

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 16, 2019 Hyden-Leslie Water District hearing prepared by Todd & Associates Reporting, Inc. has been filed into the record of this proceeding.



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DATED **OCT 07 2019**

cc: Parties of Record



Transcript of the Testimony of **PSC Hearing**

Date: July 16, 2019

Case: In Re: Hyden-Leslie Water District

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COMMONWEALTH OF KENTUCKY
KENTUCKY PUBLIC SERVICE COMMISSION

CASE NO. 2019-00041

IN RE:

HYDEN-LESLIE WATER DISTRICT

* * * * *

HEARING HELD ON:

JULY 16, 2019

FRANKFORT, KENTUCKY

PSC Hearing
In Re: Hyden-Leslie Water District

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1 COMMISSIONER MATHEWS: We are on the
2 record in Case No. 2019-0041 -- 00041,
3 Hyden-Leslie Water District,
4 Investigation Into Excessive Water Loss
5 by Kentucky's Jurisdictional Utilities.

6 I am Talina Mathews, commissioner
7 here. My colleagues are still in the
8 morning hearing. That's Mike Schmitt,
9 the chairman, and Robert Cicero, the vice
10 chairman. They will join us when they're
11 finished, assuming we're not finished
12 first.

13 The nature of the hearing today is
14 for the purpose of taking evidence in
15 this case. As you know, we are holding
16 two hearings a day. The other started in
17 the other hearing room at 9:00 a.m.
18 That's Southern Water & Sewer. And this
19 is the Hyden-Leslie starting at 1:00.

20 The hearing is being recorded by a
21 certified court reporter. And if you
22 would please give her the luxury of
23 you -- if -- if a question is asked, to
24 answer her verb -- to answer the attorney
25 verbally and not head shakes and nods, I

1 think that would help.

2 Her completed typed transcript of
3 evidence will be presented together with
4 the video and will constitute the
5 official record -- official record of
6 this proceeding.

7 This hearing is not streamed live
8 over the internet because this room
9 doesn't have that capability, but it will
10 appear on the website this evening.

11 This case, in general, consists of
12 10 -- of 11 separate water districts --
13 well, 10 separate water districts and 1
14 water association. They are Morgan
15 County Water District, Caywood Water
16 District, North Manchester Water
17 Association, Estill County Water
18 District, Farmdale Water District, West
19 Carroll Water District, Rattlesnake Ridge
20 Water District, Big Sandy Water District,
21 Milburn Water District, and Southern
22 Water & Sewer District.

23 There are two additional water
24 districts that are being investigated in
25 a similar case, but those were already

1 before us, and that's Martin County Water
2 District and Cannonsburg Water District.

3 These were utilities that were
4 selected having greater than 35 percent
5 water loss consistently. And, as we have
6 said in the other hearings, it's -- we're
7 looking at this water loss as a symptom
8 of a larger issue and it's not -- we're
9 not solely looking at the water loss.
10 We're using that as a proxy to look at
11 other management issues.

12 The parties to this proceeding are
13 Hyden-Leslie Water District and the
14 Office of the Kentucky Attorney General.

15 So I will let you introduce yourself
16 and your witnesses.

17 MR. WUETCHER: Good afternoon,
18 Dr. Mathews. Appearing on behalf of
19 Hyden-Leslie Water District, Gerald
20 Wuetcher. I'm with the firm of Stoll
21 Kennon Ogden, PLLC. Address is 300 West
22 Vine Street, Suite 2100, Lexington,
23 Kentucky 40507.

24 As directed by the Commission's
25 order, I have with me Mr. Augustus

1 Roberts, who is the chairman of the water
2 district's board of commissioners, and
3 Mr. L.J. Turner, who is the general
4 manager of the water district.

5 We also have Mr. Mike Maggard with
6 the engineering firm of Sisler-Maggard
7 Engineering. Mr. Maggard is the engineer
8 for the water district, and we can make
9 him available as staff desires to answer
10 any questions.

11 Both Mr. Roberts and Mr. Turner are
12 appearing under the order of the
13 Commission.

14 COMMISSIONER MATHEWS: Mr. Chandler.

15 MR. CHANDLER: Afternoon,
16 Commissioner. I'm Kent Chandler on
17 behalf of the Kentucky Office of the
18 Attorney General.

19 COMMISSIONER MATHEWS: And for staff?

20 MR. BOWKER: Andrew Bowker for
21 Commission staff, along with Eddie
22 Beavers.

23 COMMISSIONER MATHEWS: We do this a
24 little differently than typical hearings
25 because this is more evidentiary and

1 not -- it's an investigation. It's not
2 necessarily being a litigated case.

3 So we're going to let staff go first.
4 Then let Mr. Chandler go. And then you
5 can clean up anything that needs to --
6 that you want clarification on. Okay?

7 MR. WUETCHER: Yes, ma'am.

8 COMMISSIONER MATHEWS: Has notice
9 been given?

10 MR. WUETCHER: Yes, ma'am. Notice
11 was posted in the Leslie County News on
12 June 27th and proof of publication was
13 filed with the Commission this morning.

14 COMMISSIONER MATHEWS: Thank you.
15 Anything else before we get started?
16 Mr. Bowker.

17 Well, we will -- we will allow you to
18 bring your first witness and --

19 MR. WUETCHER: Your Honor, Mr. Bowker
20 has indicated to me that he would like to
21 have Mr. Turner, the general manager,
22 appear first. So I would call L.J.
23 Turner to take the stand.

24 THE COURT: Okay. And I will let
25 you -- let you -- when you -- we'll

1 introduce him after we swear at him.

2 Raise your right hand.

3 Do you affirm that you will tell the
4 truth, the whole truth, nothing but the
5 truth --

6 THE WITNESS: Yes.

7 COMMISSIONER MATHEWS: -- subject to
8 the laws of perjury?

9 THE WITNESS: Yes.

10 COMMISSIONER MATHEWS: Okay.

11 L.J. TURNER,

12 after having been placed under oath, was examined
13 as follows:

14 EXAMINATION

15 BY MR. WUETCHER

16 Q. Good afternoon, Mr. Turner.

17 A. Good afternoon.

18 Q. Would you please state your name and
19 business address for the Commission?

20 A. It's L.J. Turner, 356 Wendover Road,
21 Hyden, Kentucky 41749.

22 Q. And are you an -- an employee of
23 Hyden-Leslie County Water District?

24 A. Yes. I'm general manager.

25 Q. Okay. And how long have you been

1 general manager?

2 A. August of 2017, so almost two years.

3 Q. Okay. And how long have you been
4 employed by Hyden-Leslie County Water District?

5 A. Almost two years.

6 Q. Same time. So you came to the
7 district as its general manager?

8 A. That's right. I was a general
9 manager at -- at another utility.

10 Q. Okay. In the course of this
11 proceeding, there were several responses to
12 Commission orders and Commission requests for
13 information. Were you involved in the preparation
14 of those documents?

15 A. Yes.

16 MR. WUETCHER: And -- and I believe
17 that's all I have for the witness so I'll
18 turn the witness over for examination by
19 the staff and Commission.

20 COMMISSIONER MATHEWS: Mr. Bowker.

21 MR. BOWKER: Thank you.

22 COMMISSIONER MATHEWS: He's all
23 yours.

24 -----

25

1 EXAMINATION

2 BY MR. BOWKER:

3 Q. How are you?

4 A. I'm great. And you?

5 Q. Doing well. Doing well. My name's
6 Andrew Bowker as you heard. I'm going to be asking
7 you a few questions on behalf of the Commission --
8 Commission staff.

9 You just -- you just noted to
10 Mr. Wuetcher -- you just said that you worked for
11 another utility for a little while. Can you tell
12 us what that other utility was and what kind of --
13 what kind of on-the-job training you got from that
14 job?

15 A. I was the general manager at Knott
16 County Water & Sewer District for about four years.
17 I was also the interim manager for a while and a
18 plant supervisor for a while before that.

19 Q. What -- what types of training did
20 you have to go through to -- to be able to do that
21 job?

22 A. It was -- it was all on-the-job
23 training --

24 Q. Okay.

25 A. -- basically. I had some -- what I

1 felt was some pretty good mentors.

2 Q. Okay. So some -- whoever was the
3 general manager before helped mentor you some --

4 A. That's right.

5 Q. -- or --

6 A. Well, not the general manager, but
7 there was an interim manager for some period of
8 time that I really leaned on as a resource and --
9 and done some on-the-job training with me.

10 Q. Okay. Can you tell us a little bit
11 about your employment background besides that? Do
12 you have any other water service experience besides
13 Knott County?

14 A. I actually was previously employed
15 with Hyden-Leslie for about 12 years before I went
16 to Knott County. I actually reside in Leslie
17 County. When the general man -- general manager
18 position became available at Hyden-Leslie, I was
19 offered that position.

20 Q. Okay. So were you just -- were you a
21 field personnel or what -- what did you -- what was
22 your job?

23 A. No. I was a -- I'm sorry -- a plant
24 operator.

25 Q. What? A plant operator?

1 A. A plant operator, yes, for about 12
2 years.

3 Q. Okay.

4 A. Knott County Water & Sewer District
5 was experiencing some issues and -- and needed a
6 little help and it was the perfect fit, so I went
7 there as the plant supervisor and worked my way
8 up --

9 Q. Okay.

10 A. -- in that facility.

11 Q. Okay. Thank you. If you don't mind
12 me asking, what is you either educational or
13 vocational background?

14 A. Of course, I have a high school
15 diploma and two years of college.

16 Q. Okay. And as far as your training at
17 Hyden-Leslie Water District, did someone show you
18 the ropes, or was it on-the-job training at
19 Hyden-Leslie as well?

20 A. At Hyden-Leslie I spent -- I don't
21 know -- probably a day and a half with the general
22 manager. But, you know, I already understood
23 everything that happens at the utility, typically
24 what happened at the other utilities. So there was
25 some key information I got from -- from him. And

1 he was also there if I needed to reach out as well.

2 Q. Okay. So you had him on -- on the
3 line --

4 A. That's right.

5 Q. -- if necessary --

6 A. That's right.

7 Q. -- while you got on your feet and
8 everything?

9 A. Yes.

10 Q. Okay. Is there any other training
11 required as far as -- other than on-the-job
12 training? Have you done any other types of
13 training?

14 A. The water treatment plant
15 certification.

16 Q. Uh-huh.

17 A. That process that has CE hours
18 involved. That's pretty well it.

19 Q. Okay. I'm going to direct you to the
20 utility's response to Question 20B. And this is of
21 Commission staff request for information, the
22 second one dated May 3, 2019. So that's the second
23 request for information and it's Question 20B. I
24 won't skip around on you as much, but I do want to
25 start with this one.

1 A. Okay. Shoot.

2 Q. Do you see where it says "job
3 summary"?

4 A. Yes.

5 Q. And then the first sentence begins
6 with "To direct and oversee all the operational..."
7 Do you see that sentence, "To direct and oversee
8 all the operational, financial, administrative..."?

9 A. Are you looking at the actual job
10 description?

11 Q. Yes.

12 A. Is that what you're looking --

13 Q. Well, the -- the job -- there's a job
14 summary and then it says "essential function."

15 A. Yes. Okay. Okay. I'm following you
16 now.

17 Q. So the first one, the -- the job
18 summary, even though you-all have already put this
19 into a response and -- for a request for
20 information, I just wanted you to -- before we get
21 started here and some other questions, I want you
22 to just go ahead and read your job -- job summary
23 into the record. And then after that I'd like you
24 to read your essential functions into the record.

25 A. Okay. Job summary is "To direct and

1 oversee all the operational, financial,
2 administrative, and capital project activities of
3 the district. This includes water treatment and
4 distribution, accounting, billing, customer
5 service, purchasing, warehousing, personnel, and
6 safety. In addition, the manager is the contact
7 person for the district in all dealings with the
8 press and local, state, and federal government
9 agencies."

10 Q. And then the essential functions, if
11 you don't mind.

12 A. "No. 1, the manager directs all daily
13 operational and repair and maintenance functions;
14 No. 2, directs the purchasing, accounts payable,
15 personnel and payroll; Item 3, coordinates and
16 prioritizes both immediate and long-term planning
17 of both daily operations and capital projects;
18 No. 4, works to prepare all monthly, quarterly
19 year-end financial reports for the Commission;
20 No. 5, coordinates the staff, work with independent
21 auditors during each year's audit process."

22 Q. Okay. I appreciate that. Thank you.

23 A. You're welcome.

24 Q. Your current annual salary is -- tell
25 me if I get this wrong -- 65,955,49?

1 A. That's right.

2 Q. Okay. And that's an hourly rate of
3 \$27.11 an hour?

4 A. If that's the way it works out to be.
5 It's a salary but --

6 Q. And you got a raise. When -- when
7 did you get a raise? When did -- when did you get
8 your raise?

9 A. 2018.

10 Q. At the beginning?

11 A. It was --

12 Q. End?

13 A. I think it was the beginning.

14 Q. Beginning -- beginning of 2018?

15 A. Yeah.

16 Q. And so you were at a salary in 2017
17 of \$53,248.77?

18 A. No. That salary is split up between
19 the two different general managers.

20 Q. So half of that?

21 A. No. I -- I started August the --
22 well, I think it was the last week in August 2017.
23 So half of that -- or more than half of that was
24 the previous general manager's salary.

25 Q. Okay. So how much were -- how much

1 were you making?

2 A. It started out 62,000 was the --

3 Q. 62?

4 A. -- annual salary. Yes.

5 Q. Okay. So it started at 62 and then
6 went to 65,95 --

7 A. Yeah.

8 Q. -- 5? Okay. Thank you.

9 A. You're welcome.

10 Q. Can you tell us in -- in -- as far as
11 in your own words, why do you believe that you got
12 the -- the raise?

13 A. Well, it wasn't a raise. It was a --
14 it was a starting rate.

15 Q. Okay.

16 A. The previous general manager -- I
17 can't attest to why he was getting paid what he was
18 getting paid. But, you know, I -- when I -- when
19 they offered me the position, you know, I told them
20 to match what I was making.

21 Q. Right.

22 A. And they actually didn't. They were
23 a little lower, but since it was my hometown, I
24 decided to take that position and take a little
25 cut.

1 Q. Okay. So you wanted them to -- to
2 try to match what you were --

3 A. Right.

4 Q. -- earning in Knott County?

5 A. Right.

6 Q. But since you were living in
7 Hyden-Leslie, you would --

8 A. The time benefit.

9 Q. Right.

10 A. Travel and so forth.

11 Q. Okay. I understand. Does the
12 utility, if you know, have any plans to create a
13 written employment contract between you and the
14 utility?

15 A. Not that I'm aware of.

16 Q. Okay. Has that ever been discussed?

17 A. Not to my knowledge.

18 Q. Okay. And do you have any idea why
19 there has not been a written employment contract?

20 A. I don't know.

21 Q. I want to direct you now to Question
22 No. 2 of the second data request. That's the --
23 that's the May 3rd data request again, Question No.
24 2.

25 A. Okay.

1 Q. I'm going to read just a little bit
2 here. Then ask for your response. So in response
3 to Question 2 in Commission staff's request for
4 information dated May 3, 2019, the utility answered
5 that rule -- "Rural development" -- why's it so
6 hard to say that word? "Rural development has
7 approved an application for financing for a water
8 construction project and has issued a letter of
9 conditions to Hyden-Leslie Water -- Water County
10 District -- Hyden-Leslie County Water District
11 regarding the proposed financing."

12 And then the water district also
13 supplied a copy of a December 4, 2018, letter from
14 Hilda Legg to the chairman of the board of
15 commissioners.

16 And can you please update the
17 Commission on the water district's progress in
18 meeting those condition -- conditions and securing
19 the proposed financing?

20 A. We have not implemented any of the
21 rates. We're still working on some of the other
22 funding sources. Mr. Maggard is working on some of
23 the -- the conditions in that as our engineer. But
24 as far as the -- the progress of -- of that letter,
25 we've not done a lot with it simply because we've

1 not secured the other set of -- you know, the rest
2 of the funding throughout the project.

3 Q. Well, what other funding are you --

4 A. CDBG, ARC, and AML is also included
5 in that project.

6 Q. And who is helping you with those --
7 trying to secure that funding?

8 A. Mr. Maggard.

9 Q. Okay. Do you have any -- I can ask
10 Mr. Maggard as well. But do you have any timeline
11 you think when that might be -- financing come
12 through on the other ones?

13 A. That's a tough question.

14 Q. Okay. I'll -- I'll --

15 A. I wish I had answers.

16 Q. Okay.

17 A. We're -- we're not sure, but we're
18 hoping that it's going to move quickly.

19 Q. Right. If the application for
20 financing is granted along with the other ones, how
21 will the proceeds of the loan and the grant be
22 utilized in the district?

23 A. It's a -- all of -- all these funds
24 are in a Phase 3 project. It includes
25 rehabilitation and replacement of seven or eight

1 booster pump stations, a new water storage tank.
2 There's -- I'm not sure exactly how many miles of
3 line, but there's close to ten miles of waterline
4 extensions included in that project.

5 Q. Okay.

6 A. I -- I'm sorry. There's also some
7 dam repair in there as well that CDBG's paying for
8 a portion of that -- or most of that.

9 Q. Were there also -- you said some
10 installation of BFDs at the -- at the plant at --

11 A. That's right. That's right. There's
12 BFDs included and there's also some contingency
13 money built in there that we're hoping to use for
14 some plant improvements as well as some zone master
15 meters.

16 Q. And the -- the district right now
17 does not have any zone master meters?

18 A. That's correct, we do not.

19 Q. Master zones. And then there's
20 also -- part of proceeds may go to a -- some pump
21 stations?

22 A. Yes.

23 Q. Did you -- okay.

24 And the -- a new water booster? Is
25 that also right?

1 A. Yeah, the booster pump. That's a
2 booster pump station.

3 Q. Oh, booster pump station. Okay.

4 A. Yeah.

5 Q. Thank you. And once you get the
6 proceeds for the -- the loan and the grant, what --
7 have you-all looked at a timeline about how long it
8 might take to get each of these items done after
9 you secure the financing?

10 A. The project will probably be about a
11 270-day project I would imagine. I'm not
12 100 percent sure on that. But just from past
13 projects I've been involved with, I'd say it'll be
14 close to a year.

