 15 percent
4 as set by the PSC the way I understand that. And
5 we've diligently done that.

6 MR. TALLEY: I'll turn the witness over to
7 you.

8 MS. KOENIG: Thank you.

9 EXAMINATION

10 BY MS. KOENIG:

11 Q Good afternoon, Mr. Tanner. How
12 you doing?

13 A Fine.

14 Q Okay. I heard you making a few
15 comments throughout the morning. Is there anything
16 that you wanted to say off the bat?

17 A Yes, but I'm not going to.

18 Q I see you're following your
19 counsel's advice, so that's good.

20 Okay. I just have a few questions and then
21 I think the vice chair has some more detailed
22 questions, but just to follow up from what Mr. Toles
23 testified to. So do you create the budget?

24 A No, I don't. Jan, our office
25 person/manager/bookkeeper and Mr. David Harrod do

1 that. They present that budget to me and we submit
2 that to DLG for their recording on their website at
3 the proper time.

4 Q Okay. And so local government,
5 do they provide any help --

6 A No.

7 Q -- or assistance?

8 A They do not provide any help.

9 Q You just said --

10 A We comply with the law that was
11 passed that we report to them.

12 Q Okay. And then Mr. Toles said
13 that you are using your depreciation reserve right
14 now for current expenses.

15 A Well, some. We're chasing leaks
16 as hard as we can, and that's caused us to have
17 to -- well, that and the leaks, obviously, caused
18 us to have to dip in our reserve, but it's not --
19 well, any time you do that, I guess it's serious,
20 but we're still financially sound.

21 Q Okay. And then you heard me ask
22 Mr. Armstrong and Mr. Toles about whether he did an
23 annual assessment of whether -- you just said
24 financially sound -- but how your rates are
25 covering the expenses for the district.

1 A Well, we just met last week with
2 our auditors and went over our complete audit
3 return. And it's -- we're still in reasonably good
4 shape and we still have -- if we get our leaks
5 under control -- which it appears like we are if we
6 have another good month -- we'll be in pretty good
7 shape and will not need -- obviously can't get a
8 rate increase, the way I understand it, when you
9 have 30 percent water loss anyway, but we're not
10 looking for one, not asking for one. We're going
11 to, though. We're looking at -- I'm repeating a
12 lot of things that have already been said here and
13 so you-all stop me if I'm -- well, shouldn't be --

14 MR. CICERO: You made the comment about you
15 can't get a rate increase if you have more
16 than 15 percent water loss, and your rate
17 increase is reduced by the excess over
18 15 percent, which means that you can have a
19 rate increase. The Commission will
20 penalize you for being over the nationally
21 recognized 15 percent water loss or
22 non-revenue water level. And that doesn't
23 mean you're not going to obtain additional
24 revenue. It just means that you're not
25 going to receive everything that somebody

1 might have thought.

2 And this Commission has tried to make
3 it clear that we're willing to do surcharges
4 in order to address infrastructure needs
5 that might have been disqualified under that
6 15 percent limit.

7 So I just wanted to make sure that you
8 understood that if a rate increase was
9 necessary for the viability of an operation,
10 there are avenues to approach without just
11 saying you can't get a rate increase.

12 THE WITNESS: Well, thanks for clarifying
13 that for me. I'm not going to hide behind
14 being a new member. Rob has that now,
15 so -- but I don't -- I have learned a lot.
16 It's been a informative meeting just for me
17 today.

18 We are pursuing those leaks. And
19 we're not financially -- do not financially
20 need a rate increase right now. We're --
21 we're, most months, positive a few thousand
22 dollars; some months not because of having
23 to do a lot of extreme work to chase leaks.
24 And that's fine. In the long run, we -- if
25 we -- our trend continues from 30 to 20, if

1 that stays -- even stays at 20 for a couple
2 of months, that's \$60,000 right there.

3 MR. CICERO: It's a big change.

4 THE WITNESS: That's a big change and it's
5 a lot of money. So that's \$60,000.

6 We have -- maybe I'm volunteering too
7 much information. And you ask me the
8 questions and I'd like to ask them --

9 MR. CICERO: You can't give too much
10 information. Ask Mr. Talley.

11 MR. TALLEY: Well, to a point.

12 DR. MATHEWS: You might be for him, but not
13 for us.

14 MR. CICERO: Not for us. We like all the
15 information you want to give.

16 THE WITNESS: Well, we're looking at it --
17 upgrading those 60-year-old lines, put in
18 in 1960. I mean, they're nearly 60 years
19 old.

20 And the tank, when we first turned the
21 water on -- just shoot all the water and
22 bust all the lines, but it starts stretching
23 and stressing those old lines and it causes
24 leaks any way you look at it.

25 And the people now are getting a

1 shower and can get clean. The only thing is
2 they run out of hot water quicker. But
3 they -- the pressure's good and we're moving
4 on.

5 And we have a different board now than
6 we had a year ago because two new members on
7 it. You've pointed out some things that --
8 that need to be addressed. They will be.
9 Mr. Toles already said that they was, and
10 he's correct. He's a good chairman.

11 I think there's some understanding
12 that needs to be made over who's over what,
13 and we'll get that taken care of too.

14 But whether or not Jan has written
15 down everything she's supposed to do, it --
16 she might have. I don't know. Most of the
17 time we just ask her what we're supposed to
18 do. But anyway -- I'm sorry.

19 MR. CICERO: So let me ask you a quick
20 question before Ms. Koenig continues hers.

21 You're the second -- this is the
22 second time I've heard too much pressure
23 going into a home that's causing -- in this
24 case you said the hot water tank to run out
25 quicker; other people saying there's much

1 more pressure than they wanted. Isn't there
2 a pressure relief control valve in
3 residences that --

4 THE WITNESS: I want to clarify any answer
5 I make. I am not a hydraulic engineer, but
6 I know the more water is in that tank and
7 the higher up it is, the more pressure.

8 MR. CICERO: I understand that.

9 THE WITNESS: Okay. So I know that the
10 more pressure that you put on a line, if
11 it's a half an inch or an inch, the more
12 water comes out of it.

13 MR. CICERO: I can understand that part of
14 it.

15 THE WITNESS: So if you cut the -- I mean,
16 so if you've got a shower, you're taking a
17 shower and you're running 40 or 50 pounds
18 or 60 pounds of pressure in your house and
19 was running 30, you're going to run way
20 more water through that line.

21 MR. CICERO: And that's where my question
22 comes in. Isn't there a pressure relief
23 valve that exists inside a residence that
24 controls the amount of pressure that comes
25 through that line?

