

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

NOTICE OF FILING

Notice is given to all parties that the transcript of the July 11, 2019 West Carroll Water District hearing prepared by Todd & Associates Reporting, Inc. has been filed into the record of this proceeding.



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cc: Parties of Record



Transcript of the Testimony of **PSC Hearing**

Date: July 11, 2019

Case: In Re: West Carroll Water District

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COMMONWEALTH OF KENTUCKY
KENTUCKY PUBLIC SERVICE COMMISSION

CASE NO. 2019-00041

IN RE:

WEST CARROLL WATER DISTRICT

* * * * *

HEARING HELD ON:

JULY 11, 2019

FRANKFORT, KENTUCKY

PSC Hearing
In Re: West Carroll Water District

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1 CHAIRMAN SCHMITT: We're now on the
2 record. This is the Kentucky Public Service
3 Commission. My name is Michael Schmitt. I'm
4 chairman of the commission. Vice Chairman Robert
5 Cicero and Commissioner Talina Mathews are not with
6 us at the moment. We began another hearing at
7 9 o'clock this morning involving Farmdale Water
8 District, and that hearing is ongoing.

9 So at some time in an hour or two
10 hours or so into this hearing, they will likely
11 reappear. All -- they will probably be, you know,
12 in -- obviously, will all be involved in making
13 some conclusions about all these cases. The cases
14 are all videotaped so that they'll -- they're
15 available on our website.

16 Hearings in the large hearing room
17 are streamed live over the internet. That
18 capability isn't present in this room. But, as I
19 said, later this evening it will be on our website
20 if anyone would care to look at it.

21 Normally in hearing before the Public
22 Service Commission we don't have a court reporter.
23 The video constitutes the only official record and
24 then a staff member will type up just in brief
25 summary what the questions are about or -- or a

1 three- or four-word sentence about what the subject
2 matter was about in terms of the answer. But for
3 these proceedings, we've hired court reporters for
4 each hearing. At the conclusion of the case, all
5 of the hearings will be transcribed, filed in the
6 record, and the transcripts, along with the video,
7 will constitute the official record, and a copy of
8 those transcripts will be made available upon
9 request to the parties and -- and their counsel.

10 We're here today in Case No.
11 2019-0041, investigation into excessive water loss
12 by Kentucky's jurisdictional utilities. Hearing
13 this afternoon involves the West Carroll Water
14 District.

15 This proceeding constitutes, I guess,
16 an investigatory hearing involving 11 water
17 districts or associations. The other ten are
18 Morgan County Water District, Caywood Water
19 District, North Manchester Water Association,
20 Estill County Water District, Farmdale Water
21 District, Southern Water District, Hyden-Leslie
22 Water District, Rattlesnake Ridge Water District,
23 Big Sandy Water District, and Milburn Water
24 District. There are two other water districts
25 which are a -- a part of this investigation, but

1 they're not joined in this case because there are
2 separate cases already involving those districts,
3 and they are Cannonsburg Water District and Martin
4 County Water District.

5 At this time, would counsel for West
6 Carroll Water District please identify herself, her
7 client, and those persons including witnesses who
8 are with her here today on behalf of the -- the
9 district.

10 MS. HONAKER: Thank you, Mr. Chairman.
11 I'm Allyson Honaker with the firm Goff Samford.
12 I'm here on behalf of West Carroll Water District.
13 With me today I have Vickie Edwards, who's the
14 chairwoman of the board, Bill Osborne with
15 Carrollton Utilities and Chris Rose with Carrollton
16 Utilities.

17 CHAIRMAN SCHMITT: Thank you.
18 And on behalf of the Kentucky
19 Attorney General who is the only intervenor in the
20 case.

21 MR. McNEIL: Good afternoon,
22 Chairman. Justin McNeil on behalf of the attorney
23 general's office.

24 CHAIRMAN SCHMITT: Okay. And on
25 behalf of staff?

1 MR. PARK: Good afternoon. John
2 Park, staff attorney with the Public Service
3 Commission, and with me is David Foster, financial
4 analysis with the Commission.

5 CHAIRMAN SCHMITT: Thank you.

6 I understand that notice of this
7 hearing was provided. Notice -- notice publication
8 and I think has been filed --

9 MS. HONAKER: Yes, Your Honor.

10 CHAIRMAN SCHMITT: -- is that
11 correct?

12 MS. HONAKER: We filed it
13 electronically, and then we filed the paper copies
14 today, the publisher's affidavit.

15 CHAIRMAN SCHMITT: Okay. Thank you.

16 Ms. Honaker, the -- how, I guess,
17 we've been going on these -- on these hearings
18 since it's an investigatory hearing as opposed to a
19 rate case or what kind of things we usually have
20 and you'd usually be used to, our order of -- of
21 interrogation will be first Mr. Park on behalf of
22 the staff and then commissioners will ask
23 questions, Mr. McNeil then on behalf of the
24 attorney general's office, and if you choose to,
25 you may then ask the witness any questions on

1 direct or redirect that you might want to in order
2 to clear something up or to present whatever
3 evidence you might want to. So you will --

4 MS. HONAKER: Okay.

5 CHAIRMAN SCHMITT: -- have the last
6 chance to -- if you choose to. If you don't feel
7 any need -- need to do so, then, obviously, we
8 wouldn't expect you to do it.

9 Since Mr. Park will be asking the
10 questions first, we would ask that when -- Mr. Park
11 will identify the witness he'd like to interrogate
12 first, and if when the witness comes up and after I
13 swear in the witness, we would appreciate it if you
14 could then ask the witness sufficient identifying
15 questions to lead into -- to his interrogation.
16 Okay?

17 MS. HONAKER: Yes.

18 CHAIRMAN SCHMITT: Okay. Thank you.
19 Mr. Park, will -- can you identify
20 the first witness you'd like to speak to?

21 MR. PARK: Yes. Staff would like to
22 speak with Vickie Edwards first.

23 CHAIRMAN SCHMITT: Okay.

24 Ms. Edwards, come up to the stand and raise your
25 right hand.

1 Do you solemnly swear or affirm under
2 the penalty of perjury that the testimony you're
3 about to give will be the truth, the whole truth,
4 and nothing but the truth?

5 MS. EDWARDS: Yes.

6 CHAIRMAN SCHMITT: Please be seated.

7 Ms. Honaker, you may ask.

8 VICKIE EDWARDS,
9 after having been duly placed under oath, was
10 examined as follows:

11 EXAMINATION

12 BY MS. HONAKER:

13 Q. Good morning.

14 A. Good morning.

15 Q. Well, it's afternoon now, I guess.

16 Can you please state your name and your business
17 address for the record?

18 A. Vickie Edwards, 900 Clay Street,
19 Carrollton, Kentucky.

20 Q. How are you employed and what is your
21 relationship to West Carroll Water District?

22 A. I am retired, and my relationship
23 with West Carroll is chairperson.

24 Q. Did you cause some responses to data
25 requests to be filed in this proceeding?

1 A. Yes.

2 Q. And do you have any corrections to
3 make to any of those responses?

4 A. No.

5 Q. If I asked you those same questions
6 today, would your answers still be the same?

7 A. Yes.

8 Q. Is it your desire and intent to
9 incorporate those responses into the hearing of
10 this proceeding?

11 A. Yes.

12 MS. HONAKER: I can tender the
13 witness for questioning.

14 CHAIRMAN SCHMITT: All right.

15 -----

16 EXAMINATION

17 BY MR. PARK:

18 Q. Yes. Good afternoon, Ms. Edwards.
19 When did you first become chair of the West Carroll
20 Water District Board?

21 A. I was appointed chair -- I believe it
22 was 1998.

23 Q. And is that when you first joined the
24 board in any capacity as a board member?

25 A. No. I've been on the board since

1 1987.

2 Q. All right. And is it accurate
3 that -- or -- or does the district serve customers
4 in Carroll, Henry, and Trimble counties?

5 A. Yes.

6 Q. How are the members of the board
7 appointed in a multicounty water district?

8 A. The county judge.

9 Q. County judge of just Carroll County?

10 A. No. Trimble County appoints --
11 appoints their members. We have two members on the
12 board that are from Trimble County, so Trimble
13 County judge appoints the -- those commissioners --

14 Q. Okay.

15 A. -- and then the Carroll County judge
16 appoints ours.

17 CHAIRMAN SCHMITT: How many do you
18 have now?

19 THE WITNESS: Five.

20 CHAIRMAN SCHMITT: Five.

21 Q. For a total of seven members? How --
22 how many total members are there on the board?
23 Seven?

24 A. Five.

25 Q. Oh, five total?

1 A. Uh-huh.

2 Q. And Carroll has two and Trimble has
3 no representatives?

4 A. Trimble has two. Carroll has three.

5 Q. Oh.

6 A. Henry County has none.

7 Q. Oh, I'm sorry. Okay. Get it right
8 here.

9 And approximately how many -- or
10 how -- how does the customer base split between
11 these three counties?

12 A. Let's see. Trimble County -- not
13 sure how many in -- in Trimble County. There's
14 about -- well, yes. 30 in Trimble County, about
15 10 -- they don't -- actually don't live in Henry
16 County, but they are serviced by Henry County line.

17 Q. Uh-huh.

18 A. And then the remaining of them are
19 Carroll County. We have about 900 -- it varies
20 anywhere from 950 to 975 customers.

21 Q. Has that customer base been fairly
22 steady?

23 A. Yes. We've seen a little growth, not
24 much.

25 Q. And as far as the -- the operation of

1 the district's board, does the county judge
2 executive of Carroll County have much input or
3 involvement with the district?

4 A. Other than appointing the
5 commissioners, no. If we need assistance in
6 obtaining grants or something like that, they help
7 us out.

8 Q. Has there been much turnover on the
9 board in the last five years?

10 A. No.

11 Q. Who is the treasurer of the board?

12 A. We don't have a treasurer.

13 Q. No treasurer. Has that been the
14 case? It's just a vacant --

15 A. It's because we are under contract
16 with Carrollton Utilities, and they have a finance
17 director and they handle all our work there. And
18 then we use Raisor, Zapp & Woods for our audits.

19 Q. Does the City of Carrollton have any
20 representation on the board?

21 A. No. They're at each -- each meeting.

22 Q. Uh-huh.

23 A. But as far as representation, they're
24 there to report on leaks and --

25 Q. It's part of the --

1 A. -- management --

2 Q. -- management?

3 A. -- reports and things like that.

4 Yes.

5 Q. And what about training for board
6 members? Is there money in the budget provided for
7 board member training?

8 A. Not specific, but if it is needed,
9 it -- we can do it.

10 Q. Okay. How much training have you --
11 you've been on the board a long time so I assume
12 you've had plenty of opportunities to get -- get
13 training?

14 A. I attended the PSC training. And the
15 last one that we've all -- we all attended was in
16 August -- was it? -- I think it was August 2010.

17 Q. 2010.

18 A. General Butler State Park.

19 Q. And, just generally, please describe
20 the current financial condition of the district.

21 A. I think we're pretty solid. We have
22 \$380,000 in cash and investments. We have a
23 million-dollar debt. 45 to 50,000 of it is net
24 profit and our depreciation's 106,000.

25 Q. And does water loss have an impact on

1 the final -- financial condition of the district?

2 A. Well, it's lost revenue, and the
3 value of that lost revenue over the 15 percent is
4 23,000.

5 Q. And is that from 2018 or what?

6 A. Yes.

7 Q. Now, the loss below 15 percent, you
8 can recover that in your rates --

9 A. Yes.

10 Q. -- is that correct?

11 But there's still a cost involved
12 with that --

13 A. There is.

14 Q. -- lost water --

15 A. Yes.

16 Q. -- that's borne by the rate payor?

17 A. Right.

18 Q. And it looks like over the last five
19 years, the district consistently has had water loss
20 levels in the 30 percents?

21 A. Uh-huh.

22 Q. What's the board's attitude toward
23 this -- this issue?

24 A. We take it very seriously and we're
25 continually aggressively looking for leaks. We

1 have four meters in the perimeter. And then more
2 recently -- we recently purchased two more master
3 meters to help isolate the areas that we suspect
4 are our -- where our larger leaks are.

5 Q. So divide the district into --

6 A. Yes.

7 Q. -- zones to be able to monitor that?

8 A. But the leaks -- I think we
9 calculated it's 24 gallons per minute. And so
10 it's -- it's hard to find the leaks. We fix one.
11 We get another one.

12 Q. And is it correct that the district
13 has no employees? It is operated by Carrollton
14 Utilities --

15 A. Correct.

16 Q. -- pursuant to a management contract?

17 A. Correct.

18 Q. Has the district always been operated
19 by Carrollton Utilities?

20 A. Not always. Carrollton Utilities --
21 we entered an agreement with them in 1998.

22 Q. And what were the reasons the
23 district chose to contract with the Carrollton
24 Utilities?

25 A. Because our previous contract was

1 with another water district and they were having --
2 they're growing very -- and they're involved very
3 heavily with the industrial growth in the
4 community. We weren't getting our meters read.
5 Our maintenance -- our agreement costs were going
6 up and we weren't seeing any improvements in our
7 system.

8 Q. And which district was that?

9 A. Carroll County No. 1.

10 Q. No. 1. And --

11 A. And that's absolutely no disrespect
12 to them. It's just facts.

13 Q. And that was awhile ago too.

14 A. Uh-huh.

15 Q. Has the district ever had employees
16 and operated its own system?

17 A. No.

18 CHAIRMAN SCHMITT: May I ask a
19 question? Carroll County No. 1 still in
20 existence?

21 THE WITNESS: Yes.

22 CHAIRMAN SCHMITT: Does it operate in
23 more than one county also, or do you
24 know?

25 THE WITNESS: I believe they operate

1 in Owenton and Gallatin.

2 CHAIRMAN SCHMITT: Thank you.

3 Q. And what is the annual compensation
4 of Carrollton Utilities under the management
5 agreement?

6 A. It's 249,000 and some change.
7 249,362.

8 Q. And how is the compensation level
9 determined? Is that the result of a bargain --
10 bargaining, or is it where the city basically said,
11 This is what it's going to cost?

12 A. No. We -- they base it on two and a
13 half field people that's dedicated to our area;
14 accounting costs, which is about 20-some -- about
15 \$28,000; they allocate the cost of one vehicle,
16 \$6,000; equipment \$9,000; the FICA taxes, which it
17 comes out of the commissioner's checks, it's 13,000
18 and some change; retirement fund 30,000, health
19 insurance 43,000; superintendent -- a portion of
20 his salary is allocated to that. It's 20,000. So
21 it's basically --

22 Q. So you have an agreed-upon --

23 A. And then our pur --

24 Q. -- allocation?

25 A. -- purchased water.

1 Q. You -- you mentioned something about
2 checks to the commissioners. Is --

3 A. Yes.

4 Q. I mean, are the commissioners paid?

5 A. Yes.

6 Q. And what -- what are they paid?

7 A. It's \$150 a month --

8 Q. Uh-huh.

9 A. -- less taxes.

10 Q. Okay. And what services does the
11 city provide under the contract? And when I say
12 "city," I mean Carrollton Utilities.

13 A. They do all of our meter readings.
14 They do the billing. They check for -- they do our
15 leaks. Anything that needs to be done.

16 Q. How about capital planning or --

17 A. They help us with all of that.

18 Q. -- financial?

19 A. Yeah.

20 Q. And as far as leak detection, is
21 there anything specific in the management agreement
22 about what Carrollton Utilities is required to do?
23 Any limitations on what they're required to do?