15 Q. And your engineer will be
16 Mr. Maggard?

17 A. That's right. That's correct.

18 Q. Okay. Now I'm jumping to the next
19 question. Does the -- does the utility currently
20 have an employee handbook?

21 A. Yes.

22 Q. Does the utility currently have a
23 safety manual?

24 A. Yes.

25 Q. In Question 1, the first question of

1 the first data request, it states that the water
2 district's water loss percentage was 42.9 percent
3 in March 2018. Then in April it went all the way
4 down to 29.7 percent. Then back up to 38.7 percent
5 in August. Then back down to 24.9 percent in
6 September. And then was back up to 37.2 percent in
7 December. Then it went back down to 23.3 percent
8 in February.

9 And do you know the -- the current
10 water loss percentage as of today's date or --

11 A. The last --

12 Q. -- as close as possible?

13 A. The last -- last month was
14 22 percent, I think.

15 Q. 22.

16 A. The last tree months we've actually
17 been at, I think, 19, 22, and 21 or something like
18 that. I -- I've got that.

19 Q. It was 19 in April, was it not, I
20 think? That -- that's okay.

21 A. I can look it up, if you want me to.

22 MR. WUETCHER: Mr. Bowker --

23 MR. BOWKER: Yeah.

24 MR. WUETCHER: -- just to --

25 MR. BOWKER: Uh-huh.

1 MR. WUETCHER: -- for -- we filed
2 yesterday the compliance with the July 1
3 order and we included in that compliance
4 copies of the water loss report for May
5 and June of this year.

6 MR. BOWKER: Okay.

7 MR. WUETCHER: And so the last --
8 June report indicates a 20.3 --

9 MR. BOWKER: 20.3.

10 MR. WUETCHER: -- unaccounted for
11 line percentage.

12 MR. BOWKER: Thank you, Mr. Wuetcher.
13 I appreciate that.

14 Q. Can you explain why the water loss
15 percentage has fluctuated so -- I don't know if
16 it's drastically. But can you -- can you state why
17 the water loss percentage has fluctuated so much
18 during these time periods? It seemed to go up and
19 down a lot.

20 A. The biggest contributor is just new
21 lines breaks. We have so many reoccurring and new
22 breaks. You know, if you -- if you go back and
23 look at some of our documentations, we average
24 about 20 line break repairs a month.

25 So -- and some of these months are

1 worse than others. Any month that we have heavy
2 rainfall or extreme cold temperatures, we see a --
3 a great increase in line breaks. And during those
4 periods where we have those increased breaks, our
5 workload is tremendous. So there may be lines that
6 leak for some time before we're like able to get to
7 them. Although they're a priority, you just got to
8 fix one at a time. But those are the reasons for
9 those big fluctuations.

10 Q. How many field personnel do you have?

11 A. We have five that are full-time field
12 personnel.

13 Q. Five full-time. And then you?

14 A. Myself, yes. And then we have enough
15 plant operators as well. But as far as dedicated
16 to the field, we have five.

17 Q. Five. And have they been on the job
18 for a substantial amount of time or --

19 A. Very experienced.

20 Q. Very experienced?

21 A. Very experienced.

22 Q. I guess you could always use another
23 one. But do you feel like you're fully staffed as
24 far as field personnel?

25 A. We could use one more with our

1 current situation. If we could possibly get to
2 a -- a radio reader -- a remote read system, then
3 we would be fine where we are.

4 Q. Right. It'll save on time.

5 A. Right. Absolutely.

6 Q. So the -- the fluctuation is -- you
7 say it's mainly due to heavy rainfall and increased
8 cold temperatures.

9 Any other reasons? Is there a
10 pressurization issue as far as the line breaks, or
11 has that been an issue?

12 A. Well, that -- that kind of goes along
13 with -- with the extreme temperatures and the
14 rainfall. We have high pressures everywhere --
15 well, not everywhere, but for the most part our
16 system is under quite a bit of pressure so --

17 Q. Why -- why is that? Sorry to
18 interrupt you. But why is --

19 A. Well --

20 Q. -- that?

21 A. -- because of our terrain.

22 Q. Oh, okay.

23 A. We have a lot of mountains. We -- we
24 pump it, store it, reduce it, and we do it all over
25 again. So we have -- you know, we -- we've got

1 some areas that have excess of 300 psi. Not a lot
2 of areas have that high, but we have some areas
3 with that. We have a lot of areas, you know, over
4 200 psi.

5 Q. So is it -- is it that you fix a line
6 somewhere and it might cause more pressure
7 somewhere else --

8 A. That's right.

9 Q. -- and you got to go find that?

10 A. That's right. And -- and a lot of
11 our system is fatigue. You know, we have a lot of
12 old infrastructure. And when you tighten one
13 section up, it'll increase the pressure in the
14 other area and it'll show its weak spot.

15 Q. Right.

16 A. And we see that a lot, especially in
17 the winter when the line becomes more brittle.
18 It'll contract, expand, you know, as the
19 temperature changes, and we see a direct impact
20 with that.

21 Q. So the fluctuation in water loss
22 percentages is -- it -- there hasn't been a change
23 in water loss calculation the way it's been
24 calculated --

25 A. No.

1 Q. -- as far as you know?

2 A. Not that I'm aware. Since I've been
3 there, it's been the same, and that's something
4 that I reviewed with the previous manager to follow
5 the same structure that he was doing.

6 Q. Can you tell us a little bit about
7 how you and the director, field personnel go about
8 going out, finding, and fixing leaks? Kind of
9 your -- your process?

10 A. Sure. Basically every day we'll --
11 we'll start the day -- as far as the field
12 operations, we'll start the day by reviewing our
13 tank drawdowns. We do tank draws every -- every
14 night. We'll check the -- the usage in the areas
15 of that tank.

16 And we -- we already know -- it's
17 already been predetermined. Pulled some
18 information, got some goals for each tank of what
19 the drawdown should be during a low demand time.
20 And if it's in excess of that, then we'll -- we'll
21 go to that specific area and we'll try to fix --
22 we'll try to find a -- locate during the day. A
23 lot of times that's not possible. So we'll have to
24 free up a couple of guys to do leak detection at
25 night.

1 Q. And why do you try to do it during
2 the day?

3 A. So they don't have to -- if -- if
4 somebody comes -- if they work that day and I have
5 to bring them back out that night, then I'm short
6 the next day --

7 Q. Right.

8 A. -- because they can't work round the
9 clock, of course, but --

10 Q. Does that cause many interruptions to
11 service as far as having to do it during the day?

12 A. Not typically. We try to fix most
13 hours where we don't have any interruptions, which
14 we have interruptions, but we try to minimize that
15 as much as we can.

16 Q. Do you feel like you've got all the
17 equipment you need to find and repair?

18 A. Everybody could use a little extra
19 equipment, but I feel like we've got enough --
20 enough tools to be successful. As you can see, I
21 think our new numbers reflect that.

22 Q. How -- how much of the day -- workday
23 do you think is spent on leak detection and repair?

24 A. It depends on how many -- how much --
25 how many hours. When you've got a water treatment

1 plant operator that's -- that's sitting behind our
2 telemetry in the SCADA unit that's constantly
3 monitoring tanks. So he's constantly looking. If
4 we've got an area that's got high usage, you know,
5 there may be two or three guys out looking that
6 day. The analysis that I do monthly and daily, it
7 would really be hard to put a number on it. But
8 I --

9 Q. Just approximate.

10 A. Total between all of us, I would say
11 there's probably 16 hours a day because most days
12 we have two guys looking for leaks because we are
13 aggressive on a leak detection, very aggressive.
14 So I think that would be safe to say.

15 Q. If you could have that -- that one
16 more piece of equipment for leak detection or
17 repair, what -- what would it be?

18 A. I actually wouldn't -- probably
19 wouldn't -- outside of master meters, I wouldn't
20 purchase any new tools for leak detection. It
21 would be nice to have a mini excavator, which is
22 just a convenience thing. I -- you know, that's
23 not going to help us as far as reducing our water
24 loss, but if it -- if we did have to pick up the --
25 I would say probably a mag meter.

1 Q. Mag meter?

2 A. Yeah, a portable mag meter, which at
3 this present time if I need one, I actually borrow
4 it from the other utility -- old utility that I
5 worked at.

6 Q. How do you use a portable mag meter
7 for leak detection?

8 A. Well, you -- when you isolate -- when
9 you find the areas that has the high flow, you
10 actually use the mag meter -- you dig a hole,
11 expose the pipe, and actually strap -- strap the
12 mag meter onto that pipe, and it'll tell you what
13 the flow is in that specific area. You can go
14 beyond that and you can valve and isolate areas
15 until you reduce that flow to what you feel like
16 the -- the demand should be.

17 Q. Have you had any training -- gotten
18 any training from any outside entities such as
19 Kentucky Rural Water Association, or have they
20 done -- done -- come and done some training with
21 you-all regarding how to find leaks?

22 A. Yes. We have -- we have utilized
23 Kentucky Rural Water at our utility. Early on when
24 I started, we had a lot of inop valves that didn't
25 allow us to do leak detection -- or didn't allow us

1 to isolate. So Kentucky Rural Water was a big help
2 in bringing in their valve exercising machine,
3 which was -- it was instrumental in our -- us being
4 successful because, without those key valves, you
5 cannot isolate those areas.

6 Q. Okay. Who at the water district
7 keeps track of inventory?

8 A. I have a day shift operator that also
9 takes care of the inventories, Thomas Eddie Baker.

10 Q. As far as inventory that you
11 presently need, you think you have everything on
12 hand?

13 A. Yes. We stay stocked.

14 Q. How many days does it take for the
15 water district to read all of its customer meters?

16 A. It depends. It depends on the
17 workload. It depends on if we have an emergency.
18 Best case scenario, if we don't have -- if I don't
19 have to pull anybody from their meter reading
20 duties, four days.

21 Q. Four days?

22 A. Four days each. That's for each guy.

23 Q. So are they all mainly read around
24 the same time frame?

25 A. We -- we do our best, yeah. Yeah.

1 If everything goes great, we'll all -- we'll get
2 them read in one week.

3 Q. One week?

4 A. Yeah, within those four days. And
5 they're all together. Everybody's reading meters
6 at the same time unless I have to pull somebody to
7 send them somewhere else.

8 Q. Can you explain how the water
9 district's records fire department usage -- water
10 usage?

11 A. Well, we actually haven't been
12 recording any fire department usage. All of our
13 fire departments are volunteers. We don't receive
14 any reports from them. But we -- we're trying to
15 improve relationships so we can get the -- the
16 information that we need.

17 However, I don't feel like it's a
18 significant amount because they're all volunteer.
19 The trucks they have are roughly 2,000 gallons. I
20 think they hold 1800 gallons. And we can see with
21 our telemetry when they're actually hitting a
22 hydrant. So we know about how many times of day
23 that they pull. I estimate that they're around
24 50,000 gallons a month is what -- is what they'll
25 use for fire fighting and also for training

1 exercises.

2 Q. Which you-all don't recover -- or you
3 don't charge them anything for that?

4 A. We -- we don't because we don't get
5 any reports. We don't know exactly who's using it.
6 We just know it's getting used.

7 Q. So in the future, you intend to
8 follow up with the fire -- is it just one fire
9 department?

10 A. No. We have six.

11 Q. Six fire departments. Do you --

12 A. All volunteer.

13 Q. Do you intend to follow up with those
14 six?

15 A. Yes. We are -- we are trying to
16 improve relations with them. That way we're able
17 to work a little closer together and get the
18 information that we need.

19 Q. So do you just have to sort of guess
20 how much they're using or --

21 A. Well, we're not currently recording
22 anything on our water loss forms. And it's in our
23 tariff that we can assess .3 percent based on our
24 sales -- total sales, but I've not assessed that.
25 I think it's been assessed in the past. But since

1 I've been there, I have not included that in my
2 water loss because I feel like -- I don't -- I
3 don't want to put an estimate in there on something
4 that I want concrete information on. You
5 understand that?

6 Q. Right.

7 A. I don't want to estimate anything on
8 there because I need to know where we are. But we
9 are working to improve relations. We actually had
10 a free training for them on hydrants, all of our
11 volunteer fire departments, several months ago. So
12 we're -- we're working to make improvements. And I
13 think if our relationships are -- continue to
14 improve that we'll be able to get the information
15 we need with no issue.

16 Q. Now, I know you've only been around
17 for -- since August 21, 2017, but do you have any
18 ideas as to why the relationship with the fire
19 departments hasn't -- hasn't been working together?

20 A. I do not have direct knowledge --

21 Q. Okay.

22 A. -- of -- of what the issues were.

23 Q. Okay.

24 A. But I do know in 2011 there was a
25 tariff -- tariff change made penalizing volunteer

1 fire departments and really -- to put some heat
2 on -- on some of those folks.

3 Q. Okay. But as far as you know,
4 there's never been a penalty --

5 A. Not that I'm --

6 Q. -- against the two?

7 A. Not that I'm aware of.

8 Q. Okay.

9 A. But I would imagine it's something
10 along that line that has damaged the relationship
11 between the water district and the volunteer fire
12 departments.

13 Q. Okay.

14 COMMISSIONER MATHEWS: Is that --

15 A. Because I think --

16 COMMISSIONER MATHEWS: Is that the .3
17 percent tariff?

18 THE WITNESS: The .3 percent is
19 just -- is just in there so we can assess
20 it for water loss and for charges.

21 COMMISSIONER MATHEWS: Right. So
22 what was the tariff change that -- that
23 broke down the relationship?

24 THE WITNESS: Well, it was -- I think
25 it was the fine. There was actually a

1 fine included in there, and I think --

2 COMMISSIONER MATHEWS: Not reporting?

3 THE WITNESS: Yes. I think maybe --

4 I -- I don't know -- that -- like I said,

5 I -- I wasn't around.

6 COMMISSIONER MATHEWS: It's old.

7 THE WITNESS: I'm just assuming that

8 may --

9 COMMISSIONER MATHEWS:

10 Hypothetically.

11 THE WITNESS: -- that -- maybe that

12 may have started the -- the bad blood, so

13 to speak.

14 COMMISSIONER MATHEWS: Thank you.

15 Sorry, Mr. Bowker.

16 MR. BOWKER: No.

17 Q. We've already established that you --

18 well, does the water district use zone meters in

19 its assessment for water loss? You've already

20 answered it does not; is that fair?

21 A. We do not.

22 Q. And is that something that's pretty

23 high on your priority list?

24 A. Absolutely.

25 Q. Because that -- how would that help

1 you-all out if you had zone meters?

2 A. Well, it would allow us to locate
3 leaks faster. It would be much more efficient
4 because those zone meters -- you put those in an
5 area. You monitor those daily. Ideally you
6 would -- you would do it over telemetry. But
7 during, you know, high usage days you would be able
8 to see that immediately. Instead of having to go
9 through the process of -- of valving and isolation,
10 you could go read those meters each day and see
11 when you've got that elevated usage, and it would
12 just -- it would make it much easier for us.

13 Q. If you know, when did the water
14 district have its last water audit?

15 A. To my knowledge, it's never had a
16 water audit.

17 Q. Any reason for that?

18 A. I'm not sure.

19 Q. Are all the water district's customer
20 meters tested every ten years to ensure that they
21 are registering water accurately?

22 A. That is the goal, but we have -- we
23 are behind a little bit right now, and the reason
24 is is when I came to the utility, I stopped --
25 well, I didn't stop, but I didn't continue doing

1 meter testing based on wanting to verify the
2 information that I had on hand to make sure that
3 we're testing the meters that actually need to be
4 tested.

5 So -- but we -- I think we were 160
6 meters or something behind, but this month we've
7 actually changed 100 already. So we'll have all
8 those up-to-date within the next couple months.
9 So, yes, but it is -- it is definitely the goal.

10 Q. So you're -- instead of checking for
11 accuracy, you're just completely changing them out?

12 A. That's right. We're -- we're
13 replacing them because a lot of those meters are
14 old. They're much older than ten years.

15 Q. Okay. So you know that they need to
16 be replaced?

17 A. That's right.

18 Q. You say a couple of months you'll
19 have them all -- all up --

20 A. Yes.

21 Q. -- all up to date?

22 A. Yeah. Uh-huh.

23 Q. And what do you mean by up to date?
24 You're saying that --

25 A. They'll all -- all of them -- all of

1 those will have been tested within the last ten
2 years.

3 Q. Within the last ten years?

4 A. Yes, sir.

5 COMMISSIONER MATHEWS: Hang on.

6 Tested or replaced?

7 THE WITNESS: Tested or replaced,
8 yes. Yes.

9 Q. One or the other. Okay.

10 And when you're doing the -- where do
11 you have them tested, the ones that --

12 A. We actually just started getting our
13 meters tested at North Manchester Water. They just
14 got a new certified bench.

15 Q. And are all meters replaced when
16 their warranties expire?

17 A. No.

18 Q. But that's a practice you intend to
19 change?

20 A. I would -- that would -- that is the
21 goal, yes. We'd like to do that.

22 Q. Does the -- I think we talked a
23 little bit about your field personnel, and you told
24 us a little bit about how you -- how you allocate
25 your time for leak detection during the day. But

1 does the water district actually have a leak
2 detection team? A squad?

3 A. We don't. We don't.

4 Q. Is everybody -- all -- all hands on
5 deck as far as --

6 A. Yes.

7 Q. -- leak detection?

8 A. We use all of our guys. We
9 actually -- it's our goal to do two-man leak
10 detection team every Thursday night. And it
11 rotates between those -- between those guys. And
12 it's actually two three-man teams that I use. I
13 use -- my plant operator through the days will
14 actually rotate into that as well. So it -- that's
15 what we do. We -- one night a week.

16 Q. Just going out pretty late at night?

17 A. They'll -- they'll come in at 11:00
18 typically, and they'll work till 6:00 or 7:00 a.m.

19 Q. They get overtime for that?

20 A. Yeah. Well, typically -- typically
21 they take off on Friday.

22 Q. Okay.

23 A. So sometimes they'll get overtime.
24 Sometimes they won't. But they're certainly
25 eligible for overtime.

1 Q. Has the water district used a
2 contract engineer for help with leak detection and,
3 if so, how so?

4 A. No, we have not, not since I've been
5 at the utility.

6 Q. Has the water district used any
7 industry specialists for help with leak detection
8 other than Kentucky Rural Water?