1 THE WITNESS: My guess would be that would
2 be a question for him. But I think that
3 you can get a regulator and put on the
4 house side of the --

5 MR. CICERO: Right.

6 THE WITNESS: -- of a meter and they would
7 reduce that pressure, but I guess that
8 would be the homeowner's responsibility.

9 MR. CICERO: So it's not a code or anything
10 that as far as Farmdale's district or where
11 the local government doesn't require that
12 type of a device in the home?

13 THE WITNESS: No. I think -- I think the
14 pressure at the end house, the last house
15 on the line, is required by you, PSC.

16 DR. MATHEWS: To be high enough.

17 THE WITNESS: High enough --

18 DR. MATHEWS: Not to be low enough.

19 THE WITNESS: Well, I thought -- yeah,
20 there has --

21 DR. MATHEWS: It has to be high enough.

22 THE WITNESS: Well, what the -- that's
23 correct. I understand the high or low.
24 Whether it's the same -- high and low the
25 same at the end house.

1 MR. CICERO: My only comment is -- I live
2 in northern Kentucky. They're required to
3 have some kind of a pressure release that
4 -- or pressure control that you can
5 actually control the pressure coming into
6 the house, or if it's high, you can turn it
7 down and...

8 THE WITNESS: I don't believe that's --
9 that's a code here. We don't require it.

10 MR. CICERO: I would just -- that was more
11 of a curiosity question.

12 Sorry. Go ahead.

13 MS. KOENIG: That's okay.

14 BY MS. KOENIG:

15 Q So you just said that you're not
16 a hydraulic engineer.

17 A No, ma'am.

18 Q Okay. And so would you agree
19 that -- it looks like your background was not in
20 water utilities; is that fair?

21 A That's correct. My background is
22 mostly in education and PR, I guess, public
23 relations.

24 Q Okay. And when Mr. Toles was
25 testifying, he explained that he does make a lot of

1 the technical decisions. He's there every day and
2 staff refers to him. And then I think
3 Mr. Armstrong said that -- or maybe Mr. Toles
4 testified that the board is making the technical
5 decisions for the general manager instead of the
6 general manager advising the board of what his
7 technical expertise is; is that accurate?

8 A Well, that statement is accurate,
9 but I think you have to apply that both ways. The
10 flow of information goes both ways. It comes from
11 Brian Armstrong and from the board.

12 Q Okay.

13 A It don't just flow one way, no,
14 ma'am, or, yes, ma'am, whichever way you said it.

15 Q Well, and he's already said that
16 you're going to improve the boundaries of -- and
17 job descriptions and who needs --

18 A We need to work on that, yes.

19 Q I understand. Okay.

20 But you are in charge of the finances;
21 correct?

22 A Yes.

23 Q Okay. And we have talked about
24 the rate increases. And would you admit that it's
25 not just your -- let's see. You said we don't need

1 a rate increase because we're a thousand dollars in
2 the plus because of -- or something similar to
3 that. But there are other reasons to come in for a
4 rate increase. Would it -- perhaps an additional
5 employee or reassessing your whole system to make
6 it -- if part of a water -- water loss detection
7 plan, if you maybe sought the advice from somebody
8 who is an engineer or does have water utility
9 experience, if they put together a plan for you to
10 maybe address things operationally different, would
11 that be a reason to --

12 A Well, I try to --

13 Q -- come in for a rate increase?

14 A I guess I may get -- some of this
15 is opinion. But we're fixing to upgrade our lines.
16 We're going to obviously be here to ask for a rate
17 increase to cover that loan. It'll be a 40-year
18 loan, maybe, if you-all approve that rate. It's
19 probably a \$2 million project. It'll eliminate a
20 lot of these leaks, but we -- if we can get that
21 down. So -- all right. That's over here. So let
22 me go back and try to answer that question.

23 If we can reduce to 15 percent and save
24 \$92,000 a year, we will not need to raise rates
25 until that time.

1 Q Understood. Understood. And
2 what you're talking about coming in for -- to cover
3 the project is getting an 023 loan approved, right,
4 through RD? Is that correct?

5 A That would be correct, I think.
6 You're asking questions I might not really know.

7 Q Well, I understand. But on a
8 high level it's -- you're going through an engineer
9 who's --

10 A Correct.

11 Q -- designed the project and
12 they're going to go get funding from RD, and then
13 you're going to come to the Commission to approve
14 it. And in that instance, the Commission
15 doesn't -- that process -- the Commission doesn't
16 go look at your books and your whole financial
17 status to make sure that everything is getting paid
18 for. We have to look at what RD and their
19 assessment was.

20 A Okay.

21 Q So to get back to my point, I
22 think that you heard Mr. Toles talk about the
23 length of time between rate cases and the decision
24 on when to get a rate case. And do you believe
25 that decision is with the board or the general

1 manager?

2 A Well, I think he answered that
3 correctly. We have to listen to his suggestions
4 and what's going on. I mean, he can't ask you-all
5 for a rate increase. I think the board has to do
6 that. So it has to go through us. We gather the
7 information from him, and basically you're going to
8 be given the information from how much money comes
9 in and how much is going out. It would appear to
10 me like it wouldn't have a lot to do with any
11 manager. It would be all fact. And so that's --
12 that's the way I would look at it. If you don't --
13 you're making -- if you have enough cash flow, then
14 why would you want -- unless you wanted -- you
15 know, you've got to look at depreciation, a lot of
16 factors in there, but it's still all fact.

17 Q Right.

18 A If there was a mistake -- and
19 there have been many mistakes. Let me back up on
20 that. We went from -- up to -- what was the last
21 rate increase? Four or five years ago? Never had
22 but two. So it should have probably been at least
23 three, one in between, but it wasn't. But we would
24 have -- you know, they didn't see any need for
25 that. And I'm not questioning the board because

1 they didn't see a need for it.

2 Q Okay.

3 A I don't think I answered that
4 question. I'm sorry.

5 Q No, that's fine.

6 What I'm getting at is maybe -- I think
7 Mr. Chandler said you don't know what you don't
8 know. But if the board doesn't have water utility
9 experience, but they're making all of the technical
10 decisions for the water utility -- and I know that
11 Mr. Toles has a long history with the water utility,
12 but you're not getting any advice from Kentucky
13 Rural Water or other state agencies on how to
14 address the water loss, there's no written plan,
15 there's no goals, there's nothing set in stone as
16 far as that goes. And then you're also just not
17 planning for, you know, a separate leak detection
18 employee or what that would cost. You're talking
19 about the \$92,000. If you could get your 15 percent
20 down, that that would save a certain amount of
21 money, but you're -- you have no plan to do that or
22 to fund that plan either. So I'm just saying would
23 it stand to reason there's other reasons to come in
24 for a rate case or even to, first of all, ask for
25 some advice from people that would have more

1 expertise?