24 A. There are no limits.

25 Q. Who prioritizes leak detection

1 efforts and -- and water loss prevention efforts?

2 Is that handled by the Carrollton Utilities?

3 A. Yes. And it's on a priority basis.

4 The most urgent is taken care of immediately.

5 Q. On the district's line?

6 A. Uh-huh.

7 Q. Do you know how the -- Carrollton
8 Utilities would prioritize leaks between -- on its
9 system versus on any concern that -- it might
10 prioritize the leaks on its system before the ones
11 on the district's system?

12 A. If there's customer outage or
13 something like that, they take care of those
14 immediately. They take care of those first.

15 Q. Their -- their own problems first?

16 A. No, no, no. Whatever -- whatever
17 system may be out of service --

18 Q. I see.

19 A. -- that's who's going to get
20 priority.

21 Q. Okay. On all the -- all the systems
22 they --

23 A. All the systems.

24 Q. -- they operate?

25 A. Uh-huh.

1 Q. And how many water systems does
2 Carrollton Utilities manage?

3 A. Just ours and theirs.

4 Q. Okay.

5 A. As far as I know.

6 THE WITNESS: Is that correct, Bill?

7 MR. OSBORNE: (Nods head.)

8 Q. I've seen reference, I think, in some
9 of the documents perhaps at one time there were
10 more than that, but I could be mistaken.

11 So it's just -- just its own system
12 and -- and --

13 A. And Carrollton --

14 Q. -- West Carroll?

15 A. -- and West Carroll. Uh-huh.

16 Q. Do you agree that the district and
17 Carrollton Utilities have different
18 responsibilities and duties? For example --

19 A. Yes.

20 Q. For example, the board owes its
21 duties to the district's rate payors?

22 A. Yes.

23 Q. Whereas Carrollton Utilities is under
24 contract with the district, but it owes its duties
25 to its --

1 A. Yes. Yes.

2 Q. -- citizens and rate payors?

3 A. Uh-huh.

4 MR. PARK: Your Honor, may I
5 approach?

6 CHAIRMAN SCHMITT: You may.

7 Q. Ms. Edwards, can you identify this
8 document, please?

9 A. Yes. It's a supplemental agreement
10 between Carrollton Utilities and West Carroll Water
11 District.

12 Q. And what is the date on this
13 supplemental agreement?

14 A. April 1, 1999.

15 Q. Under Paragraph 2, there are water
16 loss targets set. And if those water loss targets
17 are not met -- or were not met, the district had
18 the right to withdraw from the management
19 agreement. Is that -- is that accurate?

20 A. Yes.

21 Q. For -- or by July 1, 2014, the water
22 loss target was 15 percent; is that correct?

23 A. Yes.

24 Q. Was that target met?

25 A. No.

1 Q. Okay. Do you know if the district
2 considered withdrawing from the management
3 agreement?

4 A. No, we didn't.

5 Q. And why was this provision added back
6 in 2013?

7 A. I believe it was because PSC had
8 brought it to our attention our water loss was a
9 concern, which has been a water -- a concern for
10 the district as well. We are in a flood area and
11 we've had several floods and several washouts,
12 large main -- main breaks that we weren't able --
13 either once we located them, because of the
14 conditions and where they were located, we weren't
15 able to get to them. So some of this was not
16 within our ability to get it taken care of.

17 Q. Not related to the operation --

18 A. Yes.

19 Q. -- of the system?

20 And was there any consideration of
21 withdrawing under the agreement, or was that just
22 not a practical --

23 A. It --

24 Q. -- option?

25 A. It was never a consideration and it

1 really wasn't practical.

2 Q. Did the board track whether these
3 targets were being met or discussed them?

4 A. We discussed them at every meeting.

5 Q. Currently are there any incentives
6 under the agreement for Carrollton Utilities to
7 reduce water loss?

8 A. Nothing other than an attaboy.

9 Q. And no disincentives for not
10 meeting --

11 A. (Witness nods head.)

12 Q. -- reducing water loss? Okay.

13 A. I guess we could add the -- you know,
14 we could pull the contract, but I think that would
15 be cutting our nose off to spite our face
16 because --

17 Q. Not a --

18 A. -- we wouldn't have --

19 Q. -- practical --

20 A. -- any --

21 Q. -- alternative?

22 A. Yeah. It -- it's just not practical.

23 Q. And let's see. Just generally,
24 obviously, the -- the Carrollton Utilities already
25 operates the system of the district.

1 Has there ever been any discussion
2 toward further consolidation in terms of a formal
3 merger or an acquisition by the city?

4 A. No.

5 Q. Is that something the district would
6 consider?

7 A. I think it would be up for
8 consideration and -- and discussion, yes.

9 Q. Has it -- has it been discussed, but
10 it has not been previously --

11 A. In generalities we've talked about
12 it. Whether or not it's practical, we don't know
13 how it's -- you know, what would be the purpose of
14 it.

15 Q. And what was the general sense of
16 whether it was practical?

17 A. Do nothing at this time.

18 Q. What would be the main obstacles to
19 a -- a combination, a merger, of the systems?

20 A. Well, I don't think the obstacle
21 would be for West Carroll. It may be for the
22 customers on Carrollton Utilities because they
23 would absorb the burdens of West Carroll.

24 Q. How do the rates of the two systems
25 compare?

1 A. I can't speak for Carrollton Utility
2 rates.

3 Q. Do you see any benefits with further
4 consolidation? Obviously, you've got economy of
5 scale now. You're getting allocated two and a half
6 field techs where you obviously couldn't go out and
7 hire half a tech on your own. So there's obviously
8 economies of scale. Do you see any benefit from a
9 formal merger of the systems financially and
10 otherwise?

11 A. No, not really.

12 CHAIRMAN SCHMITT: Let me -- if -- if
13 I -- I assume that -- that Carrollton
14 Utilities is making money. They're not
15 servicing your district actual cost.
16 They are selling you water --

17 THE WITNESS: Correct.

18 CHAIRMAN SCHMITT: -- correct?

19 THE WITNESS: Correct.

20 CHAIRMAN SCHMITT: So, I mean, I
21 don't understand why -- other than the --
22 eliminating that -- whatever profit
23 margin there might be and possibly a -- a
24 difference in -- in water costs, although
25 I understand sometimes municipals sell

1 water to county customers even when it's
2 in their own system at a higher cost
3 because of the distance of transportation
4 from it, but -- but -- and elimination of
5 the -- of the fees or the amounts
6 received by the commissioners, it would
7 seem that your customers ought to --
8 their rates ought to be lower, at least
9 no higher if the city of Carrollton
10 basically incorporated your water
11 district into their utility system.

12 I mean, I don't know if anybody ever
13 studied it, if you ever had an analysis.
14 And Carrollton might not want to do that
15 for some reason.

16 THE WITNESS: True.

17 CHAIRMAN SCHMITT: I don't know.
18 But -- but I don't guess you've ever had
19 a serious discussion about it?

20 THE WITNESS: No.

21 CHAIRMAN SCHMITT: Would -- what do
22 you think county governments would --
23 would think about the possibility of the
24 city of Carrollton's utility providing
25 services to county residents? Would that

1 be an issue, do you think?

2 THE WITNESS: I don't know. I don't
3 know.

4 CHAIRMAN SCHMITT: Okay. Thank you.

5 Q. How often is the management agreement
6 compensation renegotiated?

7 A. Once a year.

8 MR. PARK: Your Honor, I'd like to
9 offer this supplemental agreement dated
10 April 18, 2013, into the record as -- as
11 PSC Staff Exhibit 1.

12 CHAIRMAN SCHMITT: Any objection?

13 MS. HONAKER: No, Your Honor.

14 MR. McNEIL: No objection.

15 CHAIRMAN SCHMITT: Let it be so
16 filed, then, PSC Exhibit 1.

17 Q. As part of their duties under the
18 management agreement, is it Carrollton Utilities'
19 responsibility to represent the district with
20 respect to the Public Service Commission division
21 inspections and their annual inspections?

22 A. Yes.

23 Q. That's something they handle?

24 A. Yes.

25 Q. I will direct my questions regarding

1 those inspections to one of the other witnesses,
2 then.

3 A. Okay.

4 Q. The district's last case was an R
5 Case 2017-00244. In that case, staff determined
6 that the district's operations supported a rate
7 increase of 20.43 percent and the district chose to
8 take 20 percent. Is that -- is that accurate?

9 A. Yes.

10 Q. What prompted a -- the district to
11 seek a rate increase at that time?

12 A. Cost of operations.

13 Q. And is that primarily a -- the
14 changes in the compensation in the management
15 agreement?

16 A. Yes. Water -- if water rates go up,
17 operating costs go up, line -- cost of replacing
18 lines, things like that.

19 Q. How is the cost of replacing lines
20 paid for? Is that something that the district's
21 financing itself or is that something that
22 Carrollton Utilities handles and --

23 A. It depends on the size of the
24 project. If it's something that we can handle
25 financially, we do it ourselves. If it's something

1 that is much larger project and it requires
2 funding, then we'll seek out financing
3 opportunities wherever we can get them --

4 Q. Through the --

5 A. -- through rural development or --

6 Q. And is that through the Carrollton
7 Utilities on these larger projects?

8 A. Carrollton Utilities helps us with
9 all of that --

10 Q. Okay.

11 A. -- stuff.

12 Q. And when I looked at the application,
13 it -- it looked like Chastity Robbins prepared the
14 application?

15 A. Yes.

16 Q. And you referred to her previously as
17 the director of finance for Carrollton Utilities --

18 A. Yes.

19 Q. -- is that correct?

20 Does Carrollton Utilities have any
21 role in calculating rates or determining revenue
22 requirements? Do they provide any services with
23 respect to the -- the rate making side?

24 A. Yes.

25 Q. And what --

1 A. They assist us with all of that.

2 Q. And what is the process for
3 determining when the district needs a rate
4 adjustment?

5 A. Once we've looked at the budget or
6 we've had the audit done and if our CPA recommends
7 that we go for a rate increase, then it -- that's
8 when we'll do it.

9 Q. Okay. Does Carrollton Utilities have
10 any role in recommending a rate increase?

11 A. They can, yes.

12 Q. Do you have any concern about the
13 city increasing the amount it charges the district
14 under the management agree -- agreement and then
15 handling the rate case to generate the revenue
16 necessary to pay itself?

17 A. No.

18 Q. Is there any conflict there?

19 A. I -- I don't believe so.

20 Q. Is there a future rate case currently
21 planned or under consideration?

22 A. We just had a rate increase. I'm not
23 sure what that -- what that date is right --

24 Q. And I -- I apologize. I'm going to
25 exclude the purchase water adjustments that the

1 flow through case -- I mean just a general either
2 an R case or --

3 A. Oh. No.

4 Q. None under consideration, then?

5 A. No.

6 THE WITNESS: Is that right, Bill?

7 MR. OSBORNE: (Nods head.)

8 Q. It looked like over the last decade
9 the district has fairly consistently come in to the
10 commission to -- to seek an adjustment of its
11 rates; is that accurate?

12 A. Yes.

13 Q. And why does the district do that?

14 A. It's based on if our CPA recommends
15 it, if we have a water rate adjustment, purchase
16 water increases, or ex -- our cost goes up --
17 operating costs.

18 Q. I'm now going to refer to some of the
19 information provided by the district in the course
20 of discovery in this case. And so I -- the witness
21 may need to get that material there. I'm not sure
22 if you have that in front of you.

23 First I'm going to ask about the
24 district's response to a question which was in
25 the -- the first set of discovery requests which

1 were contained in Appendix C to the Commission's
2 order of March 12th.

3 A. Okay.

4 Q. And in response to Question 3, the
5 district provided a written water loss prevention
6 and leak detection program. In the footer of the
7 document it states it was revised January 2019. Do
8 you have a copy of that?

9 MS. HONAKER: Should be in your
10 notebook. Is it there?

11 May I approach? I'll hand her mine.

12 CHAIRMAN SCHMITT: Yes, you may.

13 MS. HONAKER: It may be easier.
14 Here.

15 THE WITNESS: Okay. Got it.

16 MS. HONAKER: She has it now.

17 A. And your question?

18 Q. All right. You got it now? All
19 right.

20 When was this program first
21 developed?

22 A. Oh, January 17, two thousand --
23 that's not it. January 2015.

24 Q. 2015?

25 A. Uh-huh.

1 Q. Do you recall what prompted the
2 district to develop this program? Was it
3 continuing water losses?

4 A. Just that we were over the
5 15 percent.

6 Q. And do you recall who prepared this
7 program for the district?

8 A. Carrollton Utilities along with input
9 from the board.

10 Q. Was there a specific individual at
11 Carrollton Utilities that prepared this?

12 A. I think it was a combination of the
13 staff.

14 Q. Okay. Do you recall if the district
15 board voted to adopt this program formally?

16 A. Yes.

17 Q. Would that have been in 2015 or 2016?

18 A. I don't recall the date. Let's see.
19 I'm sorry.

20 Q. You don't know? I'm sorry.

21 A. I don't recall the date.

22 Q. Okay. I'm sorry. If you had
23 answered, I apologize.

24 Does the board track the district's
25 compliance with this program and whether it's

1 following the procedures and meeting the -- the
2 goals?

3 A. Yes.

4 Q. And does it have a specific board
5 member assigned or a process in place to track?

6 A. We review it every month.

7 Q. Review?

8 A. The water loss.

9 Q. Water loss reports?

10 A. Uh-huh.

11 Q. But specifically with respect to this
12 program, is this something the board has talked
13 about in the last two years?

14 A. Oh, yes.

15 Q. Okay. And who provides the board
16 status reports on the water loss prevention
17 efforts?

18 A. Mr. Chris Rose.

19 Q. Do you know if this water loss
20 prevention and leak detection program has ever been
21 revised?

22 A. No.

23 Q. In -- the footer indicates it was
24 revised in January 2019. Do you know what that
25 would have been?

1 A. Now, that may be -- well, I don't
2 think so. We just recently added -- gave approval
3 to add two master meters to the system to assist
4 with finding leaks.

5 Q. Okay.

6 A. And then the utilities also bought a
7 collaborator I think is what they call it. It's
8 some equipment that will go out and help detect
9 leaks. And recently -- we've just started using
10 it, and I know that they said that they can get
11 within 6 feet of a leak. So they're -- they're
12 pretty confident that this equipment is going to
13 help.

14 But, again, when we're dealing with
15 24 pounds of pressure, it -- over 109 miles of
16 line, it's kind of hard to find it.

17 Q. Uh-huh.

18 A. Especially when we've got some major
19 stream crossings and the Ohio River, Kentucky
20 River, and some large creeks.

21 Q. Now I'm going to have you refer --

22 A. And then could I -- could I add
23 that --

24 Q. Sure.

25 A. -- the terrain -- we have some pretty

1 rough terrain. And one of our extreme -- or high
2 leak areas is along Highway 36, and that's a major
3 highway that follows the Ohio River. So we have a
4 lot of truck traffic, a lot of commuter traffic
5 back and forth. And that goes right along the
6 hillside and there has been some major hill
7 slippage in the area, and we consistently have
8 problems there. And if the river raises, we can't
9 get to our lines safely. And there will be times
10 when there's a known leak, but until the river
11 conditions improve or the -- you know, it dries up,
12 our guys can't get to it.

13 Q. That was one question I was going to
14 ask about the topography because most of the
15 districts involved in this case are from eastern
16 Kentucky. So I was curious to know what sort of
17 topography-related challenges you-all have dealt
18 with.