9 A. No.

10 Q. Has the water district determined its
11 best options for funding its needed repairs and
12 infrastructure upgrades in order to finance its
13 water loss reduction plan?

14 A. We have not, not at this time. It's
15 something we are -- we are working on.

16 Q. And taking that to the commission --
17 to the commissioners?

18 A. Yes. We -- currently what we have --
19 of course, you see it in the requests, but I've
20 identified the issues I feel like we need to
21 repair. The board authorized Mr. Maggard to -- to
22 actually assess those with values and let's
23 prioritize and try to pick one at a time.

24 Q. So that's the -- that's the priority
25 list you gave us, the 1 through 6?

1 A. It's actually not -- it's not the
2 priority list. It's the infrastructure repairs
3 list.

4 Q. Okay. And what's on that, if you --

5 A. Well, there's probably 20 items on
6 there, but those items are also on the top -- the
7 other list that you're referring to.

8 Q. Okay.

9 A. There's actually three lists that
10 reflected repair issues throughout the two
11 requests.

12 Q. Okay. And I think we'll -- as far as
13 I know -- I don't mean to jump around on you, but
14 the -- the current project that's outstanding right
15 now we were talking about earlier, Mr. Maggard's
16 the engineer. I meant to ask you, how is that
17 going to help -- how is that project going to help
18 with -- with water loss numbers?

19 A. It's not a water loss project, but
20 there are items in it that will help.

21 Q. Can you explain some of those?

22 A. The -- the booster pump stations
23 that's going to be installed will be installed with
24 variable frequency drives which will reduce a lot
25 of the water hammer. Currently our pumps -- most

1 of the pumps actually throughout the county are on
2 what's call -- referred to as a soft star, but you
3 still get a pretty substantial increase in
4 pressure. And, you know, that -- that causes line
5 breaks. There's no question that that blow of that
6 pump kicking on causes more line breaks.

7 By installing those BFDs, you can --
8 you can actually select the amount of time that you
9 want the pump to ramp up and down and it'll reduce
10 those to almost nothing. So that'll help
11 substantially.

12 The project's kind of old. The
13 project was actually developed in 2014, I think,
14 maybe even priority to that. But there's some
15 contingency -- contingency money in there, and we
16 plan to use any of the contingency money there
17 toward master meters. There's some tank repairs in
18 there as well and leak -- and those items will --
19 will directly affect water loss.

20 Q. Is any of that earmarked for
21 extensions as far as for new customers?

22 A. There is. There's a pretty -- pretty
23 good section of that project that is for line
24 extensions.

25 Q. Would the line extensions -- since

1 this project was developed back in 2014, would the
2 project be -- proceeds be better used for water
3 loss or for the -- for the extension?

4 A. Water loss.

5 Q. Is it -- is it too late to change the
6 plan to water loss from --

7 A. I'm not sure. We would have to -- we
8 would have to revisit with all the funding agencies
9 to see how -- how their thoughts would be on
10 changing the project. We have discussed with them
11 the possibility of maybe pulling some of the -- the
12 items in the budget and --

13 Q. Why do you say it would be better --
14 sorry to interrupt you. Why do you say it would be
15 better for water loss?

16 A. Well, in my opinion, that's -- as the
17 operator of the utility, taking care of the
18 infrastructure of the utility is my No. 1 priority.

19 So I -- I -- you know, new waterline
20 is not a concern to me. It may not be popular, but
21 it's not. My -- my concern is the infrastructure
22 that's in place.

23 Q. Are there customers that -- within
24 your-all's system or territory that don't have
25 water that need --

1 A. Yes.

2 Q. -- bottled water?

3 A. Yes. And those are included in that
4 section.

5 Q. Okay. And you know a roundabout
6 number?

7 A. I think the number -- that is close
8 to 70, I think, total.

9 Q. That have no?

10 A. Oh. That's just in that Phase 3
11 project.

12 Q. Okay.

13 A. Total customers that's not served in
14 the county, I'm really not sure, but we're -- we're
15 in excess of 90 percent served.

16 Q. Okay. But that project would take
17 care of 70?

18 A. The 70 customers.

19 Q. 70 customers.

20 A. I -- I think is what it was.

21 Mr. Maggard may be able to give you an exact
22 number. He did it.

23 Q. What are they on now? Are they --

24 A. At lot of them on wells.

25 Q. Well water?

1 A. Yeah. And a lot of them have
2 collapses or failed. Some of them are -- we
3 have -- we have multiple areas throughout the
4 county that's in that project. It's not a big
5 area. It's more of a mile line extension to serve
6 some. Some of them are using out of the river or
7 out of the creek. They are in a horrible need
8 of -- of drinking water. But, you know, that's
9 something we have to -- have to determine.

10 Q. And you-all have looked at all
11 funding avenues? ARC? AML? KIA? Have you --
12 who's -- who's in charge of trying to secure
13 funding?

14 A. Mr. Maggard pushes that, but I'm
15 heavily involved in it. That project has a grant
16 loan through RD, CBG grants. And 900,000 of --
17 that letter of conditions actually has that all
18 broken out. We have -- also we have KIA, a -- a
19 loan in -- a loan request in from them for a
20 million dollars in case we need it. We just wanted
21 to get in line just -- just in case we had another
22 capital improvement project that we needed to do,
23 but we have -- I think it's fair to say we have
24 exhausted most options for the funding for that
25 particular project.

1 Q. Any other projects -- well, I guess
2 one at a time. But is there any other projects on
3 the horizon that would be next in line?

4 A. Well, we have -- in the WRIS system,
5 we have a Phase 4 and a Phase 6. One of those
6 directly addresses the asbestos cement line we have
7 in -- that continues to fail. But the next project
8 we have we will -- we'll restructure. I could -- I
9 mean, I would -- in -- in my opinion, the way it
10 will work is the engineer and myself would get
11 together and we would put together a water loss
12 project and an infrastructure project that would
13 have no new extension involved. That would be our
14 next project.

15 But I think we would start -- what
16 I'm saying is we would start over with our next
17 project, and it would include the items that we've
18 laid out in these responses.

19 Q. And taking you to those items, I've
20 now located the -- it's in -- it's the response to
21 Data Request 1, Item 30, list that -- you-all list
22 the critical project that the district has in order
23 of priority. I'll let you find that there.

24 And you just mentioned -- and
25 you-all -- you-all did list these in order of

1 priority; correct?

2 A. That's correct.

3 Q. So No. 1 was installation of master
4 meters in each zone. We've already talked about
5 that. No. 2, the replacement of original asbestos
6 concrete water main replacement. And No. 3, repair
7 of leaking water tanks?

8 A. Yes.

9 Q. How many water tanks?

10 A. We have two.

11 Q. And they're both leaking?

12 A. Yes.

13 Q. Leaking a lot or --

14 A. We have one of them we feel is
15 leaking about 30 gallons a minute.

16 Q. What about the other one?

17 A. About five.

18 Q. 30 gallons a what?

19 A. Per minute.

20 Q. Per minute?

21 A. Yes.

22 Q. Then after that, resolve -- resolving
23 water treatment plant issues related to debris
24 during high turbidity events. Can you explain that
25 a little bit?

1 A. Yeah. That's a -- kind of complex
2 one. We have a active flow water treatment plant.
3 The pretreatment process recirculates sand to
4 settle out organics and inorganics, things of that
5 nature. But what happens when we have high
6 turbidity events is it carries leaves, twigs, all
7 kinds of different debris, plastic bags, whatever.

8 But what happens is it comes into the
9 water treatment plant into the pretreatment process
10 and it clogs the sand pumps up and it prevents us
11 from being able to operate or it -- to -- nearly to
12 the point that we can't operate. We have to man it
13 with three guys typically to keep those sand pumps
14 clean, but it is -- we feel like it is a major
15 issue, not water loss related but is an operations
16 issue.

17 Q. A lot of sand coming in your area?

18 A. Yes, we have a lot of sand. But the
19 sand doesn't actually affect us that much. The
20 sand that comes in from the river is not uniform
21 like a silica sand that's used in the process.
22 It'll replace it. It'll actually push a lot of our
23 silica sand out. But we can still operate. It's
24 the debris that causes us the real issue. The
25 heavy -- heavy particles and stuff don't affect us.

1 It's -- it's the debris.

2 Q. Okay. Then after that was
3 replacement of water mains that have reoccurring
4 failures. Can you tell us a little about that?

5 A. We have several areas that continue
6 to fail. There'll be -- there'll be areas
7 typically in a section and you'll have break,
8 break, break, you know. But those areas that have
9 those reoccurring failures need to be replaced or
10 we need to look at some kind of infrastructure
11 upgrades, whether it even be reducing pressure in
12 the zone and boost it somewhere else.

13 Q. And then purchase an installation of
14 radio read meter system and upgrade billing system?

15 A. The radio read system I think
16 everybody understands that, but it would -- it
17 would free up our personnel and they -- instead of
18 being tied up for meter reading for four or five
19 days, you could probably get -- two guys could
20 probably read them all in two days. So that's kind
21 of self-explanatory but --

22 The billing system we have is very
23 basic. It doesn't do -- it doesn't do meter
24 tracking or work order tracking, things of that
25 nature. A lot of the newer billing systems have a

1 lot of tools. Ours is -- is basic. It works well,
2 but it's fairly basic.

3 Q. Now, that -- going back to your
4 job -- summary job description, is that in your
5 area that you're going to be updating the billing
6 system, or does that go to someone else?

7 A. Well, I would oversee that. We
8 have --

9 Q. Who is in charge of it?

10 A. Well, I'm in charge of it.

11 Q. Oh, yeah. But --

12 A. Yes.

13 Q. -- who would -- besides you, who
14 would head that up?

15 A. We have a bookkeeper and a clerk that
16 do most of the billing work day-to-day. But you
17 talking about the company? Is that what you --

18 Q. Well, do you have any background in
19 finance or does anybody at the water district have
20 any financial background?

21 A. Well, the bookkeeper's been there
22 probably 20 years keeping the books, so I would say
23 that that --

24 Q. Do you have an idea how you would
25 upgrade it?

1 A. Absolutely. I've been through
2 billing upgrades a couple different times. I'm
3 very aware of how the process works.

4 Q. Okay.

5 A. And the questions to ask all these
6 software companies.

7 Q. So you've done similar things such as
8 in Knott County?

9 A. That's correct.

10 Q. So out of these projects you just
11 listed -- these six projects you just listed, how
12 many of those six projects would help with water
13 loss, master meter zones, the --

14 A. A, B, C, D, and F possibly but --

15 Q. Pretty much all of them except the
16 debris issue?

17 A. Yeah. F is questionable as to
18 whether that would improve water loss, but it very
19 well could.

20 Q. Okay. How was the water district's
21 progress on installing gate valves and leak
22 detectors throughout the system?

23 A. We have installed multiple, many,
24 many gate valves, also leak detection meters, small
25 3/4 or 1-inch leak detection meters throughout the

1 county. Any time we have a -- an instance where
2 the line has to be cut, we put a gate valve in.
3 It's expensive, but that is critical infrastructure
4 when you're doing leak detection. In the
5 mountains, typically our gate valves -- they may be
6 a couple of miles apart and a lot -- and with an
7 old infrastructure, no matter where you are -- but
8 the more gate valves you can put in, the better off
9 you are. They are definitely your friend.

10 Q. So kind of like good progress?

11 A. We feel like we have -- we're making
12 good progress.

13 Q. Okay. Does the water district now
14 have a written updated long-range capital
15 improvement plan?

16 A. We do not have a written capital
17 improvement plan.

18 Q. And why not? Is there any reason why
19 not?

20 A. I'm not sure. Since I've been there,
21 we've really been hammering on this Phase 3 project
22 along with some infrastructure issues. But I can't
23 really speak to why there's not been one in the
24 past. It is certainly something that we're going
25 to -- to reevaluate and start moving forward in the

1 correct direction. Because everybody is -- is now
2 aware of our infrastructure issues and we feel
3 it's -- some of those are critical.

4 Q. So there has been some discussion
5 about it at the commission meetings?

6 A. Lots of discussion.

7 Q. About the long-range capital
8 improvement plan?

9 A. Yes.

10 Q. And has the water district ever had
11 one or it's just not updated?

12 A. I can't speak to that. I'm not sure.

13 Q. Since you don't have currently an
14 updated long-range capital improvement plan, can --
15 can you describe in your own words what you think
16 that a plan like that might possibly look like?

17 A. Well, where we'll start, of course,
18 is the items that I've laid out --

19 Q. Uh-huh.

20 A. -- which were produced to the board
21 long before this. But we would take those items,
22 put values on them, prioritize them, and we would
23 just begin the projects from there. You know, we
24 would set those out and then try to seek funding.

25 Q. Has Brian Kirby of C-E-D-A, CEDA,

1 Inc., assisted the water district with its leak
2 detection efforts and, if so, how so?

3 A. No.

4 Q. Is -- that may not -- I guess I was
5 getting that from one of the data request
6 responses.

7 A. He does -- he does some financial
8 consulting and -- excuse me, some administrative
9 duties with projects.

10 Q. Okay. Nothing to do with leak
11 detection?

12 A. No, not that I'm -- I don't -- I'm
13 not aware that they do that.

14 Q. Okay. Has Kentucky River Area
15 Development District assisted the water district
16 with its leak detection efforts?

17 A. They have not -- they have not
18 assisted in leak detection. However, they have
19 done a GPS mapping of valves, hydrants, and other
20 points within the system which could -- could
21 affect water loss processes.

22 COMMISSIONER MATHEWS: Do you have
23 your waterlines mapped?

24 THE WITNESS: We have -- well, CRAD
25 has all of our valves mapped. So they've

1 got the points on the map and you kind of
2 connect the dots. But we do have some
3 mapping there. We don't have any kind of
4 interactive mapping, but we've got a lot
5 of paper maps at our facility, some of
6 them very old. But we do have a bunch of
7 them.

8 COMMISSIONER MATHEWS: Plans to go to
9 a GIS system?

10 THE WITNESS: I would -- that's my
11 goal, to do an interactive-type mapping.
12 That's what I implemented at Knott County
13 I guess it was the last year that I was
14 there. We used a -- GeoSync GO is what
15 we used, which was a good system. We
16 could actually go in and edit the maps as
17 we needed to. We could overlay the
18 actual as-builts in there as well. So
19 it's a very good tool.

20 I think it's critical for water
21 utilities to have that type of mapping
22 because no matter how good your -- no
23 matter how good your engineering firm or
24 whoever does your maps are, they're going
25 to miss some things.

1 And throughout time -- it may take
2 ten years, but you'll find something that
3 needs to be corrected. And if you
4 have -- if you have it in a GSI or, you
5 know, other types of mapping, you can
6 edit that as you go.

7 So I think it's critical. And that's
8 something we definitely want to move
9 with.

10 Q. How much in the system gets mapped --
11 distribution system?

12 A. The biggest majority of it is mapped
13 to my knowledge. We have --

14 Q. What portions aren't mapped?

15 A. We have found some small areas that
16 are not mapped. We have a small section in town we
17 don't have any maps on. But most of them that we
18 don't have anything on were the original as-builts
19 from 1967. There are a couple of those. But for
20 the most part, we do have mapping.

21 Q. That's -- that's going to be a future
22 project?

23 A. Yes. We want -- we want to do a
24 GSI-type system where we can edit and take on the
25 fly.

1 Q. Any time -- approximate time frame
2 for when that might happen?

3 A. No, not really laid anything out. We
4 got a lot of items on the -- on the priority list.

5 Q. On the burner. Okay.

6 Does the water district now have a
7 written preventative maintenance program for its
8 plant, pump, and source facilities?

9 A. We do, yes.

10 Q. You do?

11 A. Yes.

12 Q. Can you describe it a little bit?
13 Because we may ask for that in a posthearing data
14 request. So if we ask for that in a -- in a
15 hearing -- data request, can you all provide --

16 A. Yes.

17 Q. -- provide that to us?

18 A. Yes. It basically just -- it
19 describes how to do the process. Those --
20 everything is inspected each month -- our pumps,
21 our tanks, our vehicles, equipment, the water
22 treatment plant -- and those facilities are all on
23 a monthly rotation.

24 Q. Monthly rotation?

25 A. Yes.

1 Q. But -- it has been written down at
2 this -- at this point?

3 A. Yes.

4 Q. Do you believe that your field
5 employees are given a competitive wage, or are you
6 having some issues keeping anybody as far as not
7 being able to pay them a competitive wage?

8 A. We feel -- we feel that they have a
9 good benefits package altogether. They could
10 certainly make more money.

11 Q. So not -- not too many issues with
12 turnover?

13 A. No. We have very, very little
14 turnover. We've got some happy people.

15 Q. That's good. Do you know when the
16 water district last came in for a rate increase?

17 A. Through the Commission, I do not
18 know. I know that the water district has had rate
19 increases. Through the rural development process,
20 the last one was in 2010.

21 Q. I believe -- and correct me if I'm
22 wrong -- the 2010 was PSC Case No. 2010-384, and
23 that was part of a -- pursuant to KRS 278.023 so
24 that was a federally funded project.

25 And then the only two other rate

1 cases I could find was -- I believe they're both
2 also 023 cases, and one was in 1989 and one was in
3 1993.

4 So, to your knowledge, besides rate
5 increases in '89, '93, and 2010, is that -- is that
6 all the rate increase -- rate increases that you're
7 aware of?

8 A. That's all I'm aware of, yes.

9 Q. And, I guess, how are you able to
10 maintain financial stability with -- coming in
11 very, very seldom with -- without a rate increase?

12 A. Well, the utility -- fortunately, the
13 utility was able to put some money back in the past
14 years, but currently the utility's operating in the
15 red, which everybody -- everybody is aware of but
16 everybody's been waiting on the RD project for the
17 rates. But we've been able to make it through
18 because we've put some money back in the past.