2 A Well, I agree with him. We need
3 all the advice we can get.

4 Q Okay.

5 A I guess part of what I said, in
6 saving -- if -- and hiring some -- hiring more
7 staff is not -- is on the table and we're trying to
8 find somebody, run -- we run an ad in the paper and
9 hired Jamie and now we need another employee. I
10 guess what I was thinking about, if we could cut --
11 hire somebody and cut that down near 15 percent,
12 there would be plenty of money to pay for that
13 person --

14 Q Okay.

15 A -- even if we hire -- we front
16 him anyway, or her, as the case may be.

17 Q Yeah.

18 A And so that if we do reduce that
19 loss, we could still pay for that person and have
20 some money left to put in reserve in case we need
21 it. But we do need staff, there's no question
22 about it.

23 At one time we only had one field man. I
24 mean, always had two office staffs, but we -- for a
25 few days, it wasn't very long, we hired Jamie, but

1 then we -- we're short-staffed, there's no question
2 about it.

3 MS. KOENIG: Okay. I understand what
4 you're saying. And I think you answered my
5 question about the cost analysis and that
6 you are doing that, taking that into
7 account.

8 I have no further questions.

9 MR. CICERO: Commissioner Mathews.

10 DR. MATHEWS: I don't have any.

11 EXAMINATION

12 BY MR. CICERO:

13 Q So you were appointed the
14 treasurer at the same time you were appointed to
15 the commission; correct?

16 A Basically, yes, sir.

17 Q Have you read financial
18 statements or been involved in any type of
19 managerial type on the finance side activity?

20 A Yes, sir. I've read financial
21 statements many times before.

22 Q You've seen them?

23 A Yes, sir.

24 Q So you're familiar with that?

25 A Yes, sir, somewhat. I'm not an

1 expert.

2 Q That's okay. As long as you have
3 an idea of what you're doing, that's always a good
4 start.

5 A Yes.

6 Q So what reports are prepared for
7 the board by the office manager in terms of for the
8 meetings that occur on a monthly basis, financial
9 reports?

10 A The financial report on a monthly
11 basis is prepared, the -- every check that is
12 written is listed and the invoice of what it was
13 for, et cetera, and every -- every income -- the
14 income statement is the same, everything from -- we
15 collect a little money for -- collecting a sewer
16 rate for -- some people have sewer, we get a
17 commission from that. All that was -- all that's
18 listed on income, then all expenses is listed, and
19 there's two numbers at the end, you can tell which
20 one is the biggest pretty easy.

21 Q So is there any comparing -- you
22 said that there was a budget prepared for the
23 fiscal year. Is there a comparison month to month,
24 a year-to-date basis that says here's what the
25 budget was and here's the money that we collected

1 and the money spent and here's the difference of
2 what accounts for it?

3 A Our budget analysis monthly or
4 quarterly is probably insufficient, but we'll try
5 to work on that too. We do it monthly, but we
6 don't compare that to the overall budget and we
7 probably should.

8 Q Because that kind of tells you
9 whether you're spending too much or not or you're
10 way under.

11 A Hopefully our income's always
12 more than they say.

13 Q That's good to a point, but if
14 you underestimate by too much, that means that you
15 have opportunities probably to increase your
16 spending on leak detection and you have the money
17 to do it.

18 A Well, that's -- I don't disagree.
19 I mean, we -- I'll agree what we need to do is --
20 what we need to do is improve on many things and...

21 Q I know that you're coming in here
22 and saying the darn state agency is trying to give
23 us too much information, we're operating pretty
24 good on our own, and we don't have the manpower to
25 do all this.

1 But we're trying to give you an idea --
2 we're evaluating utilities that have a high water
3 loss. And we find that in a lot of cases -- and we
4 aren't pointing fingers here, but we're going
5 through the same questions with everyone. And some
6 of it has to do with mismanagement and
7 misunderstanding what goes on.

8 We've certainly found out that different
9 organizations are run differently and some are well
10 run for not necessarily the greatest reasons.

11 It appears you guys have a handle of what's
12 going on, but I'm not sure that the continuity of
13 the organization will continue to be successful.
14 It's successful because of who's there now, okay,
15 which is different than if you were to resign
16 tomorrow that you could say -- or Mr. Toles were to
17 resign tomorrow that we could say a week from now
18 everything is going to run exactly the same and
19 everything will be fine because I'm not sure that's
20 the case.

21 But I would suggest that there are ideas
22 that will be offered up when the order comes out and
23 suggestions on how to improve. Again, understanding
24 that limited by size sometimes prevents the best and
25 optimal operating practice, just like with your

1 accounting function. Okay?

2 A Well, we -- I don't think any of
3 the board members -- I'm not -- I can, I think,
4 speak for them. We're not opposed to -- rejecting
5 any ideas that will make us better. We -- there's
6 7,500 people more or less looking to take a shower
7 in the morning in our district, and they've got to
8 turn the water on. So it's not -- it's not like
9 it's just a water district. It consists of people.

10 Q Exactly.

11 A And we've done them a good job.
12 Obviously, you've heard that ag -- AG office just
13 say we were third lowest. So they've been doing
14 something right. I didn't. I haven't been there
15 seven months, but...

16 Q Kent's always complimentary.

17 Do you have a capital budget or are you
18 involved in the capital budget?

19 A I'm not involved in the capital
20 budget, no. So we -- I'm assuming that that's in
21 capital investment plans, et cetera. I haven't
22 been there long enough to make sure the -- the only
23 one I'm involved in is the ongoing one that we have
24 for future capital investment.

25 Q So the project that will

1 eventually come before RD --

2 A Yes.

3 Q -- for funding and eventually
4 before us for approval, that will be considered
5 part of your leak prevention program and it will
6 also be part of your capital spending plan?

7 A That's correct. We're also
8 trying to upgrade equipment, which could be
9 considered capital investment even though it's
10 probably a lot shorter term.

11 Q Asset lives don't have a lot to
12 do to deter whether it's on the books or not. It
13 has to do with whether it's considered an item
14 that's been there for a period of time and you
15 generate revenue off of it and the expenses
16 associated with the initial period, so you extend
17 it out and depreciate it and that way you extend
18 the expense to go with the revenue. So capital
19 spending isn't necessarily just because it's a
20 pickup truck it doesn't qualify. Obviously, it
21 does depending what the life of the truck is.