19 A. We have similar topography. And
20 we've even used a -- I don't know the technical
21 name of the pipe, but it -- we just refer to it as
22 the flex pipe that will kind of move with the
23 terrain and take the vibration of the traffic and
24 so on and so forth. So far we've tried that and we
25 actually put it in this trouble area, but it has

1 not helped.

2 Q. Has not helped?

3 A. (Witness shakes head.)

4 Q. Are you -- any other potential
5 solutions under consideration that you're aware of?

6 A. We are constantly looking for
7 alternatives.

8 Q. In light of the water loss
9 experienced by the district over the last five
10 years, what is your opinion on the success of this
11 water loss prevention and leak detection program if
12 it was adopted back in 2015?

13 A. If you look at the numbers, it
14 doesn't look like we're very successful, but I
15 think that we're doing everything we can possibly
16 do to make improvements in the line and to get it
17 corrected. But, like I said, we fix one leak and
18 another one pops up somewhere else.

19 Q. Would Mr. Rose be the appropriate
20 person to ask about specific measures in here?

21 A. Yes.

22 Q. Okay. In response to staff --
23 Question 3 of staff's May 3, 2019, request for
24 information, the district was asked to identify the
25 three most significant obstacles to reducing water

1 loss, and the district identified aging
2 infrastructure, customer density, and customer
3 makeup.

4 What are the main problems with the
5 district's infrastructure?

6 A. Aging lines.

7 Q. Distribution mains?

8 A. We have -- our main lines -- let's
9 see. Our oldest main is 43 years old. Our newest
10 main is 7 years old. So the average age of our
11 mains are 28 years.

12 Q. Do you experience more water loss
13 with the older mains?

14 A. Mr. Rose would have to answer that
15 one.

16 Q. Okay.

17 A. I mean, we've even questioned the
18 quality of the pipe, the type of pipe that's in the
19 ground. Every time we have a -- you know, what's
20 the pipe look like? You know, should we go to a
21 different type of pipe?

22 Q. What sort of pipe material is -- is
23 used in the system?

24 A. I'm going to have to defer to
25 Mr. Rose.

1 Q. Okay. Would Mr. Rose also be the
2 appropriate witness to discuss what needs to be
3 done to fix the infrastructure problems?

4 A. Yes.

5 Q. Does the district have a plan in
6 place to replace infrastructure?

7 A. We have talked about, as money
8 becomes available, starting with our problem areas
9 and trying to tighten up the system that way. And,
10 again, every time we tighten it up someplace -- one
11 place, we pop up somewhere else.

12 Q. Uh-huh.

13 A. We call it a sieve.

14 Q. There's no specific plan? We're
15 going to replace this line by 2021? We're going
16 to -- this one's scheduled for this year? Or is it
17 just going to be as monies become available?

18 A. It's as monies become available and
19 when the situation warrants.

20 Q. Is the district looking for financing
21 for these infrastructure projects?

22 A. Always.

23 Q. Is that done by Carrollton Utilities
24 on behalf of the district or does --

25 A. Yes.

1 Q. -- the district -- okay.

2 A. Yes.

3 Q. Do you know what sources of funding
4 they have looked at? I believe you mentioned a
5 few. But if you could --

6 A. Rural development, KIA. That's it.

7 Q. Do you know if there's any pending or
8 contemplated applications for either grants or
9 loans to develop the infrastructure?

10 A. We have recently applied for one. We
11 have an area -- it's called Hardy Creek -- which is
12 another problem area. We think we have a handle on
13 it right now. It's still too soon to tell. But we
14 just recently went for some funding that -- to
15 actually add some unserved customers that are --
16 they live in Trimble County.

17 Is it -- they live in Trimble County
18 and that area would be serviced by Trimble County,
19 but Trimble County has said, you know, if you can
20 get it from Carroll County, we'll assist. So we're
21 still -- we're looking at that. And I think it's
22 probably going to be October before we ever really
23 know anything about that.

24 Q. And which entity -- from which entity
25 are they seeking financing? Is that RD? Block

1 grant?

2 A. Block grant.

3 Q. Who's responsible in the district for
4 ranking and prioritizing line repairs? Is that
5 something that's done at the advice of the
6 Carrollton Utilities?

7 A. It's discussed at every board -- at
8 every board meeting what problem areas we have.
9 And we look at the urgency, the volume of water
10 that's being lost in an area or whatever the
11 problem is and we go from there.

12 Q. Before a loan is taken out or
13 financing is obtained for specific projects, is
14 there a cost benefit analysis done of that specific
15 project if it's going to generate sufficient
16 revenue over the long term?

17 A. Yes.

18 Q. And who does that? Is that done by
19 Carrollton?

20 A. Carrollton Utilities assists with
21 that, yes.

22 Q. Customer density and makeup are the
23 second two things. And they're not really things
24 that are subject to the district's control,
25 although I guess if you're not able to maintain a

1 safe reliable water supply, you're not going to get
2 much more customer density.

3 A. True. And, again, the topography.

4 Q. Uh-huh. Is the --

5 A. Availability of other infrastructure,
6 you know, gas, affordable electric because that
7 area is also serviced by either Kentucky Utilities,
8 Shelbyville Rural Electric. And Shelbyville Rural
9 Electric being a co-op is a much more expensive
10 utility. So, you know, to live on that end of the
11 county, it's a little more expensive, but it -- and
12 it may be the guy here on this side of the road is
13 Kentucky Utilities but the guy on this side of the
14 road is Shelbyville Electric.

15 And then the same thing -- if we have
16 a booster station or something, and it may be
17 powered by Kentucky Utilities or it may be powered
18 by Shelby Rural Electric.

19 Q. Bills like that are paid by
20 Carrollton Utilities as part of the management?

21 A. Pardon?

22 Q. Are bills like that -- the power for
23 the pump station -- paid by Carrollton Utilities?

24 A. No. West Carroll pays it.

25 Q. Okay. I mean, all that invoicing is

1 handled by Carrollton Utilities, but the checks are
2 signed by the district --

3 A. Yes.

4 Q. -- or the board?

5 A. Uh-huh.

6 Q. And if you would refer to the
7 district's response to Question 10 of the staff's
8 May 3rd request for information, the district
9 states that the annual cost to the district for all
10 unbilled water is approximately 44,000.

11 A. Yes.

12 Q. Do you know where that came from?

13 A. What the --

14 Q. That figure.

15 A. Where that figure came from?

16 Q. Uh-huh.

17 A. It was provided by Carrollton
18 Utilities, the cost of water versus our loss.

19 Q. When it -- it refers to -- let's see.
20 Strike that.

21 I'm now going to go back to the
22 responses to the information request that were set
23 forth in Appendix C of the March 12 order.

24 In response to Question 8, the
25 district provided an O&M manual, operation and

1 maintenance manual. Is that Carrollton Utilities'
2 manual that governs operation of the district?

3 A. Yes.

4 Q. The manual -- and this, I think, is
5 where I got the -- the idea. The manual states
6 that Carrollton Utilities was responsible for the
7 operation and maintenance of three water systems.

8 MS. HONAKER: That actually says West
9 Carroll Water District --

10 MR. PARK: I know.

11 MS. HONAKER: -- is responsible.

12 Q. Was that intended to be Carrollton
13 UTILITIES?

14 A. It's West Carroll. Oh.

15 Q. West Carroll -- the manual states
16 that West Carroll manages three water systems. I
17 assume that's supposed to be Carrollton.

18 A. West Carroll manages -- no.

19 MR. ROSE: There's three WS ID
20 numbers. There's three parts to the
21 system.

22 MR. PARK: Okay.

23 THE WITNESS: Yes.

24 Q. Are those parts connected now?

25 A. No.

1 MR. ROSE: Carroll and Henry.

2 A. Carroll and Henry are connected.

3 Okay.

4 Q. When you say "Henry," is that just
5 the portion of the district in Henry County or --

6 A. It's --

7 Q. Are all lines owned by the district
8 interconnected, I guess?

9 MR. ROSE: No.

10 A. No.

11 Q. No. Refer to response to Question 29
12 of the information request set forth in Appendix C.
13 The district states that the board established a
14 goal of 15 percent water loss on July 1, 2014. The
15 board did not establish a deadline for -- or a
16 target date for reaching this goal.

17 Has the board addressed revising that
18 goal and putting a target date on it?

19 A. We did put a target date on it for
20 April 1, 2022.

21 Q. And is the -- is the goal to reach
22 that 15 percent?

23 A. Yes, it is.

24 Q. Do you think that's a realistic goal
25 to reach by that date?

1 A. Not really.

2 Q. And why is that?

3 A. Because the age of our lines, the
4 infrastructure -- or the terrain.

5 Q. Does West Carroll believe its
6 customers would not be able to sustain the cost of
7 replacing the aging infrastructure? Is that a
8 concern?

9 A. I think it would be an extra burden
10 for the customers because they do pay a higher rate
11 at this time.

12 Q. And who are the district's wholesale
13 suppliers?

14 A. Milton -- City of Milton, Trimble
15 County, Henry County, and Carrollton Utilities.

16 Q. How do the purchases break down
17 roughly?

18 A. Let's see. Percentage?

19 Q. Yes, just real roughly.

20 A. I would say 80, 90 percent Carrollton
21 Utilities provides the water. They have softened
22 water we like and so do the customers.

23 Milton is probably 5 to 10 percent.
24 Trimble County -- I don't know -- about 10.
25 Trimble County we don't really -- we have an

1 agreement with them, but we -- we don't purchase
2 water from them currently because their rates are
3 higher.

4 Q. I see.

5 A. And then Henry County is a very, very
6 small portion.

7 Q. And is it -- would it be correct that
8 the water supplier used sometimes depends on where
9 the purchase point is with respect to where the
10 customers are?

11 A. Yes.

12 Q. What about the master meters at the
13 purchase points? Do you know if those are tested
14 regularly?

15 A. Yes, they are.

16 Q. And is the district provided results
17 of those tests?

18 A. Yes.

19 Q. Does the district also make wholesale
20 sales of water?

21 A. I don't -- no.

22 Q. Please refer to the response to
23 Question No. 6 in the information request contained
24 in Appendix C.

25 The district states that it's been

1 involved in three multijurisdictional projects:
2 The Countywide Underserved Project, the Carroll
3 County Interconnect Project, and the Focus on Core
4 Mission Projects.

5 If you could, explain generally what
6 each of these three projects involve.

7 A. Could I defer to Mr. Rose or
8 Mr. Osborne on those, please? They could -- they
9 could explain them more intelligently than I could.

10 Q. Okay. Would Carrollton Utilities
11 have initiated these projects or county judge
12 executive or --

13 A. Yes, joint.

14 Q. Joint?

15 A. Uh-huh.

16 Q. Are there joint planning sessions
17 ever between the district, the county judge
18 executive, and the city?

19 A. Yes.

20 Q. And how often are those?

21 A. Once a year.

22 Q. Once a year.

23 And if you would, refer to the
24 response to Question 23 of staff's discovery
25 request dated May 3rd. And that's regarding the

1 district's leak adjustment policy.

2 A. Uh-huh.

3 Q. According to the district's tariff,
4 the customer pays the standard rate on its average
5 usage, and for any usage above that pays the
6 district's wholesale rate; is that correct?

7 A. Correct.

8 Q. According to the monthly water loss
9 report filed by the district for April 2019, the
10 district's water loss is 43.3 percent. So for
11 every 1,000 gallons the district sells, it has to
12 purchase more than 1400 gallons. Is that accurate?

13 A. Yes.

14 Q. Does it seem appropriate for the
15 district to charge the customer with a leak for
16 water in excess of average usage the rate it pays
17 to suppliers when the cost to the district for
18 supplying that water is significantly more?

19 In other words, for that excess usage
20 of, let's say, 1,000 gallons, you're charging them
21 the wholesale rate even though you have to buy 1400
22 gallons to provide that usage to the customer?

23 A. I'm not sure how to answer that.

24 Q. Do you understand the question?

25 A. Repeat it, please.

1 Q. Certainly. If a customer has a leak
2 on its side of the meter and -- these are just real
3 rough numbers -- it uses 1,000 gallons in excess of
4 its average use, so it's not going to be billed at
5 the retail tariff rate. It's going to be billed at
6 the district's wholesale rate.

7 A. Right.

8 Q. So let's say that rate is \$2 for
9 1,000 gallons -- \$2 per gallon, rather. So the
10 customer pays the district \$2,000. To provide that
11 1,000 gallons, the district has to purchase
12 1400 gallons. And at its wholesale rate, that's
13 \$2800. So basically the district is selling the
14 customer 1,000 gallons at its wholesale rate for
15 \$2,000, whereas it has to pay \$2800 to provide that
16 to the customer.

17 Does that make sense?

18 A. Uh-huh.

19 Q. It does make sense or --

20 A. Well, no, it doesn't.

21 Q. Is the district willing to revise
22 that leak adjustment rate to reflect the true cost
23 to the district of providing that volume?

24 A. I would say yes.

25 Q. And is the district aware that the

1 Commission allows the leak adjustment rate and the
2 tariff to be revised through the tariff filing
3 process and that no formal case is required?

4 A. (Witness nods.)

5 MR. PARK: I have no further
6 questions.

7 CHAIRMAN SCHMITT: What was your
8 answer to the last question? You realize
9 that was true?

10 THE WITNESS: Yes.

11 CHAIRMAN SCHMITT: And, I'm sorry,
12 I -- did you say that West Carroll would
13 be interested in making that change or
14 would not be?

15 THE WITNESS: We would.

16 CHAIRMAN SCHMITT: Under the terms of
17 the contract with Carrollton Utilities, I
18 mean, they manage your system for a --
19 for a fee. You renegotiate it every
20 year. And it's been in effect for a
21 long, long time.

22 THE WITNESS: Yes.

23 CHAIRMAN SCHMITT: Decades; right?

24 THE WITNESS: Yes.

25 CHAIRMAN SCHMITT: So I assume --

1 THE WITNESS: 1998.

2 CHAIRMAN SCHMITT: 1998?

3 THE WITNESS: Uh-huh.

4 CHAIRMAN SCHMITT: So West Carroll is
5 satisfied with this agreement and with
6 the way that Carrollton Utilities are
7 operating pursuant to it?

8 THE WITNESS: Absolutely.

9 CHAIRMAN SCHMITT: They're operating
10 in good faith?

11 THE WITNESS: Yes, they are.

12 CHAIRMAN SCHMITT: They treat you and
13 your customers the same as they treat
14 their own customers?

15 THE WITNESS: Yes, they do.

16 CHAIRMAN SCHMITT: Because, in
17 effect, under this contract, you are
18 their customer?

19 THE WITNESS: Right.

20 CHAIRMAN SCHMITT: Isn't that right?

21 THE WITNESS: Uh-huh.

22 CHAIRMAN SCHMITT: In the event that
23 a program were undertaken to fix leaks or
24 find leaks, to repair or replace
25 infrastructure like several miles or

1 whatever, if that were to be done or if
2 your water district determined to try and
3 do that, develop a program, in fact, you
4 would be relying upon Carrollton
5 Utilities to do that work or to hire the
6 engineering and to basically determine
7 what the cost would be.

8 And, ultimately, if you approved
9 it -- your commission -- they would be
10 the ones that would -- would either be
11 doing the work with their crew or
12 probably bidding it out --

13 THE WITNESS: Yes.

14 CHAIRMAN SCHMITT: -- on your behalf?

15 THE WITNESS: Yes.

16 CHAIRMAN SCHMITT: And if a resident
17 inspector or someone were required to
18 oversee the construction, they would be
19 doing that ultimately as part of the cost
20 of the project; correct?