19 COMMISSIONER MATHEWS: Do you have a
20 depreciation account with a balance in
21 it?

22 THE WITNESS: We do, yes. Yes. It's
23 actually overfunded.

24 Q. I'm trying not to skip around too
25 much on you here, but does the water district now

1 have a written policy or procedure -- written
2 operating procedure that addresses the process and
3 length of time that you take for the utility to fix
4 a known or reported leaking waterline?

5 A. The leak detection plan we -- I'm not
6 sure if it has a time on it because we -- we can't
7 feasibly set a time. We fix them as soon as
8 possible. As soon as they're reported or we are
9 aware of them, we fix them as soon as we've got
10 guys to fix them. But there -- there's not a time
11 set on it.

12 Q. But it's not written down?

13 A. I'd have to go back and look at my
14 plan that's in here. I think it's -- it doesn't
15 have a time. It says as soon as possible or
16 something -- something to that effect.

17 Q. Is leak repairs still given a lower
18 priority than meter reading?

19 A. It depends on the leak. If it's a
20 small leak and we're reading meters and trying --
21 and trying to get to the deadline -- the issue with
22 meter reading if you stop and you don't read meters
23 for two days, then all your numbers are off because
24 then you're comparing -- you're comparing apples to
25 oranges anyway when you manually read meters when

1 you've got a water loss. But it's even worse. It
2 even gets farther apart when you have to delay.

3 So if it's a small leak, we'll
4 continue to read meters. If it's a leak that may
5 cause interruption, we'll fix it immediately, or if
6 it is a big leak. Say it's ten gallon a minute.
7 We'll stop whatever we're doing to repair it. If
8 it's two, three gallon a minute, we'll just let it
9 go.

10 Q. Okay.

11 A. Which is not ideal, but that's just
12 the way it is.

13 Q. Thank you for clarifying that. I
14 appreciate it.

15 What about -- is it still given a
16 lower -- is the leak repair still given a lower
17 priority than customer disconnections and new
18 service installations?

19 A. Again, it depends on the leak. If
20 it's a small leak, we'll move forward with our
21 daily work. Things like disconnects are very
22 important. So it depends on the instance.

23 Q. You don't -- don't have a hard and
24 fast rule, just --

25 A. That's right, we don't.

1 Q. If it's a big leak, get it done
2 and --

3 A. That's right.

4 Q. -- little leak, it can wait for a
5 little bit?

6 A. Right. Each case is different, I
7 guess.

8 Q. Out of the five field personnel -- I
9 apologize if I've asked this, but did you say
10 they -- they've also received some leak detection
11 training? Is that -- they were trained by Kentucky
12 Rural Water?

13 A. They've not had specific leak
14 detect -- I'm sure some of the CE hours most of --
15 I think all of them but one are distribution
16 operators as well so they've had CE hours, and I'm
17 sure they've picked up leak detection training
18 along the way, but we've not had a specific leak
19 detection training for them.

20 Q. Mainly on the job?

21 A. Right. And they're -- we've got a
22 really good crew.

23 Q. I'm sorry?

24 A. We've got a really good crew, really
25 experienced people.

1 Q. Does the water district -- has the
2 water district now developed a written policy
3 regarding missed customer billings or
4 underbillings?

5 A. We don't have a written policy, but
6 we have a process that we -- we laid out in the --
7 in the request.

8 Q. Can you explain that to us a little
9 bit today as far as the --

10 A. So we manually read meters. We'll
11 start from there. So we manually read meters. The
12 guys write the numbers down on the meter reading
13 sheets. They bring them in to the two ladies that
14 are in the office. They use an electronic keypad
15 that they enter the meter readings in. As they're
16 entering those, it will give them irregular usage,
17 whether high or low.

18 When they get those usages, they'll
19 go back and look at the data and they'll generate
20 work orders, and then we'll just start
21 investigating them from there.

22 Q. So that -- that's the process?

23 A. Yes, that's the process.

24 Q. Any advantage to writing it out?

25 A. Absolutely, yeah. We need to write

1 that down. We're -- we're going to do that.

2 Q. Okay. Has the magnetic flow meter
3 that records the water district's finished water
4 from its water treatment plant been verified for
5 accuracy yet?

6 A. No. The last time we had that
7 checked in 2017, we were unable to verify it, and
8 it was due to the installation. There's
9 actually -- before you -- before a mag meter -- you
10 have certain items that determine the length that
11 you have to have between -- whether it's a valve,
12 an elbow, an air release, things of that nature.
13 We have kind of a bad scenario. We have -- we have
14 two 90-degree elbows and a butterfly valve right in
15 front of our mag meter, which is kind of the worst
16 possible scenario. So there's not -- there's not
17 the proper length there in order for the mag meter
18 to get a good seal.

19 Q. Okay. Does the water district have
20 any plans to replace this magnetic flow meter due
21 to the -- due to the flaws in its design that keep
22 it from being properly calibrated and tested for
23 accuracy?

24 A. Not at this time.

25 Q. Any possible timeline?

1 A. The cost would be -- would be great
2 to do that, and I don't know that that would be --
3 I don't know that that would be beneficial for us.
4 We're able to measure the flow. We have other
5 meters in the plant that are able to measure the
6 flow and be verified already. The meter itself is
7 probably 12 to \$15,000 each of them. So moving
8 that or purchasing a different type would be very
9 expensive. And I feel like we're already getting
10 that.

11 Q. For accuracy, you've got other meters
12 other places that do the job for you? You don't
13 necessarily need the other magnetic flow meter?

14 A. That's correct. We have magnetic
15 flow meters in other places in the plant.

16 Q. Can you please explain what kind of
17 basic training that the water district's meter
18 readers get when first assigned meter reading
19 duties?

20 A. It's -- it's fairly basic. The
21 toughest part of reading meters is remembering the
22 routes and where the meter locations are. When we
23 get a new person, which is not very often, they'll
24 actually spend several months reading meters with
25 someone that has direct knowledge of it. And the

1 actual reading aspect for the meters is very
2 simple. But the toughest is remembering the
3 location of those meters.

4 Q. Did you-all do any follow-up training
5 as far as meter reading, or is it just all on the
6 job?

7 A. No, on the job.

8 Q. I apologize if you've already given
9 me a -- did you already give me an approximate time
10 frame of when the water district plans to implement
11 the use of master meter zones to help with leak
12 detection?

13 A. I didn't give you a time frame, but
14 as soon as we can get the project -- this project
15 funded, if there's contingency there, we'll do
16 that. But meanwhile we are doing the leak
17 detection meters.

18 Q. Right.

19 A. But the master meters, the zone
20 meters will be installed if we can have some of the
21 contingency money from the Phase 3 -- I'm sorry.
22 If the Phase 3 is funded, we'll use some of that
23 money for master meters if it's possible.

24 Q. As far as funding, I understand that
25 you-all have used the O23 method as far as rate

1 increases, but the last one of those was, let's
2 see, '89, '93, and 2010. So you-all are aware that
3 you can come in for general rate adjustments?

4 A. Yes, we are.

5 Q. Any -- no plans to do so other than
6 what you have currently out there regarding the
7 project we've talked about?

8 A. There has been some discussion.

9 COMMISSIONER MATHEWS: May I?

10 MR. BOWKER: Yes.

11 COMMISSIONER MATHEWS: Have you zoned
12 your system so you know what -- where you
13 want the meters and how many you need?

14 THE WITNESS: Yes, we have. We have
15 identified those -- those areas and where
16 they would be.

17 COMMISSIONER MATHEWS: Okay.

18 Q. When does the water district plan to
19 have a systemwide hydraulic model of its
20 distribution system in order to evaluate pressure
21 zones and flow?

22 A. I don't have a time for that.

23 Q. But that's not been done?

24 A. It's not been done. Well, let me
25 take that back. It's not -- we don't have a model.

1 However, anytime an engineer designs part of your
2 system, they will build a hydraulic model in
3 order -- so it's -- it's been looked at, it's been
4 developed, but the utility does not have a
5 hydraulic model or the software capability of doing
6 that.

7 Q. Has the water district attempted to
8 find funding to obtain a systemwide hydraulic
9 model?

10 A. We have not.

11 Q. I believe you've already answered
12 this. No. Wait. You haven't answered this part
13 of it.

14 Has the board of commissioners begun
15 documenting its discussion of its water loss
16 reduction efforts in its meeting minutes?

17 A. Yes.

18 Q. And why was this not done in the
19 past?

20 A. It was something we discussed at
21 length each meeting, but it was -- typically,
22 whenever we did meeting minutes, we would do
23 motions so we have -- we have since been putting
24 more details in there. We've actually -- I added
25 an operational item on the agenda where we discuss

1 those items and a motion is made to accept the
2 water loss and also the operational information.

3 Q. The plan?

4 A. Yes.

5 Q. And who takes those meeting minutes?

6 A. I do.

7 Q. You do?

8 A. Yes.

9 Q. Okay. And you say you're putting
10 more details in those now?

11 A. Yes. I put a lot of details in there
12 for some other stuff, but for the water loss I did
13 not. That was on me.

14 Q. Okay. And in the future, you plan
15 to?

16 A. Absolutely. We already are.

17 Q. Okay. In response to Question 29 in
18 the first data request -- that's the March 12th
19 data request, Appendix C. Question No. 29 states
20 that you intend to reduce -- have water loss down
21 to 20 percent by December 31, 2020. Is that still
22 a realistic and achievable goal for the utility?

23 A. We're there right now.

24 Q. I guess so.

25 A. So I think so.

1 Q. So you -- I guess you don't plan on
2 seeing it go back up or anything?

3 A. We don't -- we don't plan on it, but
4 I do anticipate spikes in the winter.

5 Q. Cold weather?

6 A. Yes. I do anticipate it. Hopefully,
7 we're able to maintain that and we're able to
8 manage it. Because we have -- we have been
9 extremely aggressive and proactive in leak
10 detection so, hopefully, after fixing 20 leaks a
11 month for the last two years, we've fixed a bunch
12 of them that they're not going to reoccur.

13 Q. Is there a new possible achievable
14 goal now that you've got it down to 20 percent to
15 get it down to 15 or --

16 A. Let's see how long we can stay at 20.

17 Q. Okay.

18 A. Of course, that's -- of course,
19 that's the goal.

20 Q. Right.

21 A. Whether it's achievable or not, I am
22 not sure. We'll just have to see what the data
23 says, but we're certainly going to give it all we
24 got.

25 Q. So from getting it from where it was

1 going up and down -- I mean, what do you say were
2 the -- you mentioned some of them but the biggest
3 reason of how you've gotten it down to 20 percent
4 where it was up around 35 and so forth?

5 A. Strategy.

6 Q. What strategy?

7 A. Not being -- being strategic and
8 staying consistent, continuing to do that water
9 loss. You know, immediately as soon as I came to
10 the utility -- of course I knew that there were
11 water loss issues -- we set goals for all those
12 tank drawdowns so that initiated -- that initiated.
13 So I set a goal for the amount that we pump each
14 day, which was around 1.2 million a day. My goal
15 was 850,000. On average, we're 950 now. And also
16 with those goals in each tank -- each tank zone,
17 those have really helped. You know, I think that
18 makes us more sufficient.

19 COMMISSIONER MATHEWS: Were you able
20 to shut your plant down?

21 THE WITNESS: Well, we already were
22 shutting it down, but we're pumping much
23 less hours. We were pumping about
24 18 hours a day. Now we're pumping about
25 14.

1 Q. Does the utility have a timeline as
2 to when it will develop a written policy regarding
3 theft of water service?

4 A. We do not have a written policy.

5 Q. Any timelines as to when you might
6 develop one?

7 A. It's actually something that we -- we
8 need to discuss. I think maybe the next board
9 meeting will be a good time to discuss putting a
10 policy together for that.

11 Q. Can you please describe how the
12 utility currently deals with theft of water
13 service?

14 A. We don't feel that we have a
15 tremendous issue with -- with theft, but if we have
16 an instance where there's -- where there's theft,
17 we'll remove the service, the meter. If they
18 tamper with it, then we'll completely excavate
19 the -- the area and remove the entire service, the
20 tap and all. And then the customer will have to
21 pay for what they've damaged along with the new
22 service install and their old debt.

23 Q. Okay. And so just -- you give them
24 how many times before they --

25 A. The first time if they -- if they --

1 if they're caught stealing, we'll remove whatever
2 the device is. If it's a straight pipe or if they
3 have stolen a meter from the next utility over or
4 used radiator hose or -- we've got some pretty
5 innovative people in our area. But we'll remove
6 whatever device that they're using for theft. And
7 if they do it again, that's when it's removed.

8 Q. That's when it's removed?

9 A. That's when everything is removed --

10 Q. The service?

11 A. -- actually taken out of the ground.

12 Yes.

13 Q. Okay.

14 A. Box and all.

15 Q. Has the utility ever requested that
16 theft of water service be prosecuted by either the
17 county attorney or the commonwealth attorney's
18 office?

19 A. Not that I'm aware of, but I have
20 spoken with the county attorney about the
21 possibility of prosecuting if we need to.

22 Q. So that's -- but that's as far as you
23 know?

24 A. Well, it's not that I'm aware of --

25 Q. Okay.

1 A. -- that we've prosecuted anyone.

2 Q. Okay. And you state that the mean --
3 the main reason for that is just because it doesn't
4 happen very often?

5 A. Well, I can speak from since when
6 I -- since I've been there, I've not felt that it's
7 been necessary to go that route. If you remove a
8 service and require the customer to pay their past
9 due amount plus the new service, I would imagine
10 that's probably more punishment than what they
11 would get any other way. I would imagine.

12 Q. A fine or jail sentence --

13 A. Right.

14 Q. -- through the court? Right. Yeah.

15 Why does the utility's tariff not
16 provide a written policy for leak adjustments for
17 its customers?

18 A. I'm not sure. The utility has never
19 had a leak adjustment policy.

20 Q. And -- and why is that?

21 A. I'm not sure.

22 Q. Well, what -- as far as an unwritten
23 policy, is there -- what's the policy regarding
24 leak adjustments for customers?

25 A. If a customer has a leak adjustment,

1 we can -- we'll set up a leak account for them that
2 won't have penalties assessed on and they can pay
3 monthly payments on it, but that's the only -- you
4 know, we -- the only time we do an adjustment is if
5 there is a -- an error or our part, or if there --
6 a meter issue or busted meter bottom or something
7 that we caused or something to that effect.

8 Q. But this policy, nothing's been
9 written down?

10 A. For when we do adjustments? Yeah, I
11 guess there's not, probably not.

12 Q. Any benefit of writing it down?

13 A. Yes.

14 Q. How does the utility deal with late
15 charges when making a leak adjustment?

16 A. We don't do leak adjustments.

17 Q. You just --

18 A. We don't do any leak adjustments for
19 customers.

20 Q. So as far as tap fees, what are they
21 currently costing the customers?

22 A. \$300. And that is too low, yes.

23 Q. Okay. Yeah. So that -- you think
24 that needs to be increased?

25 A. Absolutely. We discussed it. The

1 board, myself, and Mr. Maggard we -- we've
2 discussed that as well.

3 Q. Okay.

4 A. We're going to -- we have some
5 nonrecurring charges we're going to have to revise.

6 Q. Has the utility ever conducted a
7 comprehensive water audit?

8 A. Not that I'm aware.

9 Q. Can you give us a timeline when the
10 utility expects to possibly have a comprehensive
11 water audit done?

12 A. We've -- we've not discussed it very
13 much. I'm not sure that that would be -- I
14 actually don't know anybody that does it. Never
15 been approached by anyone wanting to do an audit --
16 a water loss audit.

17 Q. Can you please describe in detail the
18 utility's procedure for monitoring and documenting
19 withdraws from the utility's -- oh, wait. Never
20 mind. Scratch that. Sorry. Sorry.

21 Can you please explain how the
22 utility accounts for flushing when determining
23 water loss for its system?

24 A. Well, when we did the responses, the
25 response was that we -- we actually estimate.

1 Whoever's doing the -- the flushing estimates it
2 and times the amount that they're flowing gallons
3 per minute by the amount of minutes that they --
4 that they flush. That's then recorded on the
5 flushing log. And then I -- that's when I -- I
6 take that total from each month and put it in the
7 water loss form.

8 Q. But it's all just estimates?

9 A. It -- it is estimates, but we have --
10 since then, we have a kit for that. We ordered a
11 flushing kit that will give us precise
12 measurements.

13 Q. Okay. That was my next question, is
14 what type of flushing equipment does the utility
15 use. So that. And then anything else?

16 A. Just the -- the tool -- the tools to
17 operate the hydrant.

18 Q. And what's --

19 A. Of course the --

20 Q. -- in the kit --

21 A. -- the wrenches.

22 Q. What's the kit?

23 A. The kit has a diffuser. It also has
24 a -- a nozzle and a pressure gauge. And the
25 pressure gauge can direct -- because it -- it's

1 already predetermined what the size of the nozzle
2 is, so it's able to tell that -- that pressure
3 during that time to determine the flow.

4 Q. And when did you get -- when did you
5 get that?

6 A. It's been ordered for several --
7 several weeks. And I feel like it -- since we've
8 got our water loss now to what I feel like is
9 manageable, now we really have to start watching
10 the details. So I feel like it's really important
11 now to get a -- it's always been important to get a
12 good measurement, but now more than ever we want to
13 make sure that we're catching -- capturing
14 everything, we don't have any more low hanging
15 fruit like we did before.

16 Q. Right.

17 COMMISSIONER MATHEWS: With your
18 system and the way it's constructed, do
19 you feel you have a lot of flushing
20 relative to other systems? I know some
21 of the more rural systems you're going to
22 have a longer --

23 THE WITNESS: We -- we do.

24 COMMISSIONER MATHEWS: -- distribution
25 line.

1 THE WITNESS: We don't have a lot of
2 loops. A lot of ours are dead ends. So
3 I feel like there -- there is more
4 flushing in our -- in a -- in a system
5 like ours.

6 COMMISSIONER MATHEWS: That's what I
7 suspected --

8 THE WITNESS: Yeah.

9 COMMISSIONER MATHEWS: -- was the
10 answer.

11 Q. Has the district ever considered
12 combining with a neighboring water district?

13 A. No. No.

14 Q. Does that --

15 A. That's not an option.

16 Q. Excuse me?

17 A. I don't see that that's a feasible
18 option.

19 Q. And -- and why is that?

20 A. Well, we're the whole county.

21 Q. Huh?

22 A. We encompass the whole county and the
23 city. Our neighboring county is the city of Hazard
24 system, Manchester. So those would be the two
25 systems that we neighbor with, and they have big

1 areas as well which is something I've not looked
2 at.