22 It does kind of -- who does -- who's
23 responsible for the asset ledger? Is that the
24 office manager?

25 A Yes.

1 Q Does she calculate depreciation
2 or establish the lives or is this --

3 A No. Wait. I misspoke. The
4 person that's in charge of our depreciation and all
5 would be through our auditor.

6 Q Okay. So the auditor sounds like
7 he's pretty involved in the accounting side of it.

8 A His financial reports we have
9 just got through with, very thorough, from assets
10 to depreciation to cash on hand, et cetera. Does a
11 good job. And we can provide those five years
12 probably -- I got one in the truck if you need it
13 today.

14 Q You are supposed to file them
15 with the Commission, just so you know, on an annual
16 basis. So if they haven't been filed, we will be
17 asking for them.

18 A We can do that. It's not a
19 problem. There's a lot of oversight that's not a
20 problem. We just -- I don't know what -- you know,
21 I'm probably the dumbest person here as far as to
22 know what the PSC requires. But as soon as we find
23 out, it will be done. There's no reason why we
24 can't give you those five years in just a matter of
25 one day or two.

1 Q You come to the training here at
2 the Commission?

3 A I do, yes. Did. I did.

4 Q Okay, that's good. A lot of
5 the -- that type of responsibility for
6 commissioners is provided during that training
7 session. That's the only reason why I mentioned
8 that.

9 DR. MATHEWS: Do commissioners get paid?

10 THE WITNESS: Yes, we do. Our
11 commissioners receive \$400 a month.

12 DR. MATHEWS: All three of you? The chair
13 is not different?

14 THE WITNESS: The treasurer actually gets
15 \$200 a year extra.

16 DR. MATHEWS: Try not to spend all that in
17 one place.

18 THE WITNESS: My wife's telling me not to
19 do that.

20 DR. MATHEWS: But the chair gets the same
21 amount?

22 THE WITNESS: The chair gets \$400, yes.
23 I'm the only one that gets a bonus.

24 DR. MATHEWS: That's it. That was
25 curiosity.

1 BY MR. CICERO:

2 Q Who did you say signs the checks
3 again when they're -- when payments are made?

4 A Myself and Jan -- our office
5 manager -- Sanders.

6 Q All right. And Jan is
7 responsible for revenue collection and making the
8 deposits into the bank?

9 A She doesn't make the deposit in a
10 bank. Yvonne usually does that.

11 Q Okay. And then who does the bank
12 reconciliations?

13 A Jan would do that, yes, not --
14 not Yvonne.

15 Q All of those routine accounting
16 functions are performed by Farmdale's staff, not
17 anything by the outside auditor?

18 A No, not cash flow, not cash on
19 hand, no. That's all done in-house, yes, sir.

20 Q In developing your engineering
21 plan that you're going to use for this upcoming
22 project, who is the liaison between -- who picked
23 the engineering firm and how does...

24 A Well, we -- we ran an ad in the
25 paper basically specifying submit request to be the

1 engineer, whatever that is.

2 Q Okay.

3 A And matter of fact, we made sure
4 our tower sheet complied with what you-all wanted
5 us in there because I did do that, and we only had
6 one apply, and that was HMB, and -- which surprised
7 me a little bit. And then we obviously selected
8 them and we scored them, but they were the only one
9 that applied.

10 So I think after the fact there was some
11 other companies wanted to know what we were going to
12 do, and we said, Well, we did, and -- you know, and
13 we did comply. We had it in the paper, et cetera,
14 and nobody showed interest except them.

15 Q Okay. So HMB says, We want to do
16 this project. Do they meet with you or Mr. Toles
17 or the board in general or how -- how was the plan
18 progressed to determine what it is that they're
19 supposed to do and how -- what their charge is?

20 A Well, they met with the board to
21 determine what the scope of the project would be,
22 but I believe their charge is set in the statute.

23 Q Oh, I wasn't referring to how
24 much they -- I wasn't referring to their fees.

25 A Oh.

1 Q I was referring to the direction
2 that's being given to them.

3 A Who --

4 Q Who's the liaison that's giving
5 that direction?

6 A Well, we hadn't -- we hadn't
7 decided. If they would have one person to contact,
8 I guess right now would be Clifford because he's
9 the chair and he probably would know more about --
10 there would be no need asking me where the AC line
11 is because I haven't been here 61 years, but -- so
12 then we'll have to use his historical expertise and
13 knowledge. So he has to be the contact to them for
14 that. And also not only just him but also Brian.
15 But as far as the board goes, we meet with the
16 engineers. Whenever they want to update us on
17 what's going on, they come and meet with the board
18 in our meeting.

19 Q What stage would you say this
20 project is?

21 A A half, one -- we're very early
22 stage. They're working on it. They give us some
23 preliminary numbers and determined which lines need
24 to be replaced and what size we're going to and
25 those kinds of things, and that's where we are.

1 Q So did they do a -- do they
2 receive information from Mr. Armstrong that says,
3 Look in this area? Or did the board say, We think
4 this is where the problem was? Or when you put out
5 the bid, did you say, We want to replace this
6 section of line because it's the worst?

7 A The way I understand it -- you're
8 probably asking the wrong person because I've
9 only -- I'm going to kind of plead the Fifth, but
10 Mr. Toles would know those questions or what -- or
11 I'm -- the focus that I think that's not
12 necessarily 100 percent leak was upgrade AC lines,
13 lines that are too small, making them bigger,
14 including economic development in the future.

15 A lot of people in the county thinks that
16 there's going to be growth down 127 and that we need
17 to be prepared for that. Now, that's some of the
18 charges that we have heard from the county -- the
19 county judge, even though he didn't specifically
20 tell us to go out and do anything. Told me he
21 wasn't going to micromanage anything and he hasn't,
22 but he thinks there's going to be a lot of growth in
23 this area.

24 They're working on sewer out there, and if
25 they ever get all that worked out, they think it'll

1 boom, and if it does, we need to be prepared for
2 that.

3 The landfill is in part of our district, and
4 they want more water to fight fires with and has
5 agreed to help us finance part of it, especially
6 when it goes out there if we make the line big
7 enough.

8 But the other side of the coin is, is if you
9 get the line too big, the way I understand it is you
10 can't ever bleed it all off. If there's not enough
11 people using water in there, it will get stagnant.
12 So you've got to have somebody that knows what
13 they're talking about, and it ain't me usually.