21 THE WITNESS: Yes.

22 CHAIRMAN SCHMITT: Now, I don't know
23 if you're aware of the Public Service
24 Commission's position or not.

25 The -- one of the -- one of the

1 issues or one of the -- the problems with
2 infrastructure replacement has been this:
3 That over the years under this
4 alternative rate procedure, which is, you
5 know, sort of a progressive-type program,
6 all over the United States utility
7 commissions have all been encouraged to
8 have programs that don't require lawyers
9 where the staff comes in and helps the
10 utilities so to keep costs down.

11 And under our procedures, we don't
12 allow the recovery rates of water loss
13 above 15 percent.

14 You know why that regulation is
15 there? The regulation is in place to
16 serve as an incentive for water districts
17 to basically take their -- the money
18 they're granted in rates for depreciation
19 to establish a reserve and to not just
20 fix leaks but to plan as my pipes and
21 pumps get older, before they break down,
22 before they really get bad, I'm going to
23 be replacing them all along.

24 So there should be money there, but
25 most water districts, instead of doing

1 that and having a capital improvement
2 program or an infrastructure replacement
3 program, they use that money for
4 operations so that they can keep rates
5 low and they can go a long time without
6 coming in.

7 But when that happens and then you
8 have an infrastructure problem like
9 perhaps you do, here's what happens: You
10 come in for a rate increase and you say,
11 Gee, I may need 25 percent.

12 The analysis -- the financial analyst
13 here may look at it and say, You know
14 what? You really need 30 percent. But
15 guess what? Because of your water loss,
16 we can't give you an amount of money
17 above 15 so we're cutting you down to
18 where you're only maybe going to get a
19 17 percent rate increase when you wanted
20 a 25 and our people thought you ought to
21 have a 30.

22 So you're spiraling down into a death
23 cycle that means that your system
24 ultimately collapses. And that's not
25 what you want and it's not what we want,

1 but that's what happens inadvertently.
2 Okay?

3 So what this Commission has been
4 trying to do and tell people is, is that
5 we will allow -- we will grant district
6 surcharges or a rider which can be used
7 for -- solely for infrastructure, leak
8 repair, for building up your inventory
9 and things.

10 It's almost the same as if we just
11 gave you the rate above 15 percent.

12 THE WITNESS: Right.

13 CHAIRMAN SCHMITT: But if we gave it
14 to you, you wouldn't use it for that
15 purpose because nobody uses it for that
16 purpose now.

17 So on those programs, the Public
18 Service Commission would say, Okay.
19 Ultimately you're going to need to get
20 somebody to give us a plan. It would be
21 nice if you had it when you asked for it.
22 But if you don't, we'll allow you to
23 collect the money. You got to put it in
24 a special bank account. You can't use it
25 until we approve you writing checks for

1 it.

2 And when you come back with a plan
3 that basically you will have money
4 available to either use for those
5 purposes or to help you pay a loan that
6 you get to basically, you know, get your
7 infrastructure up to date.

8 So, I mean, we've been -- we're now
9 having people actually apply for it after
10 a couple of years of preaching this
11 sermon, actually getting some utilities.
12 One within the last week or so applied
13 only for a surcharge and set out what
14 they wanted to do with it.

15 And we've had others, some in western
16 Kentucky, come in and ask now for the
17 same -- for the same thing.

18 And so I don't know if you would be
19 interested in that or not. But it's a --
20 it would be structured to meet the
21 demands that your district might have to
22 get its water loss down. It would be a
23 program that could be defined in such a
24 way that it's there until what you want
25 fixed is fixed, and then it goes off. It

1 doesn't stay there.

2 It's not like Kentucky sales tax or
3 something where, you know, we're going to
4 do this for only a short period of time
5 and then it will come off or a toll road
6 or something. It actually is limited to
7 a certain period of time and then would
8 come off.

9 Would you be interested in that at
10 all? Otherwise, I don't know how you're
11 ever going to fix the water loss problem
12 because you're not going to have any
13 money to do it.

14 THE WITNESS: I would be interested
15 in it, yes. We would have to take it --
16 take it to the board and listen to what
17 they have to say. And I'm sure if
18 they -- if that's going to fix our water
19 loss, they would be all for it.

20 CHAIRMAN SCHMITT: I mean, if you
21 could get a grant, that would be fine or
22 supplement it with a grant. But if you
23 say, I can't get all the money in a
24 grant, or -- I mean, you could get maybe
25 a loan for some -- the rest of this or

1 you could use it in addition to what you
2 could get.

3 Because I'm assuming -- and we'll ask
4 Carrollton -- that Carrollton if they're
5 going to need more money, the contract
6 amount won't be sufficient to help fix
7 these other problems. They'll have to
8 have more money; right? And we can get
9 you the money.

10 I've had people say, Well, Public
11 Service Commission won't give us any
12 money. We're an open bank for your rate
13 payors. We'll give you what -- all you
14 can use, you know, and legitimately need
15 in our opinion. It may be different than
16 yours sometimes.

17 But -- but we're willing to try to be
18 innovative to get funds, but you got to
19 want the funds.

20 We had -- of these 11 districts, we
21 had one come in here maybe it was
22 yesterday in the morning and -- and they
23 have had one rate increase. Well, they
24 had one two years ago. But before that
25 they only had one rate increase that we

1 could find since 1985, and they have been
2 getting these little increases because
3 they had been getting RD loans and they
4 get along with that.

5 But what has happened is many times
6 those loans and the amount they give you
7 to repay it don't give you enough for a
8 district to operate. And finally -- they
9 didn't realize it, but in something like
10 2014 or '15, they were going broke and --
11 and didn't know it.

12 So they come in to the PSC for a rate
13 increase in 2016 that in 2017 we -- they
14 wanted a 15 percent rate increase. Our
15 staff recommended a 28 percent rate
16 increase. And you know what? They
17 wouldn't take the money. Now they can't
18 make their loan payments to RD and they
19 don't know what to do about it.

20 They came in and said -- wrote a
21 letter and said, Can we -- can we now
22 have that difference in the percentages?
23 It's too late. The case is closed.

24 So I guess what I'm saying is that
25 sometimes people are shortsighted. They

1 don't understand what our procedures are.
2 But I can tell you you've got a good
3 lawyer and a good law firm here before
4 you now. And sometimes it's -- if you
5 get a lawyer that practices before the
6 Public Service Commission, when you have
7 something like money involved, it's a
8 good investment because they -- they can
9 tell you what we can and can't or will or
10 won't do.

11 And I know I'm not asking you
12 questions, but I'm trying to let you know
13 that we'd like to see your system
14 upgraded.

15 THE WITNESS: We would too.

16 CHAIRMAN SCHMITT: The energy and
17 environment cabinet made a presentation
18 to the general assembly early this year
19 or late last year that claimed that we
20 are going to need \$8 billion over the
21 next 20 years just for Kentucky water
22 systems, and we here don't believe that
23 will be close to touching the problem
24 because most of it is -- is unknown.

25 So we would like to get ahead of the

1 game and see everybody, you know, try to
2 do the right thing for the public.

3 THE WITNESS: So you encourage the
4 surcharge?

5 CHAIRMAN SCHMITT: I would if I -- I
6 mean, I know you say, Well, our rates
7 maybe are a little higher than we like
8 them, but -- but at some point the
9 problem has got to be fixed.

10 THE WITNESS: Yes.

11 CHAIRMAN SCHMITT: If you could get
12 your -- if you could get your water loss
13 down, you could save a lot of money. You
14 could lower rates if your water loss
15 wasn't as high as it is.

16 Just think about it. But -- but if
17 you can see your way clear or with your
18 accountant to see your way through this,
19 I mean, we would be willing to have staff
20 informally -- if somebody called and just
21 want to come and talk about it. All
22 right?

23 THE WITNESS: Absolutely.

24 CHAIRMAN SCHMITT: We'd be happy to
25 talk about it. All right?

1 THE WITNESS: My question, though,
2 is, is that 15 percent water loss
3 reasonable and achievable?

4 CHAIRMAN SCHMITT: It may or may not
5 be. But one thing is clear. You can
6 sure as heck bring it from 37 or 32 down
7 into the lower 20s and you might be able
8 to -- one of the things that I don't even
9 think staff knows about is the
10 commissioners are considering trying to
11 develop a pilot project to work on water
12 loss and try to develop perhaps new ways
13 of looking at water loss in the context
14 of what it costs and then what it would
15 cost to fix the problem.

16 And that hasn't been done here
17 before, but we're -- we're looking at
18 that and would like to establish a pilot
19 program. But we have to be careful of --
20 about who it is that's running the
21 program and make sure that they -- that
22 it can be properly operated, you know, so
23 that we get -- we get accurate results.

24 THE WITNESS: And we've actually
25 talked about, in the board meetings, what

1 it could cost to hire an additional
2 person to look for these water leaks.
3 And we couldn't justify hiring a person
4 to look just for leaks for the value
5 of -- for the amount of revenue that
6 we're losing. It did not make sense
7 economically. And that doesn't mean that
8 we don't continue to still look for the
9 leaks.

10 CHAIRMAN SCHMITT: No, I understand.
11 I understand. There is an analysis that
12 has to be made --

13 THE WITNESS: Yes.

14 CHAIRMAN SCHMITT: -- about it for
15 sure. But there's some -- I don't know
16 what --

17 What was this water loss, Mr. Park,
18 that they had? What was the --

19 MR. PARK: It's consistently been in
20 the 30s over the last eight years, I'd
21 say.

22 THE WITNESS: And we don't have any
23 industrial customers --

24 CHAIRMAN SCHMITT: You don't have
25 8,000 customers so --

1 THE WITNESS: We don't have any
2 industrial users. We have 109 miles of
3 main. And a lot of those major mains are
4 along those major tributaries with
5 flooding, washouts, creek crossings.

6 CHAIRMAN SCHMITT: But we've had -- I
7 mean, in natural gas -- small natural gas
8 companies, we have a regulation that will
9 not allow them to recover in rates that
10 natural gas loss above 2 percent.

11 And when we came on here, the
12 previous commission had been allowing 30
13 or 40 percent deviations for a company on
14 the basis of they had established in
15 eastern Kentucky a lot of -- they had
16 bought some badly run companies and they
17 were always going to fix it and they had
18 a plan.

19 But for, like, seven, eight, nine
20 years they had never come close to target
21 because they weren't putting in -- enough
22 money in.

23 And we made them basically take a
24 surcharge that was three or four times
25 what they wanted on the basis their

1 customers -- if you give them a
2 deviation, they're paying for all this
3 lost gas anyway. You might as well take
4 the money and require them -- and we
5 required them to come in and periodically
6 report on the lines they're replacing and
7 everything, and it's working.

8 We had one gas company that couldn't
9 make a repair, and we had encouraged them
10 to go to a bank and we established a
11 surcharge that would go to the bank so
12 that they -- they could be guaranteed
13 their loan would be repaid and -- they
14 otherwise couldn't have gotten the loan.
15 They couldn't have fixed the major
16 problems.

17 So I'm saying, you know, there are
18 ways that perhaps we haven't thought of
19 yet. But -- but I would encourage you to
20 think of them because we'd like to see --
21 and I tell people, you know, personally I
22 don't care about the water district or
23 what the commissioners do, but I do care
24 about the rate payors because you're here
25 to serve customers and we're here to help

1 you serve customers. And when you can't
2 do the job or like some districts won't,
3 our job is to try to come in and do
4 something about it.

5 THE WITNESS: Uh-huh.

6 CHAIRMAN SCHMITT: That's all. We're
7 just trying to help the public. Okay?

8 THE WITNESS: I understand.

9 CHAIRMAN SCHMITT: Anything else? I
10 don't have any other questions other than
11 I assume you're happy with your system.
12 It makes sense. I mean, you're all in
13 the same county. You know, people say,
14 Well, I'm a city guy and I -- I'm from
15 the county and I don't like the town or
16 my kid goes to some other school. You're
17 all Carroll County people.

18 THE WITNESS: We are.

19 CHAIRMAN SCHMITT: Your county seat
20 is Carrollton. And you -- I don't know
21 if you believe what some of these rural
22 districts think about that, though. They
23 wouldn't -- they don't see that as a --
24 you know, it's us against them.

25 THE WITNESS: I understand

1 completely. I'm not one of them.

2 CHAIRMAN SCHMITT: Well, I don't
3 know. I think that's silly myself.

4 THE WITNESS: It is.

5 CHAIRMAN SCHMITT: But, in any event,
6 I'm glad you're successfully working well
7 together and -- but I think what -- we
8 need to talk to Carrollton, I guess. If
9 we can solve this problem or find a way
10 around it, we're willing to try to be
11 innovative to help you do it.

12 THE WITNESS: And we value that
13 assistance.

14 CHAIRMAN SCHMITT: I've ignored you,
15 Mr. McNeil.

16 MR. McNEIL: I figured you'd get
17 around to me. You did a good job. I do
18 have some follow-up, but you've covered a
19 lot of it. Thank you.

20 -----

21 EXAMINATION

22 BY MR. McNEIL:

23 Q. Ms. Edwards, good afternoon. So
24 you've confirmed Carrollton Utilities and West
25 Carroll have had a relationship since about 1988?

1 A. Yes, sir.

2 Q. Okay.

3 MR. McNEIL: May I approach, Your
4 Honor?

5 CHAIRMAN SCHMITT: Yes.

6 Q. Ms. Edwards, this is a collection of
7 the operational agreements between Carrollton and
8 West Carroll. First one is from year 2002. Does
9 that look familiar?

10 A. Yes.

11 Q. And these were provided in the last
12 rate case. And I believe, if I remember correctly,
13 the original agreement could not be found or was
14 not produced, but the 2002 is the oldest that we
15 have.

16 A. 2002.

17 Q. That was the oldest that we were
18 provided before, yes. So on page -- the fifth page
19 there, Exhibit A to the 2002 agreement -- tell me
20 when you get there.

21 A. Uh-huh.

22 Q. That is the annual compensation
23 setback in 2002?

24 A. Yes.

25 Q. So is it correct it was about

1 \$115,500?

2 A. Yes.

3 Q. Okay. And earlier today you said the
4 latest number was 249,362?

5 A. Uh-huh.

6 Q. Okay. And you had also said that
7 prior to this agreement, this relationship, you've
8 been in with another utility, Carroll No. 1.

9 A. Carroll County No. 1, yes.

10 Q. There were some service issues, but
11 also some of the reasons you left that relationship
12 was -- was costs.

13 A. The cost kept going up. We weren't
14 getting the service that we needed. Our meters
15 weren't getting read.

16 Q. Right.

17 A. There was -- Carroll County No. 1 is
18 on the east end of the county. They have a lot of
19 industrial customers and a lot of growth in that
20 area. So they just didn't have the manpower and we
21 weren't getting the services.

22 Q. Right.

23 A. And the cost kept going up. So it
24 just did not make any sense for us to continue in
25 that agreement and not be able to go forward. We

1 needed to add lines to unserved customers. We
2 needed to make improvements in the underserved.
3 And we just weren't getting there.

4 Q. Right.

5 A. I was -- I've been -- I was on the
6 board from 1987 until 1998 and virtually we saw no
7 growth within the district whatsoever.