3 Q. It wouldn't be cost beneficial?

4 A. I don't know. I've not ran an
5 analysis, but I don't think so.

6 Q. Does -- does your district anticipate
7 that its customer base will increase or decrease
8 over the next ten years?

9 A. More than likely it will decrease --

10 Q. All right.

11 A. -- our population.

12 Q. And that's people moving out?

13 A. Yes.

14 Q. Decrease a -- a lot? a little?

15 A. I think it's been estimated that our
16 next census will be 10,000 where we're at 11,000
17 now. I think that's what I've heard. They're
18 estimating us dropping around ten, unfortunately.

19 Q. Okay. I -- I promise I'm about to
20 wrap up with you.

21 A. No, you're fine.

22 Q. You've been -- you've been patient
23 and I appreciate it.

24 MR. BOWKER: I believe that's all I
25 have, Your Honor.

1 COMMISSIONER MATHEWS: I have maybe
2 one question, and that goes back to
3 the -- I guess it's ultimately how does
4 one survive without a rate case? The
5 cost of everything that you do has gone
6 up.

7 THE WITNESS: It's tough. It's very
8 important. It's -- it's tough. Our
9 utility luckily had some rates that were
10 set properly years and years ago. But we
11 can't -- we can't continue without
12 increase of some sort.

13 COMMISSIONER MATHEWS: I mean, it
14 essentially will come down to a pay me
15 now or pay me later.

16 THE WITNESS: That's right.

17 COMMISSIONER MATHEWS: And you may be
18 a little bit in that pay me later now --

19 THE WITNESS: We're --

20 COMMISSIONER MATHEWS: -- sort of --

21 THE WITNESS: We're okay for now.

22 We've still got some time, but we're --

23 COMMISSIONER MATHEWS: But you're
24 operating in the red.

25 THE WITNESS: We are operating in the

1 red, but it -- it's time.

2 COMMISSIONER MATHEWS: How are you
3 paying your bills?

4 THE WITNESS: We have -- we've had
5 money put back. I mean, we're -- we're
6 still -- I'm not going to say we're
7 comfortable. Anytime you're operating in
8 the red, it's not a comfortable thing,
9 but we're a long way from not being able
10 to pay our dues -- debts.

11 COMMISSIONER MATHEWS: Okay. That's
12 all I have.

13 Mr. Chandler.

14 MR. CHANDLER: Okay. Thank you,
15 Commissioner.

16 -----

17 EXAMINATION

18 BY MR. CHANDLER:

19 Q. So Mr. Turner, you've done -- you've
20 been involved in a merger. I wouldn't call it
21 merger, but a -- a combining of jurisdictional
22 utilities before; correct?

23 A. No.

24 Q. No?

25 A. I have not.

1 Q. The -- how about the -- the transfer
2 of control --

3 A. Ball Creek.

4 Q. -- with Troublesome Creek
5 Environmental --

6 A. Yes.

7 Q. -- Authority?

8 A. I -- I was involved in -- that was in
9 wastewater. Troublesome Creek Environmental
10 Authority owned a -- a wastewater system in Knott
11 County that was initially built to provide
12 wastewater to a -- a development area. And Knott
13 County Water & Sewer District took over that
14 utility because they -- T, Troublesome Creek
15 Environmental Authority -- it was not an operating
16 entity. They were basically a funding entity that
17 got regional funding because it was multicounty. I
18 think it was Perry -- Perry, Knott, Letcher, Floyd.
19 I think that's it.

20 So, yes, I was. It was a wastewater,
21 and it was a fairly small system. But in the
22 wastewater I have been involved in a merger.

23 Q. Okay. And was that one of those
24 situations where it was a -- I don't want to say it
25 was an emergency, but a situation where Knott

1 County stepped up to take over something that
2 somebody didn't want, or was it like an economic
3 decision?

4 A. It was an emergency.

5 Q. Okay. You're --

6 A. Yeah. The -- they -- T had -- or
7 Troublesome Creek Environmental Authority had no
8 revenue stream.

9 Q. Okay. So in terms of considering the
10 possibility of a merger as it may relate to
11 Hyden-Leslie, that's not -- not really comparable,
12 then?

13 A. No, it's not.

14 Q. Did you participate in any rate cases
15 while you were at Knott County?

16 A. We did not do rate cases. However,
17 we did go through the ARF process in-house several
18 times to assess our rates, but we didn't -- we
19 didn't do any filing with the Commission.

20 Q. And so explain to me what -- what --
21 how that internal process went when you were at
22 Knott County.

23 A. Well, basically, there I actually had
24 a -- a chief financial officer, and we would -- we
25 would assess all of our expenditures, all of our

1 revenues, and just include those in the alternative
2 rate filing, which is fairly -- fairly simple. But
3 we -- we went through -- we went through all --
4 filling in all the blanks and came out with a
5 number which, you know, we had our own way of
6 assessing that without the alternative rate filing.

7 You know, in all those -- you include
8 all your cash expenses along with your
9 depreciation, your debt services, and things of
10 that nature.

11 Q. And it was basically -- well, let me
12 ask this question first. The CFO -- the CFO of
13 the -- of the district or the county CFO that
14 helped you --

15 A. The district.

16 Q. -- with it --

17 The district CFO?

18 A. Yes.

19 Q. And you were general manager at --

20 A. Yes.

21 Q. -- at Knott County?

22 A. That's correct.

23 Q. And was part of your -- as part of
24 your duties, were you in -- were you over the CFO,
25 or were you-all on the same sort of level?

1 A. I was over him.

2 Q. Okay. So when you did the internal
3 ARF process, you basically went through and put in
4 your year-end financials from the previous year to
5 see if you-all even could apply for and receive a
6 rate change?

7 A. That's correct.

8 Q. And so in those internal discussions
9 or calculations at Knott County, the -- the
10 determination was that you would not be able to
11 receive an increase or, if you could, it wasn't
12 worth filing for?

13 A. Well, actually neither. We -- we
14 could and it would have been beneficial. However,
15 the -- the process -- the process was halted.
16 I'll --

17 Q. Okay.

18 A. -- say.

19 Q. So the board chose not to move
20 forward --

21 A. To proceed.

22 Q. -- with the rate increase?

23 A. Yes.

24 Q. Okay. And with the staff that you --
25 well, let me ask you, the general manager position

1 at Hyden-Leslie, are you in charge of all office
2 staff, including the financial personnel?

3 A. Yes.

4 Q. So -- so equal position as you were
5 at Knott County; correct?

6 A. Correct.

7 Q. Do you have the -- or do your
8 employees have the financial wherewithal to do the
9 same sort of analysis that you did at Knott County
10 at Hyden-Leslie?

11 A. We are -- we are gaining that now.
12 We are -- since I've been at the utility, we've
13 changed a lot of the accounting practices,
14 including all electronic accounting system. So
15 we're -- we're -- we were always able to track it,
16 but it's much easier now than what it was before.

17 In Knott County we had a system in
18 place for years, so it was easier then. We could
19 do it now, but it is a little more difficult.

20 Q. So you -- you have, for instance,
21 your 2018 year-end financials and you could do an
22 internal analysis under, like you said, an internal
23 ARF procedure? You could do that to determine
24 whether or not you thought it was necessary or
25 reasonable to ask for a rate increase or what a

1 rate increase would look like?

2 A. Absolutely.

3 Q. Or whether you would receive a rate
4 increase?

5 A. Absolutely. I've looked at those
6 numbers at length already.

7 Q. Have you -- you've been there two
8 years almost?

9 A. Yes.

10 Q. Have you ever presented that
11 information to the board?

12 A. Well, we review the financial
13 statements each month. I have -- we have not done
14 a -- I've not done like a proposal of -- of what
15 the increase should be. But we have at length
16 looked at the -- the rates that RD has set out in
17 the letter of conditions and we have -- like I
18 said, we have analyzed those -- those numbers to
19 see if those will be sufficient multiple times.

20 Q. And I'll -- I'll ask about those
21 rates because that's another line I'd like to go
22 down.

23 But have you been asked by the board
24 at any time to look at this, specifically to look
25 at it in terms of an opportunity or the

1 availability of a rate change?

2 A. No. But I suspect it's because of
3 the conversation about the rural development case
4 and the rate increase included in that. But not
5 specifically, no.

6 Q. Okay. But the board is, of courses,
7 as I think you noted earlier, aware of the
8 financial situation on a month-by-month basis;
9 correct?

10 A. Yes.

11 Q. So you heard the questions earlier by
12 counsel for the commission staff about the previous
13 rate cases but they were 023 cases; right?

14 A. Right.

15 Q. And your understanding is that in
16 2010 there was an infrastructure case, an 023 case,
17 that raised the rates and in '93 there was a
18 similar case and in '89 there was a similar case.

19 But you would agree that you're
20 unaware of at least in the last three years any
21 actual rate increase tied to anything other than
22 capital improvements?

23 A. That's correct. I'm not aware.

24 Q. So no changes in the rates as it
25 relates to operating expenses?

1 A. It could -- operating expenses could
2 be included through the RD process.

3 Q. And that's what I want to ask about.
4 So it's been at least 30 years -- more than
5 30 years that rates were set that were increased or
6 changed for anything other than the R -- the O23
7 project, the RD projects.

8 And I guess my question to you is, as
9 it relates to the current -- the letter from
10 Ms. Legg regarding the -- what -- the project name
11 is just water systems improvement?

12 But regarding the water system
13 improvement project, other than ignoring the
14 grants -- right? -- ignore the grants for a second
15 because those you don't have to pay back; correct?

16 A. That's correct.

17 Q. With -- in terms of the loans, is it
18 your expectation that the increase in rates that
19 would come with an O23 application with those
20 projects would raise the rates any more than
21 necessary for depreciation or debt coverage for
22 these actual loans?

23 A. My understanding -- I'm not real
24 familiar with this process. But my understanding
25 is you propose -- you can propose these

1 expenditures to rural development. They'll look at
2 your previous financial statements. And you can --
3 they set those rates based on your new debt
4 service, based on things like short-lived assets if
5 you feel like within -- I think it's a ten-year
6 span that if you're going to have assets that
7 you're going to need to replace. Depreciation is
8 not one of those items that they build in their
9 rate. But new expenditures, if you have new
10 employees and those expenses are going up, you can
11 capture those through that process is my
12 understanding.

13 But I have talked at length with Clay
14 McKnight, which is actually working on ours, about
15 the rate that is set forth. And we still have some
16 moving parts, but we're going to iron out the
17 details of our rates and make sure they're
18 sufficient.

19 Q. Well, I just wanted to ask. You --
20 you sort of alluded to that maybe if this goes
21 through, you may not have to come in for a rate
22 increase.

23 A. That's -- that's correct.

24 Q. But if this goes through, this is
25 intended to cover the costs related to the project.

1 It's not intended to recover additional increases
2 in operating expenses or purchase power or
3 increased chemicals; correct?

4 A. My understanding is that it will take
5 in all those -- all those items, increased
6 expenses.

7 Q. Increased expenses related to the
8 project or increased expenses that have occurred
9 since 2010?

10 A. All expenses is my understanding, all
11 the expenses that you have. If you need more
12 revenue, they'll set those rates accordingly to
13 fund those items is my understanding.

14 Q. And have you participated in a 023
15 case before?

16 A. Have not.

17 Q. What's the average usage for the
18 average three-quarter meter residential customer at
19 Leslie?

20 A. It varies, but about 3400.

21 Q. 3400.

22 A. It's -- like -- it's in here. I've
23 got that covered in one of these responses.

24 Q. There's a lot of responses. I think
25 there's 700 pages of responses so you'll forgive

1 me.

2 So that's an average rate of 28,
3 about \$30 a month; is that about right?

4 A. Sounds correct. Sounds about right.

5 MR. CHANDLER: May I approach?

6 COMMISSIONER MATHEWS: Yes.

7 MR. CHANDLER: Do some quick math
8 here.

9 Gerry, this is just a copy of the
10 tariff.

11 MR. WUETCHER: Okay. What page is
12 that on?

13 MR. CHANDLER: 2010. And I think
14 it's the third page of the tariff.

15 Q. I can give you a copy of the tariff
16 here. And you see the residential rates, \$20
17 minimum bill?

18 A. Uh-huh.

19 Q. And that the rate is \$5.62 for every
20 thousand gallons after that 2,000 gallon rate. Is
21 that your understanding --

22 A. Yes.

23 Q. -- of what that rate is?

24 A. Uh-huh.

25 Q. So for 2,000 gallons is little over

1 \$20; right?

2 A. Right.

3 Q. And so the next would be \$5 and --
4 let's say the average is 3500. So that's less than
5 \$30, then. It's about \$28 for an average
6 residential customer; right?

7 A. That's right.

8 Q. Okay. Do you know what the average
9 rate was at Knott County?

10 A. It was -- it was lower. The first
11 2,000 gallons -- you're testing my memory here. I
12 think it was \$18.25 for the first 2,000 gallons. I
13 think.

14 Q. Sorry. I guess it's subject to
15 change. For the rates that were effective 2011,
16 does it sound about right that the first 2,000
17 gallons was \$18.25?

18 A. For Knott County?

19 Q. For Knott County for three-quarter
20 meter.

21 A. Yes.

22 Q. And then for every thousand gallons,
23 the next 8,000 gallons is about five sixty-three?

24 A. That sounds -- that sounds about
25 right.

1 Q. Okay. So a little bit less on the
2 minimum bill and a little bit more on the -- on the
3 per gallon for that first 8,000?

4 A. Right.

5 Q. Okay. So do you know over the time
6 period -- how long -- how long were you at
7 Hyden-Leslie before you left?

8 A. About 12 years.

9 Q. Okay. So altogether about 14 years
10 at Hyden-Leslie. So you were around in 20 -- you
11 were around just after 20 -- you were around before
12 the 2010 023 case, then?

13 A. I guess so, yes.

14 Q. Do you know if the number of
15 employees at Hyden-Leslie is significantly changed
16 or has changed in the 14 years since you started at
17 Hyden-Leslie?

18 A. Maybe by one or two.

19 Q. Increase or decrease in one or two?

20 A. Increase.

21 Q. Increase in one or two?

22 A. Yeah.

23 NOTE: Chairman Schmitt and Vice
24 Chairman Cicero join the hearing.

25 Q. Okay. And when you say an increase

1 of one or two, is the expectation that increase is
2 an office increase or a field increase?

3 A. A field increase, I think, but, now,
4 I was -- you have to understand, I was in a
5 different capacity. I was a treatment plant
6 operator. But just right off the top of my head,
7 we may have increased by one, possibly two.

8 Q. When you say "field," again I'll ask,
9 is that -- do you think that's an increase in the
10 treatment plant or out in the field?

11 A. Out in the field.

12 Q. Okay. You talked about some of the
13 fixes that you -- you've alluded to some of the
14 fixes that you've done in the last let's just say
15 year -- year or two that you indicated they were
16 maybe a bit longer term fixes. Can you discuss
17 that?

18 A. Yes. There was -- some of the parts
19 that were used in the past were, I guess, some --
20 some of the cheaper parts that you could buy, which
21 we seen recurrent failures from those -- from those
22 repair items. So we -- we're buying what I feel
23 like are better quality couplings and clamps.

24 Q. Okay. And are you replacing --
25 what's your policy in terms of the lengths of line

1 to replace instead of repair?

2 A. It really depends on the diameter,
3 the location. So there's not -- there's not a
4 policy as such that -- of course, you know, if
5 you're doing service line, it's one single joint or
6 if you do a PE -- a big PE line on a bore or
7 something, sometimes you would have to replace all
8 of them if you have an issue. Like, the PVC in the
9 ground, if you've got a small split in a 20-foot
10 section, you know, you may not replace that full
11 section. So it really just depends. It's on a
12 case-by-case.

13 Q. So you know that; right? You know
14 what you're doing. The other people in the field,
15 do they know on that case-by-case basis whether
16 they should repair it or whether they should
17 replace it?

18 A. Well, they'll consult with -- if they
19 feel like it's something that may need replacing,
20 they'll always consult with me. If it's anything
21 other than just a typical repair, they'll consult
22 with me.

23 Q. And is there like a dollar threshold
24 that they'll consult with you or size of the fix,
25 size of the leak?

1 A. There's not. You know, they look at
2 it from an operational standpoint. We all do.

3 Q. And do they know where their
4 deference stops and they need to go to you? Is
5 that written down? Is that in a manual? Is that a
6 policy?

7 A. That is not written down.

8 Q. And the change in the way things were
9 fixed, is that something that you just did by
10 buying new equipment, new things to fix, or was
11 that a change in policy or procedures?

12 A. It was not -- it was just something
13 that we did. We just changed the type of parts
14 that we were stocking and we also had the
15 manufacturer of these items come in and make sure
16 that we were doing proper installation on them as
17 well. But there's -- there's not a policy written
18 for that.

19 Q. You mentioned the percentage served
20 in Leslie County. Do you know if -- if the county
21 keeps any material or archive or anybody has
22 anything on the number of homes that are unserved
23 by centrally treated water in Leslie County?

24 A. Not that I'm aware of.

25 Q. Well, I ask because, you know, the

1 project system -- project name, "Water System
2 Improvement," you said part of that is extending
3 initial service to 66 new customers.

4 Do you know if -- for instance, if
5 you went a different direction, would it -- for the
6 same amount, do you know if there's anybody that
7 has done a study to -- if you run a pipe this way,
8 you would get 70 customers and it would cost the
9 same?

10 Do you know how that process goes
11 internally with the county or with the board?

12 A. Well, this project was actually
13 already complete so I'm not -- was already formed
14 so I'm not completely aware of the process that
15 they went through to put that together.

16 But that area is -- just because I
17 know the county -- is one of the bigger areas
18 that -- our Fields Fork area is one of the other
19 bigger areas that has unserved customers. There's
20 no areas in eastern Kentucky that are cheap to
21 serve, you know, but they -- what happens when
22 customers want service, there will usually come in
23 and do an affidavit for service and have the people
24 in their area sign it. When they get so many
25 signatures, they'll bring that to the board. The

1 board looks at it and we'll weigh -- you know,
2 weigh the options of who is being to be served.