14 Q Washing becomes very expensive
15 when we have a large capacity line that isn't
16 having enough flow.

17 A So that flow in that line
18 obviously is part of the consideration. That's why
19 those people are hired to do it. So it's -- go
20 ahead.

21 DR. MATHEWS: Are they being paid now or
22 they will paid out of the project?

23 THE WITNESS: They will be paid out of the
24 project. They suggested maybe they'd get
25 upfront money, but we suggested maybe they

1 couldn't.

2 MR. CICERO: That was a good suggestion on
3 your part.

4 DR. MATHEWS: You've got the bargaining
5 chip.

6 THE WITNESS: That's right.

7 BY MR. CICERO:

8 Q Is this divided into zones? In
9 other words --

10 A It's five zones, yes, sir.

11 Q Okay. And the zone that's for
12 economic development down 127, is that a separate
13 zone to be priced separate?

14 A No. It's in -- it's not a
15 separate zone. It's -- matter of fact, it -- I
16 wish Brian was here to answer those questions, and
17 maybe Clifford could. It's -- it might split two
18 of them. There's -- I don't -- I don't understand
19 exactly where they're going to -- if they're going
20 to put an industrial park out there or what, you
21 know.

22 That's right outside the city limits where
23 it's zoned industrial development out there by the
24 sculpture park, a little bit north of it, all in
25 there and maybe where they're talking about where

1 the industry might come.

2 But then the homes -- there's a lot of farms
3 out there that have tried to be -- thought about --
4 was for sale for a while because they thought
5 somebody would subdivide it.

6 But now I'm getting way off line saving
7 water, and we're going to fix leaks.

8 Q Well, really the only reason why
9 I ask is because the ratepayers become burdened if
10 you start economic development before it actually
11 shows up, and that's why I asked if there's a
12 separate zone for the area that the mayor thinks
13 may expand commercially, but the seeds, they
14 haven't been planted yet.

15 A I'm not real familiar with
16 planning and zoning in the county, but I believe
17 the only part right now that is zoned commercial
18 would be around -- and don't penalize me if I'm
19 wrong, but that to be around that service station
20 that's down 127 on the right, that's a little truck
21 stop, mini truck stop, if you've been down there.
22 That -- on that side of the road -- both sides of
23 the road, I think is zoned commercial. I don't
24 know if it's on this map or not.

25 Q At any rate, that's something to

1 consider when you're evaluating this project when
2 the engineers come back to you.

3 Do you know what the reserve balance is for
4 depreciation?

5 A Yes, sir. At the end of 2018
6 audit, we had 920,000-plus dollars.

7 Q That's a -- that's very good. I
8 mean, based on the size of your operation, I would
9 say that you're actually maintaining at least a
10 somewhat -- I can't say without looking at the
11 financials, but it's much better than I would have
12 expected you would have said, so...

13 A It was in very good financial
14 condition when I started. I had nothing to do with
15 it.

16 Q Keep doing whatever they're
17 doing.

18 DR. MATHEWS: And that has been tapped into
19 for the equipment?

20 THE WITNESS: I beg your pardon?

21 DR. MATHEWS: Some of that reserve money
22 has been spent for --

23 THE WITNESS: Well, Mr. Toles told about
24 the equipment, but he didn't actually say
25 all of it. All of that's used equipment,

1 so it's not new, and that's the reason we
2 were able to purchase three: a truck,
3 excavator, and a dump trailer, that they're
4 all -- none of them are new.

5 DR. MATHEWS: Okay. That's --

6 THE WITNESS: And we --

7 DR. MATHEWS: I'm not saying you spent too
8 much or not.

9 THE WITNESS: We hadn't got the bill --

10 DR. MATHEWS: I'm saying it's not \$920,000
11 out.

12 THE WITNESS: No. We'll probably have to
13 dip into it to get a little bit out, and we
14 have dipped into it a little bit under some
15 construction projects, repair projects. We
16 had to hire somebody to bore under the
17 highway.

18 There was concern about our safety
19 issues, about who's going to flag if you've
20 got something on 127. We're going to go
21 under the road. We're not going to go
22 through it. So that -- let me make sure. I
23 mean, I know that was a point, but the point
24 is we're not going to be in the middle of
25 the road flagging people. We're going under

1 the road.

2 MR. CICERO: That's another item for your
3 asset ledger, your purchasing of vehicles
4 and whatever.

5 I don't have anything else.

6 Mr. Chandler?

7 MR. CHANDLER: Just a very few things, Vice
8 Chairman.

9 EXAMINATION

10 BY MR. CHANDLER:

11 Q The budget -- you mentioned the
12 two people who create the budget are the office
13 manager and the auditor?

14 A Yes. And me.

15 Q You.

16 A But I just go over it with them.
17 They tell me what they're putting in it. I'm the
18 treasurer. I know what -- I don't put very much
19 input that I have in it.

20 Q Yeah, so -- but -- and I
21 appreciate that it's -- that Jan in the office
22 seems to be very competent, and I heard your
23 testimony today about the auditor.

24 Is it your understanding that they
25 understand what the capital needs in the field are?

1 A The auditors?

2 Q Jan or the auditor.

3 A Jan probably would. The auditors
4 would not know what the capital needs are. They're
5 number people.

6 Q And Jan would know just because
7 of her conversations with Brian?

8 A And the board, yes.

9 Q Would you agree that if you guys
10 are going to have these capital improvement plans,
11 you're going to get a leak detection -- or a
12 leak -- a plan to fix the leaks, and you've got
13 these capital improvements on the way that maybe
14 including -- having a more collaborative effort
15 there to figure out what may actually be needed
16 operationally may be important in creating a
17 reasonable budget?

18 A Well, the answer to that would
19 be, yes, of course, we're going to try to use every
20 resource that we can, including in the future and
21 now. I'd say the future leak detection's going to
22 be done all by drones anyway. So as soon as they
23 get that technology done, we're going to jump right
24 in there. We're going to have us a drone that will
25 detect cold and hot, and in the wintertime we're

1 going to look for hot stuff, and in the summertime
2 we're to look for cold. And we're going to find
3 the leaks. That's -- that's just on the horizon.
4 It's not in -- it might be very near, and it would
5 be a big asset.

6 Q But a lot of your system is
7 50-plus years old; right?

8 A Yeah, 61. Yes.

9 Q So, I mean, but does Jan
10 understand -- I mean, do these two people -- do
11 these two people understand what -- how things are
12 operating in the field, what things may need to be
13 replaced in five years or four years, what the
14 meters look like, the number of meters that are
15 pulled, what condition?