8 Q. But you haven't really grown -- how
9 much have you grown since then?

10 A. We've expanded a lot more lines. And
11 I think at that time we only had about 600
12 customers.

13 Q. Okay.

14 A. Maybe five -- 590, something like
15 that, and we're up to 975, something in that area.
16 It fluctuates.

17 Q. And you've said you're happy with the
18 service provided by -- by Carrollton Utilities?

19 A. Absolutely.

20 Q. So you, in your mind, the -- I mean,
21 it's a doubling of costs and it is over 17 years
22 the costs have gone up. But you're -- but you are
23 satisfied that that increase is justified?

24 A. Yes, I do.

25 Q. You're getting what you're paying

1 for?

2 A. Yes.

3 Q. You think so?

4 A. Yes, I do.

5 Q. Okay.

6 A. Do we like paying higher costs? No.
7 I don't think anybody does, but it's the nature of
8 the beast.

9 Q. Sure.

10 A. We don't -- we don't have to buy --
11 we don't have to have any equipment. We don't have
12 any office space. We don't have any manpower.

13 Q. Uh-huh.

14 A. And there is no way that West Carroll
15 could financially go out there and establish an
16 office and experienced people and get the results
17 that we're getting.

18 CHAIRMAN SCHMITT: Would you be
19 willing to make a video so that we could
20 show that to the -- to the districts --
21 to some other districts that are
22 similarly situated? I'm sure Carrollton
23 would love it because it's a -- they
24 might go across the state managing
25 districts.

1 Q. All right. So has anyone from
2 Carrollton, Mr. Osborne, anybody else -- have they
3 said that -- have they tied any of these rising
4 costs directly to water loss in your system?

5 A. No, not that I know of.

6 Q. Okay. So when they -- when they come
7 to you and say, costs -- and I know costs have
8 stayed steady for a few years. But before when
9 costs went up, how did -- what did they tell you?
10 How -- how did they break it down to the board?

11 A. Operational costs, purchased water.
12 I have our breakdown of it here. How is it you can
13 never put your hands on it when you need it?

14 Let's see. The breakdown of the
15 agreement: Meter readings about -- almost 15,000,
16 customer service about \$800, maintenance to the
17 mains about 31,000. They allow -- allow 6,000 for
18 the truck, 9,000 for equipment, general maintenance
19 56,000, operating supplies 500. Accounting and
20 office labor is about 28,000. And, of course, the
21 FICA on the commissioner's checks, 13.8, employee
22 benefits, 4600, employee benefits six pay -- sick
23 pay, and that's the allocated employees --

24 Q. Right.

25 THE WITNESS: Is that correct, Bill?

1 Correct me if I'm wrong.

2 A. -- 4489, benefits and vacation 4851.

3 Q. Right.

4 A. Re -- let's see. Insurance 43.7,
5 retirement 30,700. Education and training, there's
6 \$1,000 allocated for that so --

7 Q. I -- I'm sorry. You didn't go over
8 some of those numbers before. So I'm sorry about
9 but --

10 A. Yeah.

11 Q. -- but -- they tell you exactly where
12 each increase from the last --

13 A. Yeah.

14 Q. -- and they justify that to you and
15 the board?

16 A. Yes.

17 Q. Okay. Do you -- is it right that
18 Carrollton Utilities employs a grant writer that
19 assists you-all? Is that true?

20 A. No.

21 Q. Do you -- so in -- in terms of
22 funding requests, do you -- they -- how do you know
23 what they do? Do they just tell you they prepared
24 a grant or request?

25 A. We go through RD and KIA and then

1 block grant.

2 Q. But they -- they handle all of those
3 requests --

4 A. Yes.

5 Q. -- for you --

6 A. Yes.

7 Q. -- in West Carrollton?

8 So I think it's clear as you --
9 you've reiterated Carrollton Utilities is involved
10 in every facet of this operation?

11 A. Yes, they are.

12 Q. I know you've expressed some
13 willingness to consider it. What -- what reason is
14 there against merger at this point, in your mind?

15 A. I -- I don't have any opinion one way
16 or the other. I'm open-minded.

17 Q. Uh-huh.

18 A. I would be willing to do what's in
19 the best interest of the community as a whole, not
20 just West Carroll and not Carrollton Utilities,
21 looking at the whole picture. So I -- I'm not
22 opposed to or against -- or -- or for one way or
23 the --

24 Q. Right.

25 A. -- other. I would just -- I would

1 want to look at the overall benefit of that
2 possibility.

3 Q. Would you agree that a -- a merged
4 entity between those two -- there would be an even
5 greater incentive to fix the water loss problem?

6 A. Yes.

7 MR. McNEIL: That's all I have,
8 Chairman.

9 CHAIRMAN SCHMITT: All right. I -- I
10 have another question, if I can butt in
11 here.

12 How does -- how is the billing
13 handled? Do the -- Carrollton Utilities
14 supplies the water. They do the billing?

15 THE WITNESS: Yes.

16 CHAIRMAN SCHMITT: Correct?

17 THE WITNESS: Yes.

18 CHAIRMAN SCHMITT: And then when the
19 bill goes out, does the bill go then back
20 to Carrollton Utilities?

21 THE WITNESS: Yes.

22 CHAIRMAN SCHMITT: And they manage
23 the money. And then when -- after they
24 recovered what they're entitled to
25 pursuant to the contract, they write

1 checks to you. They write checks to West
2 Carroll. I mean, apparently they -- your
3 checks that you get -- your \$150 a month,
4 that comes from them; right?

5 THE WITNESS: No.

6 CHAIRMAN SCHMITT: No.

7 THE WITNESS: Comes from West
8 Carroll. They collect the funds, and
9 then it goes into an account for West
10 Carroll.

11 CHAIRMAN SCHMITT: So you get -- West
12 Carroll gets over and above every month
13 what -- what Carrollton Utilities gets
14 under the contract?

15 They bill. They collect. And then
16 once -- once they've reached the amount
17 that they're entitled to for performing
18 under agreement, they send the check or
19 it goes electronically or something into
20 West Carroll's bank account?

21 THE WITNESS: They cook -- they
22 collect our -- they bill.

23 CHAIRMAN SCHMITT: Yeah.

24 THE WITNESS: They collect.

25 CHAIRMAN SCHMITT: Right.

1 THE WITNESS: Our -- the collections
2 for West Carroll goes into an account --

3 CHAIRMAN SCHMITT: For West --

4 THE WITNESS: -- for West --

5 CHAIRMAN SCHMITT: -- Carroll.

6 THE WITNESS: -- Carroll.

7 CHAIRMAN SCHMITT: Yeah.

8 THE WITNESS: West Carroll, at the
9 end of the month, writes checks. And I
10 have an example --

11 CHAIRMAN SCHMITT: And then you'll
12 write a check back to --

13 THE WITNESS: Back to --

14 CHAIRMAN SCHMITT: -- Carroll?

15 THE WITNESS: -- Carrollton Utilities
16 for their maintenance agreement, for the
17 purchased water, so on and so forth, yes,
18 sir.

19 CHAIRMAN SCHMITT: All right. So
20 they collect it. But the -- the money
21 comes to you -- your group and then
22 basically you write checks back?

23 THE WITNESS: Correct.

24 CHAIRMAN SCHMITT: Rather than them
25 collecting and just keeping it --

1 THE WITNESS: They --

2 CHAIRMAN SCHMITT: -- and giving you
3 what's left over?

4 THE WITNESS: Correct. Yes.

5 CHAIRMAN SCHMITT: All right. Thank
6 you.

7 Ms. Honaker?

8 MS. HONAKER: I just have a couple of
9 little clarifications.

10 CHAIRMAN SCHMITT: All right.

11 -----

12 REEXAMINATION

13 BY MS. HONAKER:

14 Q. Mr. Park asked you earlier about
15 being able to provide like safe and reliable water
16 that would -- that if you couldn't do that, that
17 would hinder you in your customer density.

18 West Carroll -- do they have safe and
19 reliable water?

20 A. Absolutely.

21 Q. Okay. And you were talking earlier
22 about the loss -- the line loss, and you said, I
23 think, that there was 24 gallons per minute.

24 A. Correct.

25 Q. And that's over your entire system,

1 the 108 miles; correct?

2 A. Yes.

3 Q. That's the aggregate of what's over
4 that 15 percent?

5 A. Yes.

6 Q. And do you know what the dollar
7 amount of that -- of that loss is above 15 percent?

8 A. \$23,000.

9 Q. So we're talking about \$23,000 a year
10 is what is extra in your water loss?

11 A. Yes.

12 Q. Okay.

13 MS. HONAKER: Nothing further.

14 CHAIRMAN SCHMITT: I see your point.

15 Anything, Mr. --

16 MR. PARK: I think just one quick
17 follow-up.

18 -----

19 REEXAMINATION

20 BY MR. PARK:

21 Q. What is the source of that \$23,000
22 figure?

23 A. What do you mean?

24 Q. Is this based upon the results from
25 2018? Is it based upon the results of the first

1 five months of 2019?

2 MR. OSBORNE: Can I answer?

3 CHAIRMAN SCHMITT: Well, yeah, we'll
4 ask you, but it'd be good to know now
5 just for --

6 THE WITNESS: I'm going to defer
7 to --

8 CHAIRMAN SCHMITT: -- the heck of it.

9 THE WITNESS: -- Mr. Osborne.

10 MR. OSBORNE: It was 2018 -- it was
11 the entire 2018.

12 CHAIRMAN SCHMITT: 2018 year?

13 MR. OSBORNE: Yeah.

14 Q. As to how it is calculated, we'll get
15 to Mr. Osborne.

16 A. Okay. Sorry.

17 CHAIRMAN SCHMITT: Sometimes we have
18 to go outside the lines --

19 MR. PARK: That's all I have.

20 CHAIRMAN SCHMITT: -- here just to
21 make it make sense.

22 Thank you.

23 MR. PARK: I have nothing further.

24 CHAIRMAN SCHMITT: May this witness
25 be --

1 MR. PARK: Yes, Your Honor.

2 CHAIRMAN SCHMITT: -- be excused?

3 Okay. So you may step down. Thank
4 you.

5 You may call your next witness.

6 MR. PARK: Yes. Commission would
7 like to hear from Mr. Chris Rose.

8 CHAIRMAN SCHMITT: Mr. Rose, please
9 raise your right hand.

10 Do you solemnly swear or affirm under
11 the penalty of perjury that the testimony
12 you're about to give will be the truth,
13 the whole truth, and nothing but the
14 truth?

15 MR. ROSE: I do.

16 CHAIRMAN SCHMITT: You may be seated.
17 Ms. Honaker.

18 CHRISTOPHER ROSE,
19 after having been duly placed under oath, was
20 examined as follows:

21 EXAMINATION

22 BY MS. HONAKER:

23 Q. Good afternoon. Can you state your
24 name and your business address for the record,
25 please?

1 A. Chris Rose with Carrollton Utilities,
2 900 Clay Street, Carrollton, Kentucky.

3 Q. Okay. And -- so you're employed with
4 Carrollton Utilities. Explain what your
5 relationship is with West Carroll --

6 A. I --

7 Q. -- Water District.

8 A. I am the superintendent for
9 Carrollton Utilities, and a portion of my time is
10 spent organizing, prioritizing, managing,
11 supervising the -- the crew that we have dedicated
12 to the West Carroll side.

13 Q. And did you cause certain data
14 responses to be filed into the record of this
15 proceeding?

16 A. Correct.

17 Q. Do you have any corrections to make
18 to any of those --

19 A. No, ma'am.

20 Q. -- responses?

21 If I asked you those same questions
22 today, would your answers be the same?

23 A. Correct.

24 Q. And is it your desire and intent to
25 incorporate those into the record of this

1 proceeding?

2 A. Yes.

3 MS. HONAKER: You can tender the
4 witness for questioning.

5 CHAIRMAN SCHMITT: All right.

6 -----

7 EXAMINATION

8 BY MR. PARK:

9 Q. Good afternoon.

10 A. Good afternoon.

11 Q. How -- how long have you been
12 superintendent at Carrollton Utilities?

13 A. 20 years.

14 Q. Okay. And you indicated that a
15 portion of your time is spent on managing the West
16 Carroll Water District system; is that correct?

17 A. Correct.

18 Q. And you mentioned a dedicated crew?

19 A. Correct.

20 Q. So you have specific employees
21 assigned just to -- to that system?

22 A. Correct.

23 Q. To what extent do you share crews or
24 move people around, share equipment? In other
25 words, is the system operated as a single system?

1 A. It -- it is operated really as a
2 single system. We have a dedicated crew to that
3 side. We've got equipment that all crews share,
4 being water, gas, and -- and sewer in utility.
5 We've got all the equipment necessary to get
6 whatever equipment we need at whatever time in any
7 place.

8 Q. Approximately how many water -- or
9 employees on the water side does Carrollton Utility
10 have?

11 A. We have 14 certified distribution
12 operators.

13 Q. 14. And did I see there's an
14 engineer on staff as well?

15 A. Three.

16 Q. Three engineers. Also is it correct
17 the Carrollton Utilities purchased a meter test
18 bench?

19 A. Correct.

20 Q. Testing its own meters?

21 A. Correct.

22 Q. And how long has it had a meter test
23 bench?

24 A. Just got it certified a couple of
25 months ago, so brand-new at it.

1 Q. And I -- I believe I was confused
2 earlier. But just to clarify, the dis -- or the
3 Carrollton Utilities only operates its own system
4 as well as West Carroll --

5 A. Correct.

6 Q. -- is that correct?

7 A. (Witness nods head.)

8 Q. Has -- and this may be a question for
9 Mr. Osborne. But are you aware of whether
10 Carrollton Utilities has ever acquired another
11 private or public water system?

12 A. No.

13 CHAIRMAN SCHMITT: No, they haven't,
14 or you don't know?

15 THE WITNESS: No, that -- not to my
16 knowledge.

17 Q. From an operational standpoint, is
18 there any further integration that you think could
19 be of benefit to the district or Carrollton
20 Utilities?

21 A. I think you may have to restate the
22 question.

23 Q. Is there anything else you-all can do
24 operationally to make the whole system more
25 efficient?

1 A. As a whole, the system is -- is
2 efficient.

3 Q. Okay.

4 A. If you look at the system as a whole,
5 from what all of our operators operate, our -- our
6 water loss is below the 15 percent requirement.
7 Together, combined, Carrollton Utilities and West
8 Carroll's is about 12 percent.

9 Q. What is -- what's --

10 A. However --

11 Q. -- the --

12 A. -- you have to look at West Carroll
13 off -- off to the side.

14 Q. And what is Carrollton Utilities own
15 loss percent on its --

16 A. Less than 5 percent.

17 Q. Less than 5.

18 A. (Witness nods head.)

19 Q. And you said combined it was roughly?

20 A. 11.

21 Q. 11.

22 A. Or 12.

23 Q. In your opinion, do you think
24 Carrollton Utility has sufficient leak detection
25 equipment for the systems it manages?

1 A. We -- we take a lot of pride in
2 staying on top of -- as top on the game as we can
3 as far as training goes and technology goes, so
4 yes.

5 Q. And Ms. Edwards mentioned a
6 collaborator?

7 A. Correlator.

8 Q. Correlator. Okay.

9 A. Collaborator.

10 Q. Correlator. Okay. And what is a
11 correlator?

12 A. Sound correlator is a device that you
13 place on a water main in two different locations.
14 You correlate it by sound up and down the main and
15 it pinpoints a leak.