3 But, to my knowledge, everybody that
4 has put forth that process is on this next project,
5 which is our Phase 3 project.

6 Q. Let me -- let me be clear about that.
7 Everybody who has come in to the office and signed
8 an affidavit saying they would like to receive
9 service and signed a subsequent petition is going
10 to be served by this proposed water system
11 improvement?

12 A. Not individuals but areas. But
13 individuals --

14 Q. Okay.

15 A. -- come from areas and get more
16 people from that area.

17 Q. Right. But everybody who wants water
18 is going to have it with this project?

19 A. I -- unless -- I think so. I think
20 it's -- everybody is included in that.

21 Q. Okay.

22 A. Now, I may be wrong, but I think it
23 is. I think it's everybody that I'm aware of
24 anyway.

25 Q. So I understand your testimony

1 earlier about the fixing leaks and priorities and
2 the timing that it takes, setting a specific time
3 or goal. Do you remember those questions?

4 A. Yes.

5 Q. And I understand your point about
6 meter reading taking -- taking precedence because
7 you don't want to miss the read. There's an issue
8 with timing so that you don't miss the water.

9 But wouldn't you agree that that's
10 water -- that's money running into the ground?

11 A. Absolutely.

12 Q. And so other than meter reading, what
13 else is prioritized prior to fixing the leak?

14 A. Well, it depends on the leak, of
15 course, you know, like we discussed. But
16 disconnects will something -- you know, sometimes --
17 typically meter reading or disconnects would be the
18 only thing that would interfere with that.
19 Everything else we'll push back, whether it's a tap
20 or whatever.

21 Q. Okay. So the answer here talked
22 about new service requests. So that -- so you
23 would agree that a new service request is not a
24 priority over leaks.

25 A. Well, it depends. If it's a customer

1 that doesn't have any -- doesn't have access to
2 drinking water and we've got a gallon-a-minute
3 leak, you know, we'll set that person's service.
4 It's really hard to -- to have a black and white
5 line for that. If we've got a really small leak
6 that's leaking a gallon a minute, 1400 gallon a
7 minute -- 1400 gallon in a day versus providing
8 water to somebody that's in dire need, you know,
9 sometimes we might. But typically we'll fix leaks
10 before we'll do new service.

11 Q. Okay. Then disconnects, why do
12 disconnects take priority over leaks?

13 A. Well, because we lay out for a week
14 for that. You know, we -- we set a time out for
15 those work orders to be completed and it's a
16 lengthy process. You got -- you know, you
17 disconnect them and then you've got to go back and
18 reconnect them. And we just try to do those in
19 that same time frame because we'll have meter
20 reading and other things after that. We -- if we
21 keep pushing those back, they won't get done.

22 Q. Okay.

23 A. And that's -- you know, and that's a
24 requirement.

25 Q. But not doing the disconnects isn't

1 costing you money? It's --

2 A. Well --

3 Q. It's inopportune; right? But it's
4 not costing you money like a leak would be;
5 correct?

6 A. It could. If a customer is getting
7 disconnect, more than likely they're not paying
8 their bill so they're going to continue to use
9 water and not pay for it possibly.

10 Q. And so when you find out that
11 somebody -- you set a specific time to disconnect,
12 not a number of days specific from the time they
13 get the notice. All the disconnects are done the
14 same week of the month?

15 A. Yes, typically. We try to do it on
16 the first week of the month. Because in our area,
17 most people get paid first part of the month.

18 Q. What's your policy on capitalizing
19 fixes, repairs?

20 A. We don't have a policy, a written
21 policy for -- for that.

22 Q. Whether you capitalize repairs?

23 A. Oh, I'm sorry. Yes, we do have a
24 policy. It's -- in excess of 1500 I think is what
25 it is. I'd have to reference mine. That's

1 actually something we just put in place several
2 months back.

3 Q. Who designed the mag meter setup?
4 Are you aware?

5 A. Our engineering firm, Sisler-Maggard.

6 Q. Your current engineering firm?

7 A. Yes.

8 Q. And I think the last set of questions
9 I have is about that tank leak that you described.
10 So you have a tank leak right now that your
11 testimony was that you believe it's leaking
12 30 gallons a minute?

13 A. Correct.

14 Q. Do you know how many gallons a year
15 30 gallons a minute is?

16 A. Yes.

17 Q. Are you aware of 30 gallons a minute
18 is approximately 4 percent of your total water
19 produced in a year?

20 A. Yes.

21 Q. And so what would it take to fix the
22 single 30-gallon-a-minute leak?

23 A. Well, that tank will have to be taken
24 out of service completely, and it's a
25 million-gallon tank and that is a -- the hub of our

1 hydraulic system. So it is a major undertaking.

2 Q. So do you know when that tank went
3 into service?

4 A. Around 2011.

5 Q. That is the new tank from the 023
6 case in 2010?

7 A. That's correct.

8 Q. So -- so I'll ask it this way. Is
9 that the 1.5 -- I'm sorry. That's the
10 one-million-gallon water storage tank referenced in
11 Case 2010-384?

12 A. I'm not sure of the case.

13 Q. Okay. So -- that's okay. But it's
14 about ten years old. So why is a less than
15 ten-year-old million-gallon water -- million-gallon
16 water storage tank leaking 30 gallons a minute?

17 A. I'm not sure. I wish I could answer
18 that question. There -- there were some repairs
19 done early on to that tank. You know, this is all
20 historical information that I've gathered from this
21 person that got it from this person. But the tank
22 was leaking years ago and it was leaking when I
23 started at Hyden-Leslie.

24 Q. Well, that would be an older tank,
25 then, because you started at Hyden-Leslie 14, 15,

1 years ago.

2 A. I'm sorry. Before I came back as
3 general manager.

4 Q. Okay. So prior to at least 2017 or
5 earlier, it was leaking. Do you know if it was
6 leaking when you left?

7 A. I'm not sure.

8 Q. So a seven-year-old million-gallon
9 water tank was leaking when you arrived?

10 A. Yes.

11 Q. And do you know if it was -- well, I
12 mean, I asked you the reason. But do you know if
13 it was damaged?

14 A. I don't -- I don't know. We suspect
15 that it's a foundation issue. It's not -- the
16 water's not coming out of the sides. It's not
17 coming out from the panels --

18 Q. Okay.

19 A. -- of the tank. It's actually coming
20 through the ground.

21 Q. Do you know who the contractor was on
22 the project?

23 A. I don't recall. I've looked at those
24 documents, but I don't recall who they are.

25 MR. CHANDLER: May I have just one

1 second, Chairman?

2 Q. Is it your understanding that -- is
3 it -- Sisler-Maggard was the engineering firm?

4 A. Yes.

5 Q. And that's still the engineering
6 firm?

7 A. Yes, it is.

8 Q. Has -- has the utility looked into
9 what it would take to fix that leak?

10 A. Yes.

11 Q. And what it -- I mean, what would the
12 cost be?

13 A. It's undetermined exactly what the
14 cost would be. My understanding is -- I've talked
15 to some tank repair folks, and they say that they
16 feel like they can fix it for about \$80,000.

17 Q. \$80,000?

18 A. Yes.

19 MR. CHANDLER: One second. Let me do
20 a little quick math here.

21 Q. So 30 gallons a minute times 60
22 minutes in an hour times 24 hours in a day times 30
23 days in that month and 12 months in a year, 15 1/2
24 million gallons a year. And you-all produce just
25 under 400 -- about 400 million a year; right?

1 A. Yes, sir.

2 Q. So the cost to produce water is --
3 what? -- 82 cents? Does that sound about right?

4 A. I think that would be --

5 Q. 87 cents?

6 A. I think that sounds about right.

7 Q. So it's -- that's not right.

8 MR. BEAVERS: 13,000.

9 Q. So it's \$13,500 a year that's leaking
10 out of the bottom of the tank and it would take
11 80,000 to fix it?

12 A. (Witness shakes head.)

13 Q. I mean, approximately 30 --

14 A. Yes.

15 Q. -- 30 -- or 30 gallons a minute?

16 Okay.

17 And does that include -- does the
18 leak cause any other problems in terms of quality
19 issues in the water?

20 A. No.

21 Q. No. Or you're not aware of. It
22 doesn't cause any additional flushing or anything?

23 A. No.

24 Q. And last question, we've talked
25 about -- a lot about the board's priorities.

1 You've only been there less than two years. What
2 are your personal priorities?

3 A. Water loss and water quality.

4 Q. So that's big picture. So in terms
5 of I'm doing this first and as soon as this project
6 is over, I am doing this next, what are your
7 personal priorities of things that have to be done
8 in the next year or two?

9 A. In the next year or two would be
10 probably the top three items that are in here. But
11 my priorities would be laid out in the
12 infrastructure repairs list that I included. I
13 can't remember which response that it was in. But
14 those are issues that I feel like are critical.

15 Q. So one of your -- your
16 infrastructure, your capital replacement plan, I
17 think it exclusively said it's not in any
18 particular order. Is that the one you're referring
19 to?

20 A. Yes. It listed three different items
21 there. There's five most critical projects.
22 There's also a list that is not prioritized, and
23 there's a top three list as well.

24 MR. WUETCHER: Which response is
25 that? 30, DR1.

1 Q. So Items 30 in the DR1, the five --
2 A, B, C, D, F, the first three A, B, C, D, the
3 installation of master meters and replacement of
4 original asbestos, the AC water main replacement,
5 and the repair of leaking water tanks are the top
6 three?

7 A. Yes.

8 Q. In that order?

9 A. Yes.

10 Q. Okay. And then would you also agree
11 that replacing those 160 meters that are outside of
12 their ten-year period or at least testing them
13 would also be a short-term priority?

14 A. Absolutely, it is.

15 Q. And when do you expect to get those
16 160 meters tested?

17 A. We plan on having that done in the
18 next couple of months.

19 Q. Do you-all have a meter testing
20 bench?

21 A. We do not. North Manchester Water's
22 been -- we've been using them for our meter
23 testing.

24 Q. Okay.

25 A. But we've already done 100 of those

1 meters.

2 Q. Okay. So you have 60 left that
3 are --

4 A. Yes.

5 Q. And then you'll start testing again
6 January 1 or is there another --

7 A. We'll start testing immediately.
8 We're not going to stop.

9 MR. CHANDLER: That's all I have,
10 Chairman. Thank you.

11 MR. WUETCHER: I didn't know if the
12 two returning commissioners would want to
13 ask first.

14 COMMISSIONER CICERO: I have a
15 question. Mr. Chandler has gone down
16 that road of the seven-year-old
17 million-gallon tank leaking 30 gallons
18 per minute and found to be a foundation
19 problem?

20 THE WITNESS: We assume that it is.

21 COMMISSIONER CICERO: There was no
22 engineering deficiency or construction
23 deficiency that would go back against the
24 contractor?

25 THE WITNESS: We -- we've talked

1 reservoir of some sort because the hydraulic
2 pressure of that tank determines everything on the
3 inside of our system so --

4 Q. Well, how difficult is that?

5 A. Extraordinarily difficult because
6 currently the way we operate is we have a high
7 service pump at our bulk treatment plant. It
8 operates on a set of levels. It kicks on and off
9 according to the tank -- the tank level.

10 If you eliminate that, then you
11 automatically eliminate your control scenario. I
12 have thought about it at length. And what we will
13 have to do is we will have to -- once we get our
14 BFDs installed at the water treatment plant, which
15 are probably -- I don't know -- roughly \$8,000 I
16 would imagine. But we'll have to set those BFDs
17 based on the pressure so we'll actually have to add
18 some control scenarios to the BFD to maintain
19 pressure in probably a -- maybe a tanker truck or
20 something and then just harp everything on in.

21 It may get a little more complicated
22 than that because there's all kinds of head loss
23 factors and things that come into play when you're
24 reducing a -- a giant water tank to a small tank.
25 So you could possibly have some issues there. But

1 there are a lot of hurdles in order to get that
2 tank just drawn down much less repaired.

3 Q. So it would take some time, then,
4 you're saying?

5 A. Yes.

6 Q. And some planning?

7 A. Lots of planning.

8 Q. And part of that planning is
9 dependent on some of the capital equipment that
10 you're going to be acquiring as a result of this
11 proposed rural development loan?

12 A. That's correct.

13 Q. I want to go to the rural development
14 loan very quickly to make sure I understood,
15 because it is your understanding that when rural
16 development sets a rate or in its letters of
17 condition, it's looking at the current and
18 potentially future expenses of the water district
19 when it sets those rates in the letter of
20 condition; is that correct?

21 A. That's correct.

22 Q. So it's not just looking at what's
23 being added, but it wants to make sure that the
24 water district has sufficient funds coming in,
25 revenues, so that you're going to be in good

1 operational shape so you can pay the bill -- or pay
2 the loan back to rural development; is that
3 correct?

4 A. That's correct.

5 Q. Okay. One other point that I wanted
6 to go to. Mr. Bowker talked about the fact that
7 you've reached your 20 percent goal and now
8 suggested you bring it down to 15 percent, the
9 level stated in the Commission's regulation as
10 developer not exceeding excessive water loss or
11 having water loss. Do you remember that?

12 A. Yes.

13 Q. Okay. Would you agree that at this
14 point you have reduced your water loss from what
15 last -- what was reported in 2018 by about
16 two-thirds?

17 A. Yes.

18 Q. Okay. So -- and your water loss
19 expense in -- the district has calculated it's
20 about \$61,000. So roughly, if you hold true to the
21 20 percent you're at right now, it's down to about
22 \$20,000 that you'll lose from "excessive" water
23 loss?

24 A. Yes.

25 Q. Is that correct?

1 A. Correct.

2 Q. Would -- would you agree that in
3 looking at the measures to be taken to go down
4 below that 20 percent figure, you're going to use
5 that -- the cost of that excessive water to
6 determine whether it's effective or not to put
7 those other measures in?

8 A. Yes.

9 Q. So it is possible that 20 percent for
10 a system like yours with the terrain issues, the
11 pressure differences -- that 20 percent may
12 actually be the goal -- may actually be the optimal
13 point?

14 A. May be.

15 Q. Okay. But to do that, you're going
16 to have to look at the numbers?

17 A. That's right. I need some more --
18 more information.

19 Q. Okay. And I would assume that rather
20 than just go to a 15 percent goal because it's in a
21 reg, your-all's position is it ought to be cost
22 effective?

23 A. That's correct. We are going to do
24 the best we can. If we can hit 15, that's great.

25 MR. CHANDLER: Okay. That's all I

1 have.

2 MR. BOWKER: Just a point of
3 clarification for the record, I believe I
4 asked whether you intended to go back
5 down to 15 percent. I'm not sure I
6 suggested it. So I -- just -- so for the
7 record.

8 MR. CHANDLER: And if I
9 mischaracterized it, I apologize.

10 MR. BOWKER: No -- no problem.

11 COMMISSIONER MATHEWS: Would anyone
12 object if we took a 15-minute break?

13 MR. BOWKER: I was going to ask for
14 one.

15 COMMISSIONER MATHEWS: We can come
16 back at 25 after. Adjourned till 25
17 after.

18 (A break was taken.)

19 CHAIRMAN SCHMITT: Okay. We're now
20 back on the record.

21 Mr. Bowker, did you intend to call
22 another witness?

23 MR. BOWKER: Yes, please. Your
24 Honor, I'd like to call Augustus Roberts,
25 the chairman of the board of

1 commissioners.

2 CHAIRMAN SCHMITT: Will you raise
3 your right hand for me?

4 Do you solemnly swear or affirm under
5 the penalty of perjury the testimony
6 you're about to give will be the truth,
7 the whole truth --

8 MR. ROBERTS: I do.

9 CHAIRMAN SCHMITT: -- and nothing but
10 the truth?

11 Please be seated.

12 Mr. Wuetcher, do you want to do
13 the --

14 MR. WUETCHER: I do, sir.

15 AUGUSTUS ROBERTS,
16 after having been placed under oath, was examined
17 as follows:

18 EXAMINATION

19 BY MR. WUETCHER:

20 Q. Good afternoon, Mr. Roberts.

21 A. Good afternoon.

22 Q. Would you please state your name and
23 address?

24 A. Augustus Roberts, 1096 Allen School
25 Road, London, Kentucky 41729.

1 Q. And are you the chairman of the
2 Hyden-Leslie County Water District?

3 A. Yes, sir.

4 Q. First, how long have you been a
5 member of the board of commissioners of
6 Hyden-Leslie?

7 A. I think it goes back to 2007. I'm
8 not positive. I think that's the year.

9 Q. And how long have you been -- held
10 the position of chairman of the board of
11 commissioners?

12 A. Since 2013.

13 Q. Okay. And in the process of, I
14 guess, preparing for this hearing today, did you
15 have an opportunity to review all the responses
16 that have been submitted by the district in
17 response to the Commission's orders and requests
18 for information?

19 A. Yes, I have.

20 MR. WUETCHER: Okay. That's all I
21 have. I'll tender the witness for
22 examination.

23 CHAIRMAN SCHMITT: Mr. Bowker.

24 MR. BOWKER: Thank you.

25 -----

1 EXAMINATION

2 BY MR. BOWKER:

3 Q. How are you, sir?

4 A. I'll tell you in a minute. No, I'm
5 fine. Thank you.

6 Q. Well, I don't suspect you'll be on
7 the witness stand as long as the first witness, but
8 I've noticed that you've been listening very
9 intently over there to all of Mr. Turner's answers.
10 Is that -- is that correct?

11 A. That's correct.

12 Q. Have you heard everything that he
13 said?

14 A. (Witness nods head.)

15 Q. I just wanted to start right off the
16 bat and see if there's anything that you're just --
17 you're wanting to get off your chest, chomping at
18 the bit to say as far as if you want to correct the
19 record for anything that he said or add -- add to
20 the record for anything that Mr. Turner said that
21 you would -- you'd like to if you could do so now.

22 A. No, I don't have.

23 Q. Okay. So nothing in particular
24 jumped out at you?

25 A. No.

1 Q. Okay. And as far as the priority of
2 the projects that we went into some discussion
3 about the priority of different projects for the
4 water district, do you agree with that priority
5 list?