16 A I would say that she would have
17 little knowledge on what -- she'd probably know how
18 old they are maybe, but not whether they need to be
19 replaced. That would not be under her purview
20 anyway.

21 Q But you would agree that the
22 original parts of the system are becoming either
23 fully depreciated or at the end of their life;
24 right?

25 A At least half of it is probably.

1 Q And so having some knowledge of
2 what capital may be required in the field is going
3 to be important in these budgets the next 10 or 15
4 years?

5 A Well, that would be -- the
6 capital -- if we could get our plan approved and
7 finished within two years, we might be to 20 or
8 30 percent that's aging. I might be missing the
9 point.

10 Q That's just one project --

11 A Okay.

12 Q -- right? That's what you're
13 talking about, \$2 million for one project --

14 A Yes, sir.

15 Q -- right?

16 You've got a whole lot -- how many miles
17 does that project cover?

18 A Well, it's about -- I'd have to
19 go get my map, but it's probably five or six actual
20 miles, seven maybe.

21 Q And how many miles of line do
22 you-all have?

23 A I don't know. I heard an answer,
24 somebody said -- earlier give a number, but I
25 thought that was high. 400 or something. What was

1 it they said? Is that right?

2 MR. TOLES: It's a whole lot of miles.

3 THE WITNESS: You think it is? You got
4 400 miles. How many miles are we talking
5 about doing?

6 MR. CHANDLER: May I approach real quick?

7 MR. CICERO: You may.

8 BY MR. CHANDLER:

9 Q This is just PSC 3. The annual
10 report right here has the distribution facilities
11 with the miles of water line.

12 A 250 miles.

13 Q 250 miles. You're talking about
14 5 miles? Do you get where I'm -- what I'm asking
15 questions about in terms of asset renewal, using
16 depreciation reserves, planning for budgets over
17 the next ten years?

18 A Well, that's going to -- that --
19 that's probably going to have to fall under the
20 office manager, the treasurer and -- or the board,
21 excuse me, and -- and the auditor, whoever that
22 might be, because that's -- the planning for the
23 reserves is going to have to come from somebody
24 that knows how to figure how much you need to put
25 in reserves. I mean, on our last loan the

1 government told us how much we had to put in there
2 every month.

3 Q How much -- how much -- who's
4 going to know how much line needs to be replaced?

5 A Well, that's going to be --

6 DR. MATHEWS: Are you including the guy out
7 in the field who knows the lines?

8 THE WITNESS: Well, that's going to be
9 Brian. He knows about the lines that need
10 needs to be replaced.

11 DR. MATHEWS: And that's the question. You
12 weren't including him in your list of
13 people that were --

14 BY MR. CHANDLER:

15 Q Would you agree that none of your
16 answers included anybody in the field? It was the
17 auditor and the office manager --

18 A Well, you're trying to put --

19 Q -- and the board.

20 A I guess I'm going -- I'm going
21 down the road of numbers, which is incorrect. I
22 should be going down the road of people. So if the
23 people -- it's going to have to be Brian and it's
24 going to have to be the chairman of the board and
25 Jan. Those three people are the people that know

1 the lines, not me.

2 Q And what I'm asking, is there an
3 acknowledgment by the board that the numbers just
4 follow the needs?

5 A Well, the numbers follow the
6 need, yes, that's correct.

7 Q And Jan doesn't know what the
8 needs are, the auditor doesn't know what the needs
9 are; right?

10 A No. That would be correct.

11 Q And so when we start talking
12 about responsibilities and the questions come up,
13 who's going to run the utility, who's day to day
14 running the utility, who's day to day seeing what
15 problems are in the field --

16 A Well, that person --

17 Q -- would you agree -- let me
18 finish the question. Would you agree that those
19 aren't clearly delineated at this point as to whose
20 responsibilities those are?

21 A I'm going to answer that this
22 way. It may not be understood whose responsibility
23 that is, but I think they are Brian's.

24 Q Is it your responsibility --

25 A Maybe we need to make -- our

1 responsibility might be to make -- make that more
2 clear.

3 Q Would you agree your
4 responsibility is to make sure that it's more
5 clear?

6 A That's correct, yes. I'll agree
7 to that.

8 Q And that not setting out plans
9 and not following plans may be how we got ourselves
10 into the situation to begin with? Asset renewal
11 and --

12 A Possibility.

13 Q -- and leak --

14 A I wouldn't take issue with that
15 at all.

16 Q Leaks have been in excess of
17 20 percent for at least five, six years; right?

18 A Well, you got -- you got the same
19 numbers I do, yes, so...

20 Q Okay. And then in terms of --
21 you're new on the job -- and we've talked about you
22 don't know what you don't know until you find out.
23 How long have you been on the board?

24 A Seven or -- seven or eight
25 months.

1 Q Seven or eight months. Have you
2 discussed -- have you been -- strike that.

3 In those number of months, how many
4 discussions have you had with the board's attorney?

5 A With our board attorney excluding
6 Mr. Talley --

7 Q Yeah, excluding Mr. Talley. The
8 board's ongoing --

9 A One.

10 Q -- legal counsel?

11 A One.

12 Q And was it dealing with anything
13 regarding the Public Service Commission?

14 A No, sir. I can't -- I don't even
15 recall what it was. I just remember that I talked
16 to Mr. Boyd one time about some issue that we --
17 were going on, but I can't recall even what it was.

18 Q And so would you agree that as a
19 general matter that the water district is -- strike
20 that.

21 Would you agree that the water district is
22 regulated by the Public Service Commission?

23 A Yes.

24 Q And that to an extent it's
25 regulated by the Division of Water?

1 A Yes.

2 Q And that it's under -- and you
3 know this from your previous position. It's under
4 legal requirements under state in terms of things
5 like the open meetings and open records act?

6 A That's correct.

7 Q And you heard today that there
8 was -- that at least one of the board meetings last
9 year was a special called meeting and there was no
10 notice provided for it. Did you hear that
11 testimony?

12 A I heard that testimony, yes.

13 Q And so when you discussed the
14 possibility or -- I think your testimony is that a
15 rate case was not needed at this point -- that
16 discussion included no conversation with any
17 attorney that had any knowledge about the Public
18 Service Commission; correct?

19 A That's correct, yes.

20 Q And would you say before today
21 that you misunderstood the implications of having
22 water loss in excess of 15 percent as it relates to
23 rate cases at the Public Service Commission?