16 Q. Ms. Edwards testified at -- about a
17 line with a lot of particular problems. I think it
18 was on -- along that highway on -- along the Ohio
19 River, Highway 30 --

20 A. 36.

21 Q. -- 36, I think. And she discussed
22 that you-all had looked at or tried different kind
23 of pipes.

24 Are there any other solutions you-all
25 are looking at for that difficult section?

1 A. A -- a solution, of course, would be
2 replacement. A lot of the issue we see in that
3 area and in a lot of those -- a lot of the areas
4 where we have this, you know, I -- I guess issue
5 due to geography, we see a lot of lines that was
6 installed with improper bedding. We've got a lot
7 of rock on that side of the county. So, yeah, in
8 long-term, it's going to need to be replaced.

9 Right now we're replacing small
10 sections of it the best we can. If we find a leak
11 area, we have -- say we have two leaks in that
12 area. We'll go back in and replace 3 to 500 foot
13 of that main in that section and try to improve the
14 area. Like I say, every time we do that, it
15 just -- it pops up somewhere else.

16 Q. Do you know whether the cost of
17 replacing that whole line as opposed to doing it
18 piecemeal -- has that been -- has there been any
19 cost estimates done?

20 A. Complete -- yeah. Yeah, we've done
21 cost -- come up with cost analysis on replacing
22 the -- the entire line. And, of course, it's --
23 with the water loss, you know, calculations -- or
24 the -- the figures and dollar value to the water
25 loss to replace those sections of lines, you know,

1 it -- it's like a 90-year payback. So it just --

2 Q. So the cost benefit analysis --

3 A. Right.

4 Q. -- in your opinion, does not warrant
5 the --

6 A. Correct.

7 Q. -- the cost of replacing that?

8 A. Correct.

9 Q. In your opinion, what's the main
10 cause of the district's water loss levels?

11 A. Geography is a lot of it, improper
12 bedding on the original parts back in 1976 when it
13 was installed. Not sure if the design
14 specifications didn't call for proper bedding or
15 resident inspector wasn't doing his job at that
16 time. But, like I say, we're -- a lot of this -- a
17 lot of the main line that we're digging up has got
18 very large rock and -- on top of it or sitting on
19 top of rock ledges with no sand around it
20 whatsoever.

21 Q. Do you know how many miles of -- of
22 that particular line you're talking about in --
23 laid out in --

24 A. That particular line down Highway 36
25 is about six miles long.

1 Q. Six miles.

2 A. Of course, out of 109 miles, that's a
3 small chunk of it. But we have our -- we do have
4 other designated areas. I think we included those
5 in that capital improvement plan that we submitted.
6 There's other areas there that are -- you know,
7 another probably 20 percent of the system that's
8 very similar.

9 Q. You mentioned a capital improvement
10 plan. Which -- what -- what are you referring to?

11 A. Top capital projects that we -- that
12 we had listed. I think you-all had requested -- I
13 had a data request for maybe operators or -- or
14 somebody's capital improvement plan.

15 Q. And who would have -- who -- it's not
16 Carrollton Utilities. It's one specifically for
17 the district or is it for systemwide or --

18 A. It's specific to the district.
19 However, it was a plan we developed -- or it was a
20 list of projects we developed just for the data
21 request.

22 Q. Okay. Does Carrollton Utilities have
23 specific personnel dedicated to -- to leak
24 detection or water loss prevention, or is it on
25 just a case-by-case basis?

1 A. We have two and a half -- two and a
2 half employees dedicated to that side, not in --
3 not including myself, and -- and both of those guys
4 are trained in leak detection. We perform leak
5 detection every single day.

6 Q. How long --

7 A. A lot of people probably say they
8 spend 20 hours a week. We spend 39 to 40 hours a
9 week doing nothing but leak detection. That is all
10 we do.

11 Q. What about the customer -- customer
12 meters on the district system? Are those -- what
13 -- average age of those? Do you have any idea?

14 A. Yeah. I mean, average age is less
15 than ten years. Of course, we have a ten --
16 ten-year change-out cycle.

17 Q. They're changed out after ten years?

18 A. Correct.

19 Q. Okay.

20 A. Pulled out, tested. If -- if they
21 meet the new lead free requirements -- of course,
22 anything after 2001 that Neptune did, so that'll be
23 our oldest meters. So --

24 Q. If they're pulled out --

25 A. -- 2001.

1 Q. If they're pulled out and tested
2 every ten years and they're okay and they're --

3 A. And they meet the --

4 Q. -- you put them back --

5 A. -- meet the requirements.

6 Q. -- in service?

7 A. Then we put them back in service,
8 correct.

9 Q. When those meters have been pulled
10 out have been -- to test -- tested, have there been
11 any undercounting or overcounting problems that
12 have emerged? I know some districts, a lot of
13 their water loss may just be they're not metering
14 what they're selling correctly.

15 A. No. The -- I'm going to say 90
16 percent of our meters come back from testing and
17 have passed successfully. We have a small minute
18 amount, somewhere under 10 percent, that stop
19 working during the test. We have a feeling that's
20 due to the prolonged life span on the shelf after
21 being pulled out. We will not send a meter out
22 immediately after we pull that meter out. We
23 send -- have been sending them to a third party in
24 the past, so we would wait till we got 50 to 100
25 meters in stock before we sent out a batch of

1 meters for testing.

2 Q. And I assume Carrollton Utilities
3 maintains an inventory of meters for when it needs
4 to go out and replace?

5 A. Correct.

6 Q. And the master meters at the purchase
7 points, those are tested annually; is that --

8 A. Uh-huh.

9 Q. -- correct?
10 And has --

11 A. Correct.

12 Q. -- any problems been detected with
13 those?

14 A. No, no problem's been detected with
15 those. And that's done by a third-party source as
16 well.

17 Q. And I believe we've heard testimony
18 that the district system is divided into zones and
19 that there are meters that are flow monitored to
20 determine if there's any anomalies; is that
21 correct?

22 A. Correct.

23 Q. And how many zones is the district
24 divided into?

25 A. Off the top of my head, I'm not 100

1 percent sure. Somewhere between six and eight
2 zones that -- that we can currently monitor with
3 our scan system, and we can break it down further
4 with -- with more valving and monitoring meters.

5 Q. Is that something that's being
6 considered at this point: Further dividing the --
7 the district for leak detection purposes?

8 A. And -- and that is currently ongoing,
9 yes.

10 Q. Are there any plans to put any
11 additional bypass meters or -- or --

12 A. We have plans right now --

13 Q. -- telemeters?

14 A. -- to -- to put -- to meter two zones
15 that have not been metered prior. We've got two --
16 a plan for two of those to be installed. And then,
17 of course, anytime we are somewhere in an area
18 where we're -- we're having a lot of trouble, we'll
19 add an additional valve and monitoring meter in
20 that area.

21 Q. Okay.

22 A. We're trying to make that routine
23 practice.

24 Q. Does the district experience much of
25 a problem with theft on its system?

1 A. No. There's only been a couple of
2 cases to my knowledge.

3 Q. Do you know what the procedure is
4 when a -- when an incident of theft is identified?

5 A. Notifications to authorities,
6 prosecution -- pros -- prosecution with the county
7 attorney's office.

8 Q. And the county attorney has pursued
9 that?

10 A. Yes.

11 Q. What about the -- the fire department
12 usage, the -- I believe the fire departments are
13 required to give you-all usage reports; correct?

14 A. Correct.

15 Q. And do -- does -- do you-all have any
16 issues with fire departments using Carrollton
17 system providing reports?

18 A. No.

19 Q. Okay.

20 A. No issues.

21 Q. How does Carrollton Utility manage
22 its water purchases on behalf of the district from
23 the multiple suppliers?

24 A. How do we manage it?

25 Q. Uh-huh. Like, who do you decide to

1 purchase from? I mean, how -- how does that work?

2 A. Mill -- the Milton system -- one of
3 three systems that West Carroll operates is -- is
4 what we call the Milton system. It is a totally
5 disconnected system off to itself.

6 Q. Okay.

7 A. We have no other means of getting
8 water there. We've looked at interconnecting that
9 system and it's just not feasible cause -- you
10 know, due to costs.

11 Our Henry County system and Carroll
12 County systems are interconnected. However, we --
13 we cannot purchase enough water through the Henry
14 County master meter to serve all of our Carrollton
15 customers. So original -- so, naturally, the bulk
16 of the water comes from Carrollton.

17 Q. And following a periodic inspection
18 in 2017, Public Service Commission cited the
19 district for having water loss in excess of 15
20 percent.

21 A. Correct.

22 Q. In response to that inspection
23 report, commission staff received a letter from you
24 that provided an explanation for the excess water
25 loss and a statement of steps to reduce water loss.

1 Do you recall that?

2 A. Yeah.

3 MR. PARK: May I approach, Your
4 Honor.

5 CHAIRMAN SCHMITT: Yes, you may.

6 Q. Mr. Rose, is this the response that
7 you sent to commission staff on behalf of the
8 district following the 2017 inspection?

9 A. Yes, it is.

10 MR. PARK: I'd like to move to
11 introduce this as Staff's Exhibit 2.

12 CHAIRMAN SCHMITT: Any objection?

13 MR. McNEIL: No objection.

14 CHAIRMAN SCHMITT: Then let it be so
15 admitted.

16 Q. And is there any -- was there any
17 effort to -- to track the district's progress in
18 meeting the water loss reduction measures outlined
19 in this letter?

20 Like, is somebody responsible for --
21 in -- in other words, doing a scorecard, if you
22 will, on how the district's doing meeting what's
23 outlined in this letter?

24 We'll give you just a --

25 A. We -- we present this -- well, we

1 present this to the board on a routine basis. The
2 board continually reviews our progress. But as far
3 as scorecard being kept, no.

4 Q. Ms. Edwards testified regarding a
5 water loss prevention and leak detection program
6 adopted by the board in 2015. Are you aware of
7 that?

8 A. Correct.

9 Q. And did you have any role in
10 preparing that?

11 A. Originally I did not. I have made
12 several revisions to the document.

13 Q. And the -- the copy we had indicated
14 it had been revised in January 2019.

15 A. Correct.

16 Q. What was -- what was revised? Or
17 what were -- what were the revisions in 2019?

18 A. Revision was made due to the purchase
19 of a listening device and the sound correlation
20 devices to add those in there as methods.

21 Q. Following staff's periodic inspection
22 in 2018, staff again cited the district for having
23 an excess of 15 percent water loss.

24 And, again, in response to that
25 inspection report, you provided a letter to

1 Commission staff regarding explanation for water
2 loss and steps that the district was going to take.
3 It also referenced a water loss audit performed
4 using AWWA, the audit software.

5 Are you familiar with that?

6 A. I am familiar with it, but
7 Mr. Osborne is an expert in it.

8 Q. Okay. We will -- we will speak to
9 Mr. Osborne about that.

10 MR. PARK: May I approach, Your
11 Honor?

12 CHAIRMAN SCHMITT: Yes, you may.

13 Q. Mr. Rose, is this a copy of the
14 letter you sent to the Public Service Commission
15 staff on behalf of the district in response to the
16 2018 inspection?

17 A. Yes, sir.

18 Q. And if you would compare this
19 exhibit -- Staff Exhibit No. 3 --

20 MR. PARK: Did I -- did I move to
21 introduce? If I didn't, I'd like to move
22 to introduce this as Staff Exhibit 3.

23 CHAIRMAN SCHMITT: Sustained.

24 Q. And if you would quickly compare the
25 2018 letter with the 2017 letter.

1 A. Uh-huh.

2 Q. Other than the inclusion of the
3 discussion of the water audit in 2018, are these
4 pretty much substantially the same?

5 A. Areas of repair is different.

6 Q. Areas of repair and that steps to
7 reduce water loss?

8 A. Correct. Values are different and
9 the water audit.

10 Q. And which values are different?

11 A. The cost values.

12 Q. Where do you see that?

13 A. Step 3's water loss, value of
14 unaccounted for water.

15 Q. And attached to your 2018 letter is a
16 letter from R -- RCAP. Are you familiar with that?

17 A. Correct.

18 Q. And what is this letter?

19 A. This is a verification of the data,
20 third-party verification of the water audit.

21 Q. Of the audit. Who performed the
22 audit?

23 A. Carrollton Utilities.

24 Q. Carrollton Utilities did. And so I
25 will ask Mr. Osborne further questions about the

1 audit.

2 And you attend the board meetings of
3 West Carroll Water District?

4 A. Correct.

5 Q. And do you make any presentation?

6 A. Correct, every meeting.

7 Q. Does Mr. Osborne attend as well?

8 A. Correct.

9 Q. And regarding the water loss
10 prevention and leak detection program adopted in
11 2015, the report states that "The district intends
12 to read meters at a more consistent pace and time
13 and to minimize swings in billing cycles."

14 Why -- why is that important?

15 A. Master meters are read by one crew.
16 Meter reading's done by another crew. Trying to
17 get those on a more consistent basis so that we
18 don't get those ups and downs of cycle errors. You
19 may get a master meter reading that's 30 days
20 apart, yet your billing cycle could be anywhere
21 from 25 days to 35 days apart.

22 Q. And why is that -- why is that
23 important?

24 A. Important just to track water loss --

25 Q. More accurately --

1 A. -- more accurately.

2 Q. -- track water loss?

3 A. Correct.

4 Q. And has the district made progress
5 toward that goal?

6 A. Yes.

7 Q. And what is that progress?

8 A. Progress has been doing it on a more
9 routine schedule. If we have to black out and do
10 the master meter readings at a different time to
11 correlate with our actual customer meter reading,
12 then -- then that's what we do.

13 Q. Would you consider this measure to
14 have been met, then?

15 A. Correct.

16 Q. The report states that "The district
17 intends to read meter" -- I'm sorry. I
18 apologize -- "intends to improve its recording and
19 data analysis"; is that correct?

20 A. That's correct.

21 Q. And what steps has Carrollton
22 Utilities taken to meet that goal?

23 A. Installed data logging regular read
24 type meters and -- in those master meter areas.

25 Q. And the SCADA system that Carrollton

1 Utilities uses, is it in pretty good shape,
2 up-to-date, and --

3 A. Top of the line.

4 Q. Top of the line.

5 What is the status of efforts to
6 improve the district's GIS mapping?

7 A. We -- we've got top of the line GIS.
8 We try to keep it up-to-date as possible. We've
9 got the -- the entire system mapped, all the meters
10 mapped, all the active accounts, all the inactive
11 accounts, all the service lines --

12 Q. So that is --

13 A. -- all the valves, hydrants,
14 monitoring meters. Everything's mapped. And we
15 try to map the location of every single leak.

16 Q. So you're satisfied that that goal is
17 also --

18 A. That will be ongoing, but yes.

19 Q. Ongoing. Okay.

20 The program states that "The district
21 has begun -- begun a more regimented -- regimented
22 system and schedule of leak detection."

23 And what does that involve?

24 A. That involves leak detection every
25 single day. That's really what that -- that is --

1 that is implying.

2 Q. Has that made an improvement?

3 A. I -- yes, not on paper. But if we
4 didn't look for leaks every day, we'd have -- we'd
5 have areas that would be without water.

6 Q. The program identifies the three
7 multijurisdictional capital projects. Would
8 Mr. Osborne be the --

9 A. No.

10 Q. Okay. Countywide Underserved,
11 Project Carroll County Interconnect, and Focus on
12 Core Mission --

13 A. Uh-huh.

14 Q. -- do these projects contribute to
15 water loss detection or loss prevention?

16 A. Yes.

17 Q. And how did each of these projects
18 contribute to those goals?

19 A. Do you want me to do it by project or
20 a sum of them all?

21 Q. Project by project. County
22 Underserved.

23 A. Countywide -- Countywide Underserved
24 we replaced a section of aged duct water main that
25 come out of a booster station that was on a high

1 pressure line. Over the past -- the prior two
2 years prior to that we'd had about 30 main breaks
3 on it, a lot of significant water loss in that
4 area. We replaced that section of duct waterline.
5 I want to say it was about 6800 feet, something in
6 that neighborhood. It had an aging booster there
7 at that location that itself was springing leaks.
8 That booster was replaced as well as adding an
9 additional booster on Kings Ridge.