6 A. I do.

7 Q. Would you have it -- have it in the
8 same order?

9 A. Yes, I would.

10 Q. Okay. Wouldn't change that at all?

11 A. No.

12 Q. Okay. What about the way Mr. Turner
13 described those projects, would you change or add
14 to the description of the projects?

15 A. No, sir.

16 Q. Regarding the -- you say it's six
17 fire departments in Leslie County?

18 A. Yes, sir.

19 Q. Can you give us some -- some
20 background as far as why there may be some -- I
21 don't know -- bad blood, some arguments between the
22 fire departments and the -- and the water district
23 as to why they're not reporting -- giving you-all a
24 report for their water usage?

25 A. Well, probably not. I could go back

1 and -- and make comments that this done it and that
2 done that, but I really can't answer that. You
3 know, there's been bad blood since I've been --
4 been a commissioner.

5 Q. Even before you got --

6 A. It was before that, so I don't really
7 know how it all started.

8 Q. And it's just continued over the
9 years?

10 A. And it's continued over the years,
11 yes, but I think now with my new manager that we
12 are really making progress with that.

13 Q. So since 2007 you've been on the
14 board; correct?

15 A. I think it was 2007.

16 Q. Since 2007, has the fire departments
17 ever reported water usage that you know of?

18 A. I remember there's been a few times
19 that they've filled up a swimming pool or something
20 and they've turned it in, but I don't have any
21 information.

22 Q. But not for training?

23 A. What?

24 Q. Not for training or anything like
25 that?

1 A. I don't really know about that. I
2 don't think so.

3 Q. Okay. Do you know if they've ever
4 been fined?

5 A. No, not that I know of.

6 Q. For not reporting?

7 A. Not that I know of.

8 Q. Okay. I apologize. I don't have the
9 name right in front of me. I believe it's the
10 capital improvement project. Is that what it was?
11 The plan that we've been talking about that's
12 currently -- that came with the letter from
13 Ms. Legg that -- the capital improvement projects
14 we've been talking about, does that plan need to be
15 updated in any way?

16 A. I don't think so.

17 Q. As far as maybe -- Mr. Turner stated
18 that he would focus more on water loss than on the
19 water -- than extending water to those 70 customers
20 that don't have water. He thought water loss may
21 be a better use of that.

22 Do you agree with that assessment?

23 A. If that's that -- if that's the way
24 he looks at it, then I'll agree with him. I like
25 his decisions. That's basically what I do. I

1 oversee the policies and procedures and I listen to
2 him, and that's about the extent of my --

3 Q. And the -- as far as -- Mr. Turner
4 didn't characterize it as a raise, but he
5 characterized it another way. But Mr. Turner was
6 given a pretty substantial pay bump from -- well,
7 it was 62 to 65,000, almost 67,000 a year.

8 Would you characterize that as a
9 raise, or what -- what happened there?

10 A. Thinking back, I think I was the one
11 that asked him to take the position, and that's
12 what he asked and that's what I agreed with.

13 Q. Were you trying to match what Knott
14 County paid him?

15 A. I don't really know if I knew at the
16 time what Knott County paid him.

17 Q. But is that where you got that ball
18 park number? You didn't look at what he was making
19 before at all?

20 A. No.

21 Q. Okay. But obviously you believe he's
22 worth it?

23 A. He's quite worth it. I do.

24 Q. And why do you say that?

25 A. He's well-informed and he knows the

1 operation quite well.

2 Q. You believe he's done a good job on
3 water loss?

4 A. I think he's done an excellent job on
5 water loss.

6 Q. Can you go into a little bit more
7 detail about that?

8 A. And I think he's trying to do better.
9 Like I said, I don't keep up a lot with the
10 operations. You know, we meet once a month and --

11 Q. Does he --

12 A. Which he does call me, you know, if
13 he has -- if he has a problem with something, you
14 know, that wouldn't be --

15 Q. But when you do meet the once a
16 month, do you-all discuss water loss at the
17 meeting --

18 A. Yes, we do.

19 Q. -- of the board of commissioners?
20 That's going to be documented now
21 better --

22 A. It is.

23 Q. -- with the meeting minutes?

24 A. It is.

25 Q. So that has been discussed? It just

1 wasn't documented?

2 A. No, it wasn't documented.

3 Q. But -- but water loss has been talked
4 about?

5 A. Yes.

6 Q. Would you say water loss is talked
7 about every month or just --

8 A. Just about every meeting we have
9 because we know it -- it's been bad. And, like I
10 said, our infrastructures are pretty bad.

11 Q. And those same -- that same line of
12 questioning I had for Mr. Turner where the water
13 loss has fluctuated over the years, that it
14 started -- started at a certain percentage and then
15 went way down and then went back up, do you
16 remember that conversation?

17 A. Yes, sir.

18 Q. Do you agree with Mr. Turner's
19 assessment as to why it's fluctuated so widely over
20 the years as far as --

21 A. Yes.

22 Q. Mainly cold weather and -- I believe
23 he said cold weather and I forget what the other
24 one was. But do you -- you remember that
25 assessment? Do you agree with that?

1 A. Yes.

2 Q. Has the water district ever
3 considered merging with a neighboring water
4 district?

5 A. Not that I know of.

6 Q. Any talk about it at all?
7 Discussion?

8 A. Not that I'm aware of.

9 Q. Okay. Does the water district have a
10 long-range capital improvement plan?

11 A. Not that I'm aware of.

12 Q. Any plans to write one?

13 A. No, sir.

14 Q. Has that been discussed at all?

15 A. No.

16 COMMISSIONER CICERO: Do you plan on
17 discussing it at all or developing one?

18 THE WITNESS: Excuse me?

19 COMMISSIONER CICERO: Do you plan on
20 developing a capital plan?

21 THE WITNESS: We probably need to.

22 COMMISSIONER CICERO: I think it
23 would be a good idea to have a long-range
24 capital plan so if you had infrastructure
25 problems it --

1 THE WITNESS: We need to.

2 COMMISSIONER CICERO: -- at least
3 says how you're going to go forward.
4 So that's something the board is
5 going to do?

6 THE WITNESS: We will.

7 COMMISSIONER CICERO: Okay. Well,
8 we'll put that in. When we do the order,
9 that will be part of the order when it's
10 written.

11 THE WITNESS: Okay.

12 Q. Why does the water district not have
13 any master meters?

14 A. Why doesn't it have any master
15 meters?

16 Q. Yeah.

17 A. I really can't answer that.

18 Q. Have there ever been any plans to
19 obtain master meters?

20 A. I think it's been discussed lately.
21 I mean, going back, I have -- I have no idea how to
22 answer that.

23 Q. Okay. Has the water district ever
24 prosecuted for theft that you recall?

25 A. No.

1 Q. Never?

2 A. (Witness shakes head.)

3 Q. And why -- why is that? Why has no
4 one ever been prosecuted for theft?

5 A. I don't know of any case where we've
6 had that.

7 Q. Okay. So it just doesn't -- it
8 doesn't happen?

9 A. Well, I'm not saying it don't happen.
10 I don't really know.

11 Q. But you've never had any discussions
12 with any general managers about water theft?

13 A. No.

14 Q. Ever talk to a county attorney or
15 commonwealth attorney about -- about water theft?

16 A. I haven't, no.

17 Q. Okay. So, in your opinion, folks --
18 they don't steal water in Leslie County?

19 A. Well, not that I know of.

20 Q. Do you know if and when the water
21 district has ever come in for a general rate
22 increase?

23 A. You mean to PSC?

24 Q. Yes, sir.

25 A. I don't think -- they never have,

1 have they?

2 Q. Well, all --

3 A. That I can recall.

4 Q. All I could find was three what
5 are -- what we call 023 cases which are tied to
6 federally funded projects, one in 1989, one in
7 1993, and then the one we were discussing in 2010.

8 So besides those three rate increases
9 that were tied to those 023 cases, are you aware of
10 any other time that the water district has come in
11 for a rate increase?

12 A. No, sir.

13 Q. Has that ever been discussed as far
14 as when you've been either the chairman or on the
15 board of commissioners?

16 A. We have discussed it some here
17 lately.

18 Q. Okay. Discussed maybe wanting a rate
19 increase?

20 A. Yes.

21 Q. If you -- if you got the rate
22 increase, what would you use the funds for? What
23 would the first thing you would use the funds as
24 far as --

25 A. Well, I leave that up to the manager.

1 I mean, like I said, I don't -- I don't have
2 anything to do with the operation -- everyday
3 operation of it. So that's a question I would
4 probably direct to him.

5 Q. How often do you -- how often do you
6 and Mr. Turner speak to one another?

7 A. As often as it seems necessary, I
8 mean, you know.

9 Q. He call you quite frequently or you
10 call him or is it just at the monthly meetings?

11 A. No, it's more than the monthly
12 meeting, you know.

13 Q. So any -- any times outside the
14 monthly meetings?

15 A. Yeah.

16 Q. About how many times approximately
17 would you say you --

18 A. I don't have any --

19 Q. -- talk in a month?

20 A. I don't really have any times.

21 Q. Two or three times?

22 A. Maybe, somewhere.

23 Q. Two or three times a month?

24 A. Yes, sir.

25 Q. Okay. Do you believe that the water

1 district's customer base will increase or decrease
2 over the next ten years?

3 A. Unless the county -- I think it's
4 going to decrease.

5 Q. Why do you think that?

6 A. The economy more than anything.

7 Q. Bad economy?

8 A. Yes. Bad economy, yeah.

9 Q. Mr. Turner stated that he believed
10 that -- I want to make sure I'm getting this
11 correct -- that he believed that there was now a
12 written preventative maintenance plan for plant
13 pump and storage facilities. Do you agree with
14 that, that there is now -- that now has been
15 written down?

16 A. Yes.

17 Q. Okay. In a posthearing data request,
18 we'll -- we'll ask for a copy of that.

19 A. Okay.

20 MR. BOWKER: I know I'm probably
21 leaving something out, Mr. Roberts, but I
22 have no further questions for you at this
23 time.

24 THE WITNESS: Thank you.

25 CHAIRMAN SCHMITT: Mr. Cicero, any

1 questions?

2 COMMISSIONER CICERO: Sir, I
3 apologize for not being here earlier. We
4 were next door. But I'm presuming that
5 most of the questions that Mr. Bowker
6 just asked were also asked to the general
7 manager.

8 THE WITNESS: Yes, sir.

9 COMMISSIONER CICERO: The general
10 manager from what I can tell is the one
11 that is actually running the show; is
12 that correct?

13 THE WITNESS: Yes, sir.

14 COMMISSIONER CICERO: And from the
15 board's perspective, as long as
16 Mr. Turner does his job, the board
17 basically, other than your monthly
18 meetings, lets him run the operation?

19 THE WITNESS: Yes, sir.

20 COMMISSIONER CICERO: So when we get
21 into issues like whether the fire
22 department is reporting usage or about
23 being fined or whether there's a budget
24 or not, that all falls to Mr. Turner?

25 THE WITNESS: Yes. If he brings it

1 up, we'll discuss it. If he feels that
2 we need to do something, we will, you
3 know, most likely agree him. I trust
4 him. If he needs -- if he brings up the
5 fact that they need to start reporting or
6 whatever.

7 COMMISSIONER CICERO: But you're not
8 giving him direction of, Hey, the fire
9 department, did they do anything this
10 month? No. Well, go tell them they
11 ought to report something. You're not --

12 THE WITNESS: No, I don't get
13 involved in that.

14 COMMISSIONER CICERO: That's all
15 Mr. Turner. So any -- any of those
16 questions we missed our bite at the apple
17 we'll do it some other way.

18 THE WITNESS: Yes, sir.

19 COMMISSIONER CICERO: You said you've
20 been there since 2007?

21 THE WITNESS: Yes.

22 COMMISSIONER CICERO: So you were
23 there when the one-million gallon tank
24 was installed that Mr. Chandler referred
25 to earlier?

1 THE WITNESS: I think that was in --
2 I can't remember the year.

3 COMMISSIONER CICERO: So it's
4 basically about ten years, maybe 2009?

5 THE WITNESS: Should have been, yeah.

6 COMMISSIONER CICERO: And was the
7 leak -- did the board -- were they made
8 aware of a leak at that time, that there
9 was a problem?

10 THE WITNESS: That's a long time for
11 me to remember. The best I remember,
12 it -- I can remember mention of a leak,
13 and I think they even repaired one.
14 You'll have to -- you'll have to direct
15 that toward the engineer. He should be
16 able to answer that better than I can.

17 COMMISSIONER CICERO: Was he the
18 engineer when the tank was installed?

19 THE WITNESS: Yes, sir.

20 COMMISSIONER CICERO: So he will have
21 some knowledge --

22 THE WITNESS: He should have
23 knowledge of that tank, yes.

24 COMMISSIONER CICERO: But from your
25 perspective, you don't remember?

1 THE WITNESS: No, sir.

2 COMMISSIONER CICERO: Okay. That's
3 fine. I don't have anything else.

4 CHAIRMAN SCHMITT: Commissioner
5 Mathews?

6 COMMISSIONER MATHEWS: I don't have
7 any questions.

8 CHAIRMAN SCHMITT: I missed the first
9 part, I guess, with Mr. Turner that must
10 have had something to do with bad blood
11 between the fire departments and the
12 people that furnish the fire department's
13 water.

14 I just find that hard to understand.
15 You indicate that sometimes the fire
16 department would fill up people's
17 swimming pools?

18 THE WITNESS: Yes, sir.

19 COMMISSIONER SCHMITT: I -- you're
20 the first person other than me who has
21 ever acknowledged that. And I've seen
22 that myself in the part of eastern
23 Kentucky where I live so --

24 THE WITNESS: Well, it happens. I
25 mean, you know, it's -- it happens.

1 COMMISSIONER SCHMITT: Yeah. Yeah.
2 Mr. Chandler, do you have any
3 questions?

4 MR. CHANDLER: I have no questions,
5 Chairman.

6 COMMISSIONER SCHMITT:
7 Mr. Wuetcher?

8 MR. WUETCHER: I have none, Your
9 Honor.

10 COMMISSIONER SCHMITT: Anything else?

11 MR. BOWKER: Just one follow-up --
12 just one quick follow-up question.

13 -----

14 REEXAMINATION

15 BY MR. BOWKER:

16 Q. Sir, is the hands-off approach you
17 take with the general manager now, Mr. Turner --
18 was that also the same approach -- kind of a
19 hands-off approach that you took with the general
20 manager before Mr. Turner?

21 A. It was completely different --

22 Q. How --

23 A. -- than the last one.

24 Q. How so?

25 A. We didn't have much communication.

1 Q. With the -- with the prior general
2 manager?

3 A. Right.

4 Q. Okay. You didn't have -- didn't have
5 as much communication as you do now with
6 Mr. Turner?

7 A. No, sir.

8 Q. But did you have to -- did you have
9 to direct the prior general manager to --
10 Mr. Turner seems like he's doing a lot. He's got a
11 lot that he's taking care of.

12 Did the -- did the board of
13 commissioners have to take over a lot of the -- of
14 the job duties that the general manager would
15 normally do that Mr. Turner's doing because -- for
16 any reason?

17 A. We didn't take any jobs over. We
18 just was kept kind of in the dark, I think, more
19 than what we should have been.

20 Q. Okay. But did you have to kind of
21 watch him a little bit more than you do with
22 Mr. Turner as far as guide him a little bit more?

23 A. Well, I don't think I have to watch
24 Mr. Turner at all.

25 Q. No. I'm saying the prior -- prior

1 general manager. Did you have to oversee what --
2 his duties a little bit more than what you do with
3 Mr. Turner?

4 A. I'd have to say yes.

5 MR. BOWKER: Nothing further.

6 CHAIRMAN SCHMITT: May this witness
7 be excused?

8 MR. BOWKER: Yes, sir.

9 CHAIRMAN SCHMITT: You may step down,
10 sir. You're excused.

11 THE WITNESS: Thank you, Your Honor.

12 CHAIRMAN SCHMITT: Do you have
13 another witness?

14 MR. BOWKER: Mr. Maggard, please.

15 CHAIRMAN SCHMITT: Mr. Maggard,
16 please raise your right hand.

17 Do you solemnly swear or affirm under
18 the penalty of perjury that the testimony
19 you're about to give will be the truth,
20 the whole truth, and nothing but the
21 truth?

22 MR. MAGGARD: I do.

23 CHAIRMAN SCHMITT: Please be seated.

24 Mr. Bowker.

25 MR. BOWKER: Thank you, Your Honor.

1 MICHAEL K. MAGGARD,
2 after having been placed under oath, was examined
3 as follows:

4 EXAMINATION

5 BY MR. WUETCHER:

6 Q. Will you please state your name and
7 business address?

8 A. Michael K. Maggard, 220 East Reynolds
9 Road, Lexington, Kentucky 40517.

10 Q. And what firm are you with?

11 A. Sisler-Maggard Engineering.

12 Q. And can you tell us what your
13 position is with Sisler-Maggard?

14 A. I am a partner.

15 Q. Okay. And are you a professional
16 engineer?

17 A. No.

18 Q. Okay. Can you briefly tell us what
19 your educational background is?

20 A. I'm a graduate of civil engineering
21 from the University of Kentucky.

22 Q. And how long have you worked for
23 Hyden-Leslie County Water District?

24 A. Since 2000.

25 Q. 2000. And, very briefly, can you

1 describe for us some of the projects that you or
2 your firm have worked on for the water district?

3 A. We've designed waterlines, water
4 tanks, the water treatment plant up until the
5 current.

6 Q. And are you currently working with
7 the water district for a proposed project financed
8 through Rural Development?

9 A. Yes.

10 Q. And I think that's been described
11 before as in reference to a letter of conditions
12 that's filed in the record?

13 A. Yes.

14 Q. Do you -- do you frequently attend
15 the water district board of commissioners'
16 meetings?

17 A. Monthly.

18 Q. Monthly.

19 MR. WUETCHER: I'm going to end my
20 questioning there and turn the witness
21 over for examination.

22 CHAIRMAN SCHMITT: Mr. Bowker.

23 MR. BOWKER: Thank you.

24 -----

25

1 EXAMINATION

2 BY MR. BOWKER:

3 Q. The current project that was just
4 mentioned that the -- referenced in the letter from
5 Ms. Legg, in your opinion, does that need to be
6 updated in any way?