24 A Obviously, yes. The Commissioner
25 had straightened me out on my opinion and told me

1 where I was mistaken, yes.

2 Q And you heard the conversation
3 today -- or the testimony today of Mr. Armstrong
4 regarding the regulations that the water district
5 was -- that Mr. Armstrong was unaware of regarding
6 the annual inspections of certain assets, such as
7 valves, meter, meter settings, things like that?

8 A Uh-huh (affirmative).

9 Q So given what you've heard today,
10 do you have any indication of how you can rectify
11 those shortcomings?

12 A Well, I don't think there's any
13 doubt that they're going to be rectified in the
14 very near future. If we didn't -- what you know is
15 what you know or what you don't know is what you
16 don't know, and I think we've all learned quite a
17 bit here today in testimony, and these -- some of
18 the shortcomings that came up are paperwork and we
19 can get that done immediately.

20 And as far as inspecting those -- we can get
21 Mr. Brian, instruct him to do that, or he probably
22 don't have to be. He probably left here knowing
23 that he's got to do it. So I don't think there's
24 any doubt that those will all be corrected.

25 Q Those are all things you've heard

1 about; right?

2 A Yes.

3 Q Those are all things that have
4 been brought to your attention. What can you do as
5 a board to ensure that continually somebody is
6 keeping you apprised of what your requirements are?

7 A Well, the only answer I would
8 know to that is that we'll have to make sure that
9 we get the proper trainer or people come by --
10 maybe Rural Water Association can meet with us on a
11 regular basis, more regular, to update us on what
12 the PSC requires or to inform us in the first place
13 of what they require. Maybe that's the answer.

14 Q And maybe when -- it may be
15 useful when you're talking about doing things in
16 front of the Public Service Commission that you go
17 out and get somebody who's a subject matter expert,
18 like Mr. Talley?

19 A Well, we got Mr. Talley because
20 we needed to get somebody that, as you pointed out,
21 an expert just -- to help us. We didn't -- we
22 didn't -- obviously, couldn't have done any of this
23 by ourselves.

24 Q Right. But this is -- this is
25 case-specific; right? This is only -- this is

1 only -- you're being reactive in hiring Mr. Talley
2 for this matter; right?

3 A Absolutely. Yes.

4 Q So do you think it may be
5 necessary to be a little proactive moving forward
6 in terms of the regulations and the legal
7 requirements the board has?

8 A Well, it's always best to be
9 proactive.

10 MR. CHANDLER: I don't believe I have any
11 more questions, Vice Chairman.

12 Thank you.

13 MR. CICERO: Just one comment on
14 Mr. Chandler's remarks regarding finding
15 experts. The PSC has a pretty good staff
16 that you can always call and ask if you
17 have questions. And if they can't answer
18 it, they may be able to direct you to
19 someone that can. But seeing as how
20 they're the regulators, I would think
21 they've got a pretty good idea --

22 THE WITNESS: I'm sure you do. Probably
23 the best idea. But I personally have been
24 going through Chapter 74, and I picked up
25 quite a bit out of there that we should be

1 doing that we might not be. But on grounds
2 of the Fifth Amendment, I'm not going to
3 mention all those.

4 MR. CICERO: Mr. Talley.

5 MR. TALLEY: No questions.

6 MR. CICERO: Ms. Koenig.

7 MS. KOENIG: No further questions. Thank
8 you.

9 MR. CICERO: Commissioner Mathews.

10 DR. MATHEWS: I was going to give him one
11 more chance to say what he wanted to say
12 when he was sitting back there.

13 THE WITNESS: No, that's...

14 DR. MATHEWS: Well, then we're just going
15 to imagine what you were going to say.

16 THE WITNESS: Thank you for letting us
17 appear today and explain our shortcomings
18 to you. That's what I was going to say.

19 MR. CICERO: Well, I think it's an
20 educational process that goes both ways.
21 It's not a one-way flow. I think we learn
22 a lot about the operations. Every -- every
23 operation is unique. There's -- there's
24 the academic viewpoint of the utopia
25 business, and then there's the reality of

1 how people adapt and make things work
2 within their organization because of a lot
3 of variables, personalities, the condition
4 of the asset. There's just so many
5 variables that go into it.

6 From the perspective of the
7 Commission, we've identified those water
8 utilities that exceeded to a great degree
9 the limit that we recognize of the national
10 standard, and our goal is to try to reduce
11 the water loss. We know there is an
12 infrastructure crisis that isn't just a
13 Kentucky crisis. It's at the national
14 level. We're just trying to be proactive.
15 And if we understand your situation and you
16 understand what we're trying to accomplish,
17 I think that works for both parties, that we
18 can try to improve the situation. And at
19 some point in time, maybe two or three years
20 down the road, you're taken off the
21 underachiever list and put up there with a
22 gold star next to your name for being one of
23 those utilities that's less than 15 percent
24 and your reserve account has an extra
25 \$150,000 in it because it's not -- water's

1 not being poured down the drain.

2 THE WITNESS: Well, that's our goal, to
3 meet or exceed that. I hope it doesn't
4 take that long.

5 MR. CICERO: I hope it doesn't either. But
6 infrastructure is one of those investments
7 that doesn't require just a lot of money;
8 it requires a lot of time, not just in
9 identifying the problem but actually
10 putting the resources to repair.

11 So we recognize it's not an overnight
12 fix, and we certainly don't want Band-Aids.
13 We'd like a solution that's more permanent.

14 May this witness be excused? You may
15 step down.

16 I will comment that when the order
17 comes out, we will address everyone's
18 situation and some on a unique basis because
19 not everything applies to every utility.

20 Staff has done a good job of trying to
21 tailor questions based on the responses
22 received. And when the order is issued, the
23 comments will try to be tailored to the
24 testimony that's been received.

25 There were some post-hearing data

1 requests. I know that you have one. Does
2 the staff have --

3 MS. KOENIG: We -- the Chairman requested
4 the last five years of audits.

5 MR. TALLEY: We'll do that. I just wanted
6 to make a comment. Our newest board member
7 is here, and I'd like him to testify just
8 for two or three minutes, just for...