10 Q. And which -- which utilities or
11 jurisdictional entities were involved in that?

12 A. Underserved is West Carroll and
13 Carrollton Utilities.

14 Q. Okay. And what was the Carroll
15 County Interconnect Project and how did it
16 contribute to reaching the goals of water loss
17 prevention or leak detection?

18 A. Carroll County Interconnect Project
19 was multijurisdictional. It was Carroll County
20 Water District, Carrollton Utilities, and West
21 Carroll. The West Carroll portion of that one, I
22 believe, was our SCADA system. At the time we had
23 an aging SCADA system that give us bare minimum
24 information. That's when we upgraded the bulk of
25 the -- of the SCADA system.

1 Q. And the focus on Core Mission
2 Project, what -- how -- how did that contribute to
3 the water loss prevention goals?

4 A. Focus on core was soft starts and
5 DFDs throughout the entire system, really looking
6 at water hammer as one of the culprits as well as
7 providing a different connection point for
8 Carrollton Utilities to its tanks, which overall
9 lowered system pressure by about 30 psi.

10 Q. Which would reduce --

11 A. Which reduces --

12 Q. -- the amount of water going out of
13 them?

14 A. Correct.

15 Q. Okay. And which entities -- I
16 apologize if you've already said. But which
17 entities were involved in that?

18 A. Carrollton Utilities and West
19 Carroll. I don't remember if Carroll County was in
20 that one or not.

21 Q. And these are joint projects in terms
22 of the financing?

23 A. Correct, yes. Each entity's
24 responsible --

25 Q. Responsible --

1 A. -- for its portion.

2 Q. The water loss program states that
3 "The district does not have enough valves,
4 particularly in locations beneficial to leak
5 detection, and that the district would begin
6 identifying appropriate locations and has begun
7 installing valves on a priority basis."

8 What is the -- what is the status of
9 that effort?

10 A. That effort is ongoing. Since that's
11 been added to the program several years back, we've
12 probably installed another 15 or 20 valves in the
13 system in those areas where we have -- that are
14 prone to leaks.

15 Q. Has that assisted Carrollton
16 Utilities to identify additional leaks?

17 A. It has, yes.

18 Q. Has it -- has the cost of those
19 valves -- rather, has the benefit provided in leak
20 detection justified the cost of those valves?

21 A. I -- I would say, yes.

22 Q. And it's an ongoing benefit?

23 A. Correct.

24 Q. Program refers to prioritizing
25 locations for additional leak detection meters; is

1 that correct? How -- how's --

2 A. That is correct.

3 Q. What's the status of that effort?

4 A. Well, we'll talk about -- talk about
5 the Highway 36 area. Prior to the program, we had
6 essentially two areas that we could break down
7 there. We've now broken that section down into
8 nearly a dozen separate pieces by adding additional
9 valves and monitoring meters.

10 Hardy Creek is another one of our
11 areas in need of improvement. And we went from
12 one -- one zone there into being able to -- breaking
13 it down into six zones.

14 Q. So you target those locations with --

15 A. Correct.

16 Q. -- the worst problems?

17 A. Correct.

18 Q. The program states "The district has
19 begun to prioritize distribution mains that
20 experience multiple leaks for replacement."

21 What is the status of that effort?

22 A. The status of that effort was the
23 underserved project -- or -- yeah, underserved when
24 we replaced the -- the failing booster line out of
25 the booster station. After doing the cost analysis

1 for some of the other lines, that's when we backed
2 up and said, Okay. It's not feasible to replace
3 the entire main and, you know, make the -- the rate
4 payor burden that cost. So we decided to replace
5 those smaller sections of line in -- in phases of 2
6 and 300 to 500 foot at a time.

7 Q. And that's based upon a cost benefit
8 analysis of the cost of replacing the whole --

9 A. Correct.

10 Q. -- versus doing it on a piecemeal
11 reactive basis?

12 A. Correct.

13 Q. What can be done, in your opinion, to
14 improve water loss efforts of -- of Carrollton
15 Utilities on behalf of the district if -- if all of
16 a sudden there was a lot more funding -- a
17 surcharge funding?

18 A. Yeah, it would have to be something
19 to that extent, I mean, because as far as manpower
20 and -- and as far as looking for leaks and the
21 technology involved with finding leaks and having
22 the knowledge in the field to do it, we've got all
23 the means necessary to make that happen.

24 Q. So infrastructure would be --

25 A. Infrastructure would be -- be the No.

1 1 thing.

2 Q. Okay.

3 MR. PARK: I have no further
4 questions.

5 CHAIRMAN SCHMITT: Okay. Just a few.
6 How many customers does -- does the
7 city of Carrollton utilities have for
8 water? How many water customers do you
9 have --

10 THE WITNESS: 2,000.

11 CHAIRMAN SCHMITT: -- not -- not
12 counting -- not counting West Carroll?

13 THE WITNESS: 2,000.

14 CHAIRMAN SCHMITT: 2,000. But you --
15 you also -- in addition to water, you
16 have waste water, sewer; right?

17 THE WITNESS: And natural gas.

18 CHAIRMAN SCHMITT: And natural gas.

19 THE WITNESS: Correct.

20 CHAIRMAN SCHMITT: And would that --
21 how many natural gas customers? Less
22 than 2,000 or more?

23 MR. OSBORNE: About 2,000.

24 CHAIRMAN SCHMITT: So what -- and
25 sewer would be what? About 2?

1 MR. OSBORNE: No. It's --
2 CHAIRMAN SCHMITT: More?
3 MR. OSBORNE: -- more.
4 THE WITNESS: About --
5 MR. OSBORNE: Five.
6 THE WITNESS: -- five.
7 CHAIRMAN SCHMITT: 5,000.
8 MR. OSBORNE: Yes, sir.
9 CHAIRMAN SCHMITT: Okay. Do you have
10 sewer customers in west -- in West
11 Carroll's water --
12 THE WITNESS: Yes.
13 CHAIRMAN SCHMITT: -- district?
14 THE WITNESS: Sewer and gas customers
15 over there as well.
16 CHAIRMAN SCHMITT: And -- and the
17 total number of employees you have in
18 your utility department are how many?
19 THE WITNESS: 35.
20 CHAIRMAN SCHMITT: Well, I was
21 impressed. I mean, you have three
22 engineers on staff; right? Correct?
23 THE WITNESS: Correct.
24 CHAIRMAN SCHMITT: So, I mean, I
25 don't know what your total payroll is,

1 but it's probably more than -- than most
2 rural water districts. I mean, they
3 don't want to pay anybody more than 35 or
4 \$40,000 --

5 THE WITNESS: Correct.

6 CHAIRMAN SCHMITT: -- for a general
7 manager. But -- but they all seem to
8 have not enough people, but they have
9 more customers than -- than you do,
10 which -- can you tell me what your --
11 what your rates are? What are the water
12 rates in the city of Carrollton?

13 THE WITNESS: We're -- we're sitting
14 in the top -- in the city of Carrollton?

15 CHAIRMAN SCHMITT: Yeah, just your --
16 your water rates --

17 THE WITNESS: In the city --

18 CHAIRMAN SCHMITT: -- in the city.

19 THE WITNESS: In the city of
20 Carrollton, we're probably down in the 25
21 to 30th percentile of the state.

22 CHAIRMAN SCHMITT: Well, if I said,
23 what -- do you have a minimum charge or
24 how much if I -- for 4,000 gallons of
25 water, what would a customer pay in a

1 month?

2 MR. OSBORNE: I'd say we'd be 32
3 probably.

4 CHAIRMAN SCHMITT: Okay.

5 MR. OSBORNE: That's off the cuff.

6 CHAIRMAN SCHMITT: Okay. All right.
7 Well, I mean, you've got a reasonable --
8 you've got a reasonable water bill. And,
9 on the other hand, West -- West Carroll
10 here is -- they're \$4,000 -- they're
11 4,000 gallons. I'm sorry.

12 They appear to have a -- have a
13 consumption charge of 20.48 for 4,000
14 gallons. Their rate per customer is
15 \$49.85. So it's substantially higher.

16 THE WITNESS: Correct.

17 CHAIRMAN SCHMITT: Okay. And the
18 difference is what? They have their
19 costs with respect to the number and
20 ratio to the number of customers is
21 higher; right?

22 There's some reason why you provide
23 the water but their costs are \$17 a month
24 more for the same amount of water.

25 THE WITNESS: Right. We -- we've got

1 2,000 customers within 15 blocks.

2 CHAIRMAN SCHMITT: Right.

3 THE WITNESS: They've got --

4 CHAIRMAN SCHMITT: Way out.

5 THE WITNESS: -- 1,000 customers
6 within 109 miles of line. So their
7 transportation, electric -- there --
8 there's a whole lot more costs in serving
9 those -- those rural customers.

10 CHAIRMAN SCHMITT: Okay. I have no
11 further questions.

12 Mr. McNeil.

13 MR. McNEIL: Just a couple.

14 First, can I move to introduce AG
15 Exhibit 1, if there are no --

16 CHAIRMAN SCHMITT: Okay.

17 MR. McNEIL: -- objections?

18 MS. HONAKER: No objection.

19 CHAIRMAN SCHMITT: Let it be so
20 admitted.

21 MR. McNEIL: Thank you.

22 -----

23 EXAMINATION

24 BY MR. McNEIL:

25 Q. Mr. Rose, good afternoon.

1 A. Good afternoon.

2 Q. You mentioned you attend every board
3 meeting -- West Carroll?

4 A. Correct.

5 Q. How much communication do you have
6 with the West Carroll board in between those board
7 meetings?

8 A. Myself personally, I -- I may talk to
9 a board member a couple of times a month throughout
10 -- throughout the month. However, general manager
11 talks -- talks more. And, of course, I -- I
12 communicate with the general manager seven days a
13 week.

14 Q. Okay. You -- you -- so he would
15 relay whatever important information --

16 A. If we had important information --

17 Q. -- they had?

18 A. -- that they needed to know,
19 absolutely, yeah, he would -- he would relay that
20 information.

21 Q. Okay. And I -- there's a -- a 2.5 --
22 is it two operators and half a meter reader? Is
23 2.5 --

24 A. We've got -- we -- we call it 2.5.
25 We've got 2.5 guys there --

1 Q. Right.

2 A. -- that provide customer service,
3 leak protection, and we've got a meter reader that
4 reads two months -- or two weeks out of the month.
5 Those -- those other two weeks she goes and works
6 at another designated place.

7 Q. Right. And is it correct, then, that
8 the other operators are available as needed --
9 other CU operators?

10 A. Absolutely.

11 Q. They are?

12 A. Yes.

13 Q. How -- can you tell me -- how often
14 do you need to call other operators in for water
15 loss issues or --

16 A. It happens time from -- you know,
17 time to time. If we get more than one leak going
18 on at once, we'll bring additional help over.
19 Couple of times a month probably.

20 Q. Just is that -- is the current
21 staffing level adequate, then, you think?

22 A. Yes.

23 Q. It is?

24 A. Yeah.

25 Q. I saw a mention of a new technique.

1 Maybe thermal imaging was being looked at. Can you
2 tell me anything about that?

3 A. We're still playing with it.

4 Q. Yeah.

5 A. We actually did buy a cheap thermal
6 imager, trying some thermal imaging in areas that
7 we can't -- can't necessarily walk or -- or get to.
8 Not had a lot of success with it yet, but we are
9 trying.

10 Q. Is that more cost effective than a
11 listening device, or is that more -- it can be used
12 in places --

13 A. That's more cost effective than a
14 listening device, yes.

15 Q. It is?

16 A. Yeah.

17 Q. Is it always easier to find things in
18 area -- areas where other methods might not work?

19 A. It's not been proven technology and
20 we're still trying it out so --

21 Q. Okay.

22 A. -- I can't say yea nor nay to whether
23 it's going to be beneficial. But we reach out
24 there and try just about anything we can try.

25 Q. The annual inspection and routine

1 inspection operation report that was submitted was
2 pretty robust. You feel that's followed? It --
3 it's always followed?

4 A. Yeah.

5 MR. McNEIL: Nothing further,
6 Chairman.

7 CHAIRMAN SCHMITT: Thank -- thank
8 you.

9 Ms. Honaker?

10 MS. HONAKER: I think I have one.

11 -----

12 REEXAMINATION

13 BY MS. HONAKER:

14 Q. We were talking about leak detection
15 and that you-all do that on a daily basis --

16 A. Yes.

17 Q. -- for West Carroll.

18 A. Correct.

19 Q. Why is it so hard to find leaks on
20 West Carroll's system?

21 A. Geography, terrain, again, looking
22 for that 24-gallon-per-minute leak over 110 miles.
23 Typically it's not large leaks. It's 2- to
24 3-gallon-a-minute leaks, very rocky terrain. We've
25 actually got one area of service territory that

1 we've had up to 20-gallon-a-minute leaks that did
2 not come to the top of the ground, never exposed
3 themselves. This area is -- is known for that.
4 And it's one of the areas we got prepared -- you
5 know, some -- some more valves and monitors,
6 putting that stuff in so --

7 Q. Okay. So it's more difficult to find
8 them on West Carroll's system than it is
9 Carrollton's system?

10 A. Absolutely.

11 Q. Okay.

12 MS. HONAKER: Nothing further.

13 CHAIRMAN SCHMITT: Anything further?

14 MR. McNEIL: I have nothing further.

15 CHAIRMAN SCHMITT: May this witness
16 be excused?

17 MR. PARK: Yes, Your Honor.

18 CHAIRMAN SCHMITT: Apparently the
19 hearing in the other room is over, so
20 before our last witness testifies, why
21 don't we take a 15-minute break and I'll
22 allow -- it'll allow the other
23 commissioners to come in and perhaps have
24 some questions to ask.

25 We'll be -- we don't have a clock

1 here, do we?

2 MR. PARK: It's hidden behind --

3 CHAIRMAN SCHMITT: Yeah, we do.

4 Let's take a break until 3:25 and then
5 come back and wrap up.

6 MS. HONAKER: Okay.

7 CHAIRMAN SCHMITT: Thank you.

8 (A break was taken.)

9 CHAIRMAN SCHMITT: Okay. We're now
10 back on record, and we've been joined by
11 Vice Chairman Robert Cicero seated to my
12 right and Dr. Talina Mathews to my left.

13 Okay. At this time, Mr. Park, do you
14 have another witness to call?

15 MR. PARK: Yes, Your Honor. Staff
16 would like to hear from Mr. Bill Osborne.

17 CHAIRMAN SCHMITT: Mr. Osborne,
18 please raise your right hand.

19 Do you solemnly swear or affirm under
20 penalty of perjury that the testimony
21 you're about to give will be the truth,
22 the whole truth, and nothing but the
23 truth?