7 A. Not at this time.

8 Q. It was done in 2014; correct?

9 A. It was updated as of a year ago as
10 far as the cost estimate.

11 Q. Does it need to be updated even more
12 you think?

13 A. Not at this time with the letter of
14 conditions in place.

15 Q. Okay. Do -- do you also agree
16 that -- with Mr. Turner that some of the -- some of
17 the proceeds should go towards waterline -- water
18 loss instead of going towards extensions?

19 A. Well, included in the project is the
20 water tank -- the one-million-gallon tank to be
21 repaired and another water tank that is leaking to
22 be repaired, and it has seven pump stations that
23 will be replaced that will reduce the water hammer
24 due to the variable frequency drivers and two new
25 pump stations that's going to be installed that

1 will decrease the pressure between Point A and
2 Point B so -- and these pumps will be in the
3 middle. So that will reduce the pressure,
4 therefore reducing potential breaks on that
5 section.

6 Q. Can you go to even more detail
7 regarding how it will help with the water loss?

8 A. Well, the tanks and the pumps reduce
9 the water hammer, therefore reducing the potential
10 of the leaks in the aging infrastructure that was
11 installed in '67.

12 Q. And can you go into any more detail
13 besides water loss that -- can you just describe
14 that -- that project in any more detail?

15 A. That project includes approximately
16 14 miles of new waterline in addition to the seven
17 repair pumps, two new pumps. It includes the
18 repair of the dam that was built in 1679. It
19 includes variable frequency drives at the high
20 service pumps that will eliminate water hammer
21 between the plant and the one MGD water tank.

22 Q. And once you -- once the -- it's
23 approved -- you get funding, if approved, then is
24 there a timeline as far as when -- the project
25 completion date from the time you get funding

1 until --

2 A. Approximately 12 months. Parts of
3 the project may be completed sooner, but the
4 overall completion of the entire project would be
5 approximately 12 months.

6 Q. Okay. Any other projects on the
7 horizon after that project is done?

8 A. Well, what Mr. Turner -- he kind of
9 briefly touched on it, was there is plan for
10 Hyden-Leslie for the next 20 years through the WRIS
11 that have different phases that were identified
12 that include capital improvement plan for the next
13 20 years, three different projects. Now, since
14 then, we've added replacement infrastructure
15 projects that I've also done cost estimates and
16 preliminary design on those to replace trouble
17 spots that has been identified by the district that
18 is recurring leaks.

19 So we've identified those and are
20 working on an entire list, but as of this time,
21 we've done at least two different separate projects
22 where we've done the project cost estimate and
23 preliminary design on those.

24 Q. Okay. In your opinion, what's the
25 issue with the leaking tank?

1 A. The tank was installed, I think,
2 approximately 2011. It was first brought to my
3 attention that there was a small leak, and I
4 checked on the warranty. The contractor has a
5 one-year warranty after the date of substantial
6 completion. At that point, I think it was maybe --
7 it would have been up to two years. It was almost
8 two years past. Everything was tested prior to the
9 tank went in service and there was not any issue,
10 and it had a small leak.

11 We brought -- the district brought in
12 a diver and they came in and the tank was leaking
13 at the ring wall. Where the foundation comes up,
14 they put a ring wall in. And this is a glass-lined
15 tank. And it was leaking around the ring wall so
16 they epoxied the ring wall and at that point
17 stopped the leak, and it wasn't until recently
18 Mr. Turner came on that he said that it was leaking
19 again. So we've identified it and put it in this
20 project to be repaired.

21 So, like he said, unless, you know,
22 it's a -- it is the main distribution tank so it
23 will have to remain in service so it will require
24 another dive team to inspect it, you know, during
25 operation.

1 COMMISSIONER CICERO: Who paid for
2 the last time the tank was epoxied?

3 THE WITNESS: The district.

4 COMMISSIONER CICERO: The contractor
5 didn't offer to help out at all
6 financially?

7 THE WITNESS: No. I think at that
8 time maybe the contractor had went out of
9 business at that point.

10 COMMISSIONER CICERO: So if they're
11 out of business, then the district won't
12 be using them again.

13 THE WITNESS: No. No. They had
14 installed three -- three tanks prior and
15 those were all --

16 COMMISSIONER CICERO: Standing.

17 THE WITNESS: -- are okay. And this
18 one is a glass lined. The other were
19 stainless steel so -- and, like I said,
20 until the dive team -- if it's leaking
21 again around the seals, we just don't
22 know at this point.

23 COMMISSIONER CICERO: They're not in
24 business anymore. It doesn't make any
25 difference.

1 THE WITNESS: No.

2 Q. How many total, approximately,
3 projects have you done with the district since
4 2000?

5 A. I would say ten. I think was -- as
6 far as capital projects, I think it was
7 21,000,000 -- 21 to 24,000,000.

8 Q. Have any of those ten projects had a
9 focus or helped with water loss?

10 A. Yes.

11 Q. Okay. If you can -- off the top of
12 your head, can you remember those?

13 A. We replaced the main line, the
14 original sixty -- the '66 project was replaced
15 through Main Street along US 421 through town.
16 That was the original project. And it was also
17 replaced in what's called the Muncy Creek section.
18 That was an 8-inch line that was replaced. So as
19 the money has come up, that's been replaced and
20 that was -- those were replaced probably six or
21 seven years ago.

22 Q. Do you help the water district with
23 any -- securing funding --

24 A. Yes.

25 Q. -- or going through ARK or AML or --

1 A. Yes.

2 Q. Part of your -- okay.

3 Do you believe there's also an issue
4 with debris and, if so, what is -- what's the
5 problem with the debris getting into the --

6 A. What the issue was is that originally
7 we designed a finer stream. And what is included
8 in this water plant, since it does have river sand,
9 is that it overtakes the silica sand because it has
10 a denser, larger grain. And it has a hydrocyclone
11 that spins the river sand out and just wastes it.

12 We had a finer screen design and
13 operator-manager at the time decided that he wanted
14 a bigger screen so he -- and I guess the screen is
15 still in their supply room today. But he got the
16 contractor to put in a larger screen, therefore
17 allowing the debris in.

18 Since then, Mr. Turner and I have
19 discussed a -- some type of presettlement to that
20 that would eliminate that. But the original design
21 was a smaller screen, thereby eliminating the
22 debris that would have come in to the plant.

23 Q. Okay. Thank you. We spent some time
24 with Mr. Turner asking about the priority of
25 projects. Do you -- you were in the -- in the

1 hearing room listening to that testimony; is that
2 correct?

3 A. Yes.

4 Q. Do you agree with the priority level
5 of those projects, or would you have a different --

6 A. No. That's fine.

7 Q. You think that one --

8 A. Yes.

9 Q. -- is accurate? Okay.

10 MR. BOWKER: I have nothing further.

11 CHAIRMAN SCHMITT: Commissioner
12 Cicero, questions?

13 COMMISSIONER CICERO: Yes, sir.

14 You indicated that you thought that
15 the water loss was improving, at least
16 that's the response you just gave him,
17 through some projects that have been
18 completed?

19 THE WITNESS: Yes.

20 COMMISSIONER CICERO: Every year,
21 2017 going backwards -- and I don't have
22 the one for 2018 here, but it's 35, 35,
23 35, 35, and 35. So --

24 THE WITNESS: I think his question
25 was he asked me did we replace leaking

1 lines. And, yes, we did. There is
2 obviously more, but we did replace the
3 critical points, I guess.

4 COMMISSIONER CICERO: You made an
5 effort?

6 THE WITNESS: Yes.

7 COMMISSIONER CICERO: Are you on a
8 retainer or are you paid hourly?

9 THE WITNESS: No. We're paid per
10 project.

11 COMMISSIONER CICERO: So whenever KIA
12 or RD approves a grant --

13 THE WITNESS: Right.

14 COMMISSIONER CICERO: -- then you're
15 paid?

16 But you do attend every board
17 meeting -- monthly meeting?

18 THE WITNESS: Every meeting since
19 2000.

20 COMMISSIONER CICERO: So that's
21 something that you do just as a part of
22 helping the district out with their --

23 THE WITNESS: Correct.

24 COMMISSIONER CICERO: -- capital
25 plan?

1 You communicated that the -- this big
2 project that's coming up, the 14 miles of
3 line, the water hammer elimination, some
4 service lines. And then you talked about
5 going forward. That's basically the
6 capital budget, isn't it? I mean, what
7 you're planning going out?

8 THE WITNESS: That's --

9 COMMISSIONER CICERO: Planning. It's
10 capital planning.

11 THE WITNESS: Yes. Yeah. That's
12 what's called Phase 3. And, like I said,
13 for the next -- there's actually a Phase
14 4, 5, and 6 that has been planned that is
15 included in the WRIS data bank.

16 COMMISSIONER CICERO: So is that
17 information conveyed to the board?

18 THE WITNESS: Yes.

19 COMMISSIONER CICERO: So the board is
20 aware of a capital plan?

21 THE WITNESS: Yes.

22 COMMISSIONER CICERO: And is it done
23 as a budget or is it done as these are
24 the things we think need done over the
25 next 20 years and these are the grants

1 we're going to go for or is it
2 prioritized?

3 Is there any type of actual this is
4 the five-year capital plan or this is
5 the --

6 THE WITNESS: Well, that was actually
7 done by the -- you know, since
8 Mr. Turner -- for the past two years --
9 those were done prior to Mr. Turner.
10 But, yes, the board was aware and
11 acknowledged the -- you know, the other
12 Phase 4, 5, and 6.

13 And, like I said, since -- we've
14 identified actual water leak elimination
15 projects since then and I've done cost
16 estimates and preliminary design on at
17 least two areas that are recurring
18 problems.

19 COMMISSIONER CICERO: So what would
20 you say on an annual basis the capital
21 spending needs are?

22 THE WITNESS: I think it's in the --
23 probably the 4 to 500,000.

24 COMMISSIONER CICERO: Which is pretty
25 reasonable.

1 THE WITNESS: Yeah.

2 COMMISSIONER CICERO: And most of
3 that's going to come out of the
4 depreciation account or is that -- you're
5 looking for grants or --

6 THE WITNESS: Both. If it's -- if
7 it's a project identified that would not
8 qualify, that would probably -- you know,
9 we probably couldn't get grants for, then
10 it would be looked at as budgetary
11 project to use from their depreciation
12 account.

13 COMMISSIONER CICERO: In which case,
14 you don't earn anything on that project?

15 THE WITNESS: I give the district a
16 discount on any projects that are not
17 included with the Rural Development
18 scale. They get -- I give them a
19 discount because I'm also a resident of
20 Leslie County.

21 COMMISSIONER CICERO: So there is an
22 hourly-type rate that you charge or is a
23 project based --

24 THE WITNESS: Percentage. It's a
25 project and a percentage basis.

1 COMMISSIONER CICERO: Okay. So
2 there's a -- if it's not being paid by
3 KIA or RD, you're charging some kind of
4 percentage of total project --

5 THE WITNESS: Less than.

6 COMMISSIONER CICERO: -- less than
7 what you would receive if it was under
8 the other?

9 THE WITNESS: Yes.

10 COMMISSIONER CICERO: I don't have
11 any other questions.

12 CHAIRMAN SCHMITT: Commissioner
13 Mathews?

14 COMMISSIONER MATHEWS: I don't have
15 any questions.

16 COMMISSIONER SCHMITT: I have no
17 questions.

18 Mr. Chandler.

19 MR. CHANDLER: Thank you,
20 Mr. Chairman.

21 -----

22 EXAMINATION

23 BY MR. CHANDLER:

24 Q. The -- you heard the entirety of
25 Mr. Turner's testimony?

1 A. Yes.

2 Q. The mag meter that --

3 A. Yes.

4 Q. -- runs out, what's the problem
5 there?

6 A. The meter was tested and was within
7 limits. What I understand now is Mr. Turner
8 actually throttles the valve on the discharge side
9 of the meter so that valve is partially closed so
10 the testing of the meter is -- can't be tested as
11 it's operating now.

12 And with the variable frequency
13 drives that will be installed, he can open the --
14 he's trying to hold down the pressure by throttling
15 the valve. And with the variable frequency drive
16 motors, that'll be eliminated and he can operate it
17 at full bore and the meter can be tested at that
18 point. The meter was tested as the plant was put
19 in service.

20 Q. That was in 2011?

21 A. Yes. And I was just made aware of it
22 so --

23 Q. Made aware of what?

24 A. That the meter -- that he had the
25 valve throttled and they hadn't been able to test

1 the meter.

2 Q. So is that a design flaw or an
3 operational flaw?

4 A. It's an operational choice.

5 Q. So is it -- is it your understanding
6 that that mag meter can be tested today?

7 A. If he opened the valve completely,
8 yes.

9 Q. And it would be an accurate test?

10 A. Yes.

11 Q. Have you conveyed that to Mr. Turner?

12 A. Yes. Just --

13 COMMISSIONER MATHEWS: At the break?

14 THE WITNESS: Yes.

15 COMMISSIONER MATHEWS: While he's
16 reading, how many miles of asbestos
17 concrete pipe is left?

18 THE WITNESS: I think that there's
19 less than five -- somewhere between four
20 and five miles.

21 MR. CHANDLER: Okay. That's all the
22 questions I have.

23 CHAIRMAN SCHMITT: Mr. Wuetcher.

24 MR. WUETCHER: Just two.

25 -----

1 REEXAMINATION

2 BY MR. WUETCHER:

3 Q. There were some questions earlier
4 about RD funding and what RD sets for rates. And
5 you've been involved in at least a couple of those
6 RD projects where RD specified the rates in its
7 letter of conditions; right?

8 A. Yes.

9 Q. Okay. Do you, as the project
10 engineer, help to design those rates?

11 A. Yes.

12 Q. When you put together the rates that
13 are submitted for RD's consideration, are you
14 looking at -- well, how do you -- how do you go
15 ahead -- go ahead and determine the revenues that
16 those rates are supposed to produce?

17 A. The revenues are projected -- the
18 revenues and expenses are all projected based on a
19 five-year per forma. So once the loan -- once the
20 project year, then it's two-year deferred on the
21 principal payments. And then the next three years
22 is determined in a five-year per forma to include
23 the projected rates and the projected expenses.

24 So that includes -- if they -- if
25 they were buying a new truck or, you know, they

1 were going to hire a new person, those expenses are
2 included in that per forma in the rate calculation.

3 Q. So you figure out -- you basically
4 project five years -- you take five years of what
5 projected expenses might be and then develop rates
6 that will produce revenues to cover what a
7 five-year -- or the average of those five years?

8 A. Yes.

9 MR. WUETCHER: Thank you.

10 CHAIRMAN SCHMITT: Anything else?

11 MR. WUETCHER: No, sir.

12 MR. CHANDLER: Can I ask one
13 clarifying question?

14 CHAIRMAN SCHMITT: Yes.

15 -----

16 REEXAMINATION

17 BY MR. CHANDLER:

18 Q. On that issue, you're -- you're aware
19 that in excess of 15 percent water loss, the
20 Commission denies recovery of the portion in excess
21 of 15 percent; correct?

22 A. Yes.

23 Q. And so is it your understanding
24 through the 023 process that a water district can
25 come in for a rate case and have that water loss

1 portion, production or purchase cost portion denied
2 for cost recovery and then the utility -- the water
3 district can go out and get an RD loan and AML
4 grant and come back in with an 023 case and that
5 cost will be put back in the rates and be recovered
6 through the rates they propose as part of the 023
7 case? I'm just asking factually. I'm --

8 A. Yes, that's the facts.

9 MR. CHANDLER: Okay. That's all I
10 have, Chairman. Thank you.

11 CHAIRMAN SCHMITT: Anything else?

12 MR. BOWKER: No, sir.

13 CHAIRMAN SCHMITT: May this witness
14 be excused?

15 MR. BOWKER: Yes, sir.

16 CHAIRMAN SCHMITT: You may be
17 excused.

18 THE WITNESS: Thank you.

19 CHAIRMAN SCHMITT: Anything else?

20 MR. BOWKER: I have no further
21 witnesses, Your Honor.

22 CHAIRMAN SCHMITT: Anything else,
23 Mr. Chandler?

24 MR. CHANDLER: I have nothing else,
25 Chairman.

1 CHAIRMAN SCHMITT: No data requests?

2 MR. BOWKER: We just have one or two,
3 but we can do those whenever you say.

4 CHAIRMAN SCHMITT: Okay. What about
5 tomorrow or Thursday? What about
6 tomorrow at 9:00 a.m.? No. No.
7 Wednesday? Thursday?

8 MR. BOWKER: Thursday would be fine.

9 CHAIRMAN SCHMITT: Thursday. Okay.
10 Mr. Wuetcher, a week? What? 26th,
11 Friday? That give you -- or do you need
12 longer?

13 MR. WUETCHER: I understand you're
14 looking for a copy of the preventative
15 maintenance plan.

16 MR. BOWKER: That one. And then if
17 my colleague wrote down anything else.

18 Is that it, Eddie?

19 MR. BEAVERS: That's it.

20 MR. BOWKER: So, okay. Yeah, just
21 one item.

22 MR. WUETCHER: I think we -- one week
23 would be sufficient time.

24 MR. BOWKER: Okay. That's it.

25 CHAIRMAN SCHMITT. Okay. The two --

1 that's it. All right. If there's
2 nothing else, then this hearing is
3 adjourned. Thank you very much.

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PSC Hearing
In Re: Hyden-Leslie Water District

1 STATE OF KENTUCKY)
) ss.
2 COUNTY OF FAYETTE)

3 I, TAMELA T. LEWIS, Court Reporter and
4 Notary Public, State of Kentucky at Large, whose
5 commission as such will expire March 19, 2023, do
6 hereby certify that the foregoing hearing was taken
7 by me at the time, place, for the purpose and with
8 the appearances set forth herein; that the same was
9 taken down by me in stenotype and thereafter
10 correctly transcribed under my direction and
11 supervision upon computer.

12 Given under my hand this 13th day of
13 July, 2019.

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