9 MR. CICERO: Would you like to call him?

10 MR. TALLEY: Yes, I'd like to call him, if
11 you don't mind.

12 MR. CICERO: Go ahead.

13 MS. KOENIG: No objection.

14 MR. CICERO: You don't object,
15 Mr. Chandler?

16 MR. CHANDLER: I don't, no.

17 MS. KOENIG: No objection.

18 MR. CHANDLER: I won't have any questions,
19 so...

20 MR. CICERO: Okay.

21 MR. CHANDLER: I make that promise.

22 MR. TALLEY: Thank you.

23 * * * * *

24 The witness, ROBERT GARDENHIRE, after first
25 being duly sworn, was examined and testified as

1 follows:

2 EXAMINATION

3 BY MR. TALLEY:

4 Q State your name, please.

5 A Robert Hunt Gardenhire.

6 Q And spell your last name, please.

7 A G-A-R-D-E-N-H-I-R-E.

8 Q What is your address?

9 A 216 Boone Creek Estates,
10 Frankfort, Kentucky.

11 Q Understand that you were just
12 appointed as commissioner on July the 1st?

13 A Correct.

14 Q And that's for a full four-year
15 term or almost a full four-year term?

16 A Correct.

17 Q And were you appointed or elected
18 by the board or drafted by the board to be the
19 secretary?

20 A Yes.

21 Q Now, you made some remarks to me
22 the other day about you did that on one condition.
23 Can you elaborate about what that condition was
24 about you becoming secretary at the board?

25 A When the judge talked to me, I

1 told him that I wasn't a secretary in my previous
2 career, I don't take shorthand and I needed
3 somebody to do that. And he informed me that that
4 would be fine that they do that, so we did do that
5 when I came on board.

6 We have hired a part -- well, the part-time
7 lady is now doing that. And I met with Jason today.
8 So I'm going to get templates and everything to go
9 by.

10 Q Would you admit that the written
11 record, the minutes, aren't as professional as they
12 could be?

13 A They're not what I would produce.

14 Q What's your work background?

15 A I'm retired from state
16 government. Retired in 2006.

17 Q What agency?

18 A Department for Local Government.

19 Q What did the judge tell you when
20 he appointed you or asked you to serve?

21 A The main thing he wanted me to do
22 was to work on transparency during the meetings,
23 recordkeeping and those items.

24 Q That's all. Anything else you
25 want to tell the Commission?

1 A No.

2 MR. TALLEY: Okay.

3 MR. CICERO: Ms. Koenig?

4 MS. KOENIG: I have no questions.

5 MR. CICERO: Commissioner Mathews?

6 DR. MATHEWS: No questions.

7 MR. CICERO: I'm going to ask a question.

8 MR. TALLEY: Sure. Yes, sir.

9 EXAMINATION

10 BY MR. CICERO:

11 Q So he wanted you to work on
12 transparency. And from what I gather, you are an
13 organizer or kind of an administrator type of guy
14 that will probably do a good job of overseeing the
15 implementation of an administration manual in the
16 office. Okay? Does that sound like something
17 that...

18 A I certainly will not try and do
19 these things by myself. I will be using Rural
20 Water District and PSC staff to try and learn all
21 these items that I need so that I can comply
22 strictly with the rules.

23 Q Well, my comment had more to do
24 with you overseeing the preparation of an
25 administration manual that obviously you'd have to

1 have office staff do, but with your guidance to put
2 something together that actually would address some
3 of the concerns that we've had when we talk about
4 theft procedures or any other type of purchasing
5 policy, those types of issues that were discussed
6 here earlier in terms of...

7 A I want to make sure I'm clear.
8 You're talking about one overall manual for the
9 entire office that covers everything?

10 Q Similar to what Mr. Armstrong has
11 to guide him in his function and we've discussed
12 here about -- I'm not asking you to prepare it.
13 I'm asking you, with your background, to oversee
14 the completion of that to this end so that you know
15 that it's been done.

16 A Well, while I'm on this board, I
17 will absolutely keep that as my mission. One part
18 of it. Certainly that's not going to be my only
19 mission.

20 Q I would agree with you.
21 Mr. Toles is kind of doing the outside area and
22 Mr. Tanner is kind of taking over the financial
23 aspects, and you're the secretary, that kind of
24 falls more administrative functions. So that might
25 be something that would work for you.

1 A I will be doing it with a lot of
2 help as far as resources.

3 MR. CICERO: Does anybody have anything
4 else?

5 MS. KOENIG: No further questions.

6 MR. CICERO: You may step down,
7 Mr. Gardenhire.

8 THE WITNESS: Thank you.

9 MR. CICERO: Is there any other business or
10 motions? So we rest -- oh. Sure. Go
11 ahead.

12 MS. KOENIG: Do you want to set a timeline
13 for the post-hearing data requests?

14 MR. CICERO: Uh-huh (affirmative). That's
15 what I'm going to do right now.

16 MS. KOENIG: Okay.

17 MR. CICERO: So there's not very many. I
18 think something should be out by July 9th.
19 Does that sound reasonable?

20 DR. MATHEWS: That was two days ago.

21 MR. CICERO: I'm sorry. July 16. Well, we
22 would be way ahead of the game if we did
23 that. July 16 is next Tuesday. I think
24 we're only asking them for...

25 MS. KOENIG: Right. I think that we can

1 probably, you know...
2 MR. CICERO: The sooner, the better,
3 though.
4 MS. KOENIG: Right. But that would be a
5 safe bet right there.
6 MR. CICERO: And then, Mr. Chandler, that
7 works for you?
8 MR. CHANDLER: I brought my form.
9 MR. CICERO: Okay. Good. And I'm asking
10 for responses back by July 23rd, and based
11 on what's being requested, I don't think --
12 MR. TALLEY: That's fine.
13 MR. CICERO: -- there would be any type of
14 issue whatsoever.
15 Is there anything else?
16 That being the case, then this hearing
17 is adjourned.
18 * * * * *
19 THEREUPON, the Hearing was concluded at
20 3:00 p.m.
21 * * * * *
22
23
24
25

1

2 STATE OF KENTUCKY)

3 COUNTY OF FAYETTE)

4

5 I, JOLINDA S. TODD, Registered

6 Professional Reporter and Notary Public in and for

7 the State of Kentucky at Large, certify that the

8 facts stated in the caption hereto are true; that

9 at the time and place stated in said caption the

10 witnesses named personally appeared before me, and

11 that, after being duly sworn, were examined by

12 counsel for the parties; that said Hearing was

13 taken in stenotype by me and later reduced to

14 computer-aided transcription and the foregoing is a

15 true record of the testimony given by said

16 witnesses.

17 My commission expires: August 24, 2019.

18 IN TESTIMONY WHEREOF, I have hereunto set

19 my hand and seal of office on this the 14th day of

20 August 2019.

21

22

JOLINDA S. TODD, RPR, CCR(KY)
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ID# 449787

23

24

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