24 MR. OSBORNE: I do.

25 CHAIRMAN SCHMITT: Please be seated.

1 Ms. Honaker.

2 BILL OSBORNE,

3 after having been duly placed under oath, was
4 examined as follows:

5 EXAMINATION

6 BY MS. HONAKER:

7 Q. Good afternoon, Bill. Can you state
8 your name and your business address for the record,
9 please?

10 A. Bill Osborne, Carrollton Utilities,
11 900 Clay Street, Carrollton, Kentucky.

12 Q. Okay. And so you're employed by
13 Carrollton Utilities. But what is your
14 relationship with WCWD?

15 A. I would say I'm basically an advisor
16 to the board.

17 Q. Did you cause responses to data
18 requests to be filed in this proceeding?

19 A. Yes.

20 Q. And do you have any corrections to
21 make to any of those responses?

22 A. No.

23 Q. If I were to ask you those same
24 questions, would your answers be the same?

25 A. Yes.

1 Q. And is it your desire and intent to
2 incorporate those responses into the record?

3 A. Yes.

4 MS. HONAKER: The witness can be
5 questioned.

6 -----

7 EXAMINATION

8 BY MR. PARK:

9 Q. Good afternoon, Mr. Osborne.

10 A. Good afternoon.

11 Q. What is your position with Carrollton
12 Utilities?

13 A. I'm the general manager.

14 Q. And how long have you held that
15 position?

16 A. I've been the general manager since
17 1999.

18 Q. Seems to be a good bit -- good bit of
19 stability at Carrollton Utilities.

20 A. Yes.

21 Q. And what is your role under the --
22 you -- you indicated that you serve as, in effect,
23 a financial advisor to the district. Is that your
24 role under the management agreement?

25 A. My background is engineering so I --

1 I would classify myself more as an engineering.
2 But in that role, I do financial calculations with
3 projects and -- and the like. So a typical hat
4 that you would see an engineer consultant wear.

5 Q. And when you say "financial
6 calculations," do you mean in terms of looking at
7 potential projects?

8 A. Projects, right.

9 Q. Equipment purchases?

10 A. Correct.

11 Q. And what sort of analysis do you do?

12 A. Well, they don't purchase much
13 equipment because we provide all the equipment
14 needed to operate the district through our
15 contract. So it's mostly project.

16 If there is a section of line that --
17 or a tank that needs to be painted, a booster pump
18 that needs to be repaired, then I assist in that
19 evaluation.

20 Q. And have you provided advice to the
21 district concerning the district's water loss?

22 A. Yes.

23 Q. And what has been the nature -- what
24 has been that advice or what -- how does that --
25 what shape has that taken?

1 A. Well, in the 20 years that I've
2 been -- I've been the -- the general manager for --
3 since '99. I -- I came on board in '98 as the
4 engineer for Carrollton Utilities, and at the time
5 we didn't have good data. So it took a while. You
6 really can't base water loss on a single month
7 because there is some variation between reading
8 your customer meters and reading your -- your
9 master meters.

10 So over time, you know, we began
11 to -- to work on the system, and there was a point
12 in time when we had that water loss close to
13 15 percent.

14 Q. When was that?

15 A. I -- I can't tell you the exact date.
16 I'd have to go back and look at the -- it was
17 several years ago. It hovered close to that
18 15 percent range. But as of late, as you have seen
19 through the data, the numbers have gone up.

20 Q. And what do you attribute that
21 increase in water loss to?

22 A. The system is older, you know, the --
23 the settling. Mr. Rose spoke about some of the
24 bedding. I don't know why that's occurred so much
25 in the recent years and why it didn't occur early

1 on, but we've seen -- it's -- it's been a lot more
2 difficult in recent years to -- to battle the water
3 loss.

4 Q. As the system continues to age, do
5 you anticipate there will continue to be increasing
6 problems or --

7 A. You know, I hope not.

8 Q. Uh-huh.

9 A. I -- I hope not. West Carroll is at
10 a disadvantage in that not two systems are the
11 same. I -- I see that from our system. When I say
12 "our," I may use our interchangeably here. And if
13 I do, you may have to correct me.

14 But with the Carrollton Utilities
15 system, as Chris stated, we're confined to a pretty
16 small area. Our water sales are much higher. We
17 have -- 50 percent of our sales are to large
18 customers. So we have twice the meters, but
19 they're in a smaller area.

20 Whereas West Carroll has 109 miles of
21 main, and those 1,000 -- actually less than 1,000
22 customers are spread over those 109 miles. Our
23 topography is as flat as the floor here in
24 Carrollton. But in West Carroll -- I grew up in
25 eastern Kentucky. If you -- if I plopped you down

1 in West Carroll, you would think you were somewhere
2 in eastern Kentucky. It's a hilly terrain. And so
3 we battle rocks, whereas it's all sand in
4 Carrollton.

5 So we have the perfect world. They
6 have the more extreme case and we see the evidence
7 of that every day.

8 Q. What do you think the biggest
9 obstacle is to reducing the water loss?

10 A. Those things I just mentioned.

11 Q. The geography -- the topography and
12 the age of the system?

13 A. Yeah. I think you have to
14 question -- and I -- and I don't come here to make
15 excuses. Our -- our -- we're charged with
16 achieving 15 percent. That's what we have to do.
17 And I don't want to sound like I'm making excuses,
18 but if you look at the literature, I'm -- it may
19 not be feasible to expect some systems to achieve a
20 15 percent water loss for those reasons I
21 mentioned.

22 So we don't want to be a defeatist.
23 We're going to work hard to achieve that, but as
24 Ms. Edwards said, we are between a rock and hard
25 place.

1 Q. So do you think that's a reasonable
2 goal?

3 A. It may not be, based on the
4 literature. And we had a water audit performed and
5 we submitted that in the record. That is the
6 direction of the American Water Works Association
7 as far as what states should look at. And I -- I
8 would suggest that that -- if you haven't taken a
9 look at that, that that would be something
10 advisable to do, especially for these rural
11 systems.

12 You should look, I think, at the
13 density of the customers. You know, we were
14 charged when I came on board to extending water
15 service to all Kentuckians. All -- all -- everyone
16 by 2020 should have water, and we've basically
17 achieved that in Carroll County, but there's an
18 additional cost to do that.

19 And to say you can't recover your
20 rates to do that, it -- you know, you've put us in
21 a tough position. If -- I mean, we're going to
22 fight to do that. And I think you -- if you look
23 at our minutes, you see how we're constantly
24 reporting on water loss. I -- I think that that's
25 the evidence of what we're doing. But I, frankly,

1 am not sure it can be achieved.

2 Q. What can be done that's not being
3 done currently to address water loss?

4 A. Well, we could replace.

5 Q. Replace.

6 A. We could replace these lines.

7 Q. That --

8 A. I mean, that's what it boils down to.
9 West Carroll has three elevated tanks, four booster
10 stations, 1,000 meters, and those things are all in
11 good shape. They have 109 miles that would --
12 could be -- could stand to be replaced, but the
13 cost of doing that is going to be borne by our
14 customers. And everything that we do, we look at
15 how that affects the customer.

16 Q. Mr. Rose testified previously about
17 the -- the water -- the written water loss program
18 and that one of the measures in that was to
19 prioritize potential replacement of distribution
20 mains.

21 A. Yes.

22 Q. And how far along in that process did
23 you get?

24 A. Well, you talked about those three
25 projects that -- that we've done. And those were

1 joint projects that we did with other water
2 systems. And really the reason that we did that is
3 because the city of Carrollton qualified for --
4 their economic conditions of -- of their customers
5 qualified for the lowest rates and KIA was awarding
6 principal forgiveness, which essentially is a grant
7 at 1 percent or less interest rate. So we jumped
8 on board with that.

9 We talked with the other water
10 districts in the area and included them in the
11 project. We replaced that line on -- on Gilgal,
12 it's called, that Chris spoke of where we had some
13 60 leaks I think he said in two years, which was
14 the worst area in the district at the time. And
15 they were able to do that with, again, principal
16 forgiveness and low interest rate, much more
17 favorable financing than what we could get through
18 Rural Development or any other means. So those are
19 the kind of opportunities we're looking for. Those
20 were three projects we did in five years.

21 Q. And which -- which project was it
22 that the --

23 A. I think the underserved project was
24 the main one that had the Gilgal line in it.

25 Q. Are there any -- well, strike that.

1 Let me back up.

2 In the sort of more
3 multijurisdictional projects --

4 A. Yes.

5 Q. -- in respect to this one project you
6 just mentioned --

7 A. Yes.

8 Q. -- is the city the applicant?

9 A. Yes.

10 Q. Okay.

11 A. Yes.

12 Q. And how is it determined who is
13 responsible for which portion of the -- the debt
14 service?

15 A. Well, we -- we split -- when we bid
16 the project, we know exactly what each area costs.
17 So Henry County Water District would be responsible
18 for the cost that, you know, we spend in their
19 district as would West Carroll in theirs.

20 Q. And what does the cost benefit
21 analysis of each of these projects involve?

22 A. Well, we look at the cost to replace
23 the line --

24 Q. Uh-huh.

25 A. -- the manpower that we spend working

1 over there, the water loss that the district -- I
2 mean, real -- the real issue for the district is
3 how much water do they save.

4 Now, you -- you mentioned a safe and
5 reliable water supply. And when you have that
6 amount of leaks, then we begin to look at a safe
7 and water -- safe and reliable water supply. And
8 so even though financially it would not have been
9 beneficial to do the project, but from a
10 reliability standpoint, we replaced the main.

11 Q. You felt it was necessary?

12 A. Absolutely.

13 Q. Are there currently any capital
14 projects that have -- that are in -- in process or
15 being developed or contemplated that involve the
16 district?

17 A. Yeah. I mean, in -- in the response,
18 Chris listed five projects.

19 Q. Uh-huh.

20 A. The Hardy Creek area --

21 Q. Uh-huh.

22 A. -- would be at the top of the list.

23 Q. Okay.

24 A. You mentioned the surcharge. The --
25 the value of that \$23,000 surcharge that we're

1 foregoing that's above our 15 percent, that would
2 pay for that project, but that project alone, I
3 mean, and that's a -- you know, in relation to the
4 whole district, that's a small portion. And we
5 would -- we would be raising the rates for our
6 customers. And so we have to look at is that
7 justifiable for our customer base, to replace this
8 section of line.

9 CHAIRMAN SCHMITT: Would that --
10 that -- if you had gotten -- if they had
11 gotten the rate, that extra \$23,000
12 anyway, the rate would have gone up
13 anyway, wouldn't it?

14 THE WITNESS: Absolutely, yes.

15 CHAIRMAN SCHMITT: So, I mean, if you
16 make -- and I'm not saying that -- the
17 surcharge might even be more than that --

18 THE WITNESS: Yes.

19 CHAIRMAN SCHMITT: -- that rate. But
20 if you just had the surcharge limited to
21 the rate they would have gotten but for
22 the water loss --

23 THE WITNESS: Yes.

24 CHAIRMAN SCHMITT: -- then the
25 customer's no worse off --

1 THE WITNESS: Yes.

2 CHAIRMAN SCHMITT: -- but the
3 system's been improved.

4 THE WITNESS: I -- I don't mean to
5 say that's not a good idea. I am glad to
6 hear that. And going forward, I think
7 that's something that we need to look at.
8 But just in relation to what the value of
9 that 15 percent is, that would do that
10 project.

11 Q. You mentioned \$23,000 as being the --
12 the cost --

13 A. Yes.

14 Q. -- the --

15 A. Excess --

16 Q. -- loss --

17 A. -- water.

18 Q. -- excess water loss and above --
19 above 15 percent. What -- how did you calculate
20 that?

21 A. I -- I looked at the total purchased
22 water for the district --

23 Q. Uh-huh.

24 A. -- in 2018, and then I calculated
25 the -- the amount that we exceeded, you know, the

1 15 percent of that total and then the amount of our
2 water loss and then multiply that by the purchased
3 water cost of \$1.84 per 1,000.

4 Q. And is -- is this an average monthly
5 figure or --

6 A. The \$1.84?

7 Q. The -- the 23,000.

8 A. That would be the total for the year.

9 Q. The whole year?

10 A. That's the total for the entire 12
11 months.

12 Q. And what is the status of these
13 additional projects that you have mentioned that
14 are -- that are being considered?

15 A. Well, we are working in -- Carrollton
16 Utilities is working in those areas to find leaks
17 routinely. But as far as doing a project, one --
18 one issue we have is we're not sure when we apply
19 for KIA what the principal forgiveness is going to
20 be, what -- you know, what the -- the loan rate is
21 going to be. Had we known that that first one was
22 going to be so advantageous, we would have probably
23 put more work into that.

24 Q. Uh-huh.

25 A. So I'm not sure that we're going to

1 qualify for those rates anymore because the
2 income -- the latest income levels for our city has
3 gone up. So we're going to continue to look for
4 funding opportunities. I -- it's -- I don't think
5 we want to go all in and do an RD loan and then
6 something come down the pike. You know, we're
7 watching for grant opportunities that may occur to
8 do projects like that.

9 You know, a project every five years
10 where we replace, say, 15 percent of the system
11 would be a good target I think for the district.
12 But our rates are in the 90th percentile of the
13 state right now. And so we have to look at those
14 rates when we do a project, I mean. And, you know,
15 again, it goes back is it fair to our customers to
16 charge them to replace a line to achieve a
17 15 percent number? Why should they have to pay
18 that additional cost? If we can keep their system
19 safe and reliable and it's much more affordable --
20 I mean, I hate to say this, but we're going to
21 fight to keep the leak -- or to find the leaks, but
22 replacing them is going to cost the customer a
23 whole lot more.

24 Q. Than not replacing them?

25 A. Than not replacing them.

1 COMMISSIONER CICERO: Can I ask a
2 question?

3 THE WITNESS: Yes. Sorry.

4 COMMISSIONER CICERO: The annual fee
5 that's paid to manage the system, that's
6 247,000?

7 THE WITNESS: Correct.

8 COMMISSIONER CICERO: And that's a
9 fixed fee?

10 THE WITNESS: We -- you know, we
11 raise -- our employees get raises
12 typically every year. Our costs go up.
13 Our -- we're members of CERS so that rate
14 goes up. So we adjust that figure
15 periodically with a -- an addendum like
16 you've seen in the contract.

17 COMMISSIONER CICERO: The big comment
18 I want to make, though, is it's --
19 247,000 or 250,000, whatever it is --

20 THE WITNESS: Yeah, 250.

21 COMMISSIONER CICERO: -- that's a
22 fixed rate?

23 THE WITNESS: Yes. Yes. Correct.

24 COMMISSIONER CICERO: So water in or
25 water out from the perspective of what

1 that cost is doesn't change. Whether you
2 lose 100 percent or 50 percent or
3 whatever it is --

4 THE WITNESS: No.

5 COMMISSIONER CICERO: -- the fee to
6 manage the system is the same?

7 THE WITNESS: Yes.

8 COMMISSIONER CICERO: So the water
9 loss is mitigated by the fact that it's
10 only the cost to purchase water?

11 THE WITNESS: Correct. Yeah. We
12 just -- as hard as we fight to find
13 leaks, they're not paying any more for
14 it. Is that your point?

15 COMMISSIONER CICERO: That's --
16 that's my point.

17 THE WITNESS: Yes.

18 COMMISSIONER CICERO: The only --

19 THE WITNESS: Yes. I mean -- okay.
20 I take -- if we're -- if -- if things
21 really got bad and we were spending a lot
22 more time on it and two and a half -- and
23 two people couldn't keep up, then that
24 could -- you know, we would need to send
25 more people over there and over time it

1 could affect the district. But as of
2 today, it does not.

3 COMMISSIONER CICERO: I -- I'm just
4 trying to figure out why West Carroll is
5 even running a water system. Why it's
6 not part of some other system. It makes
7 no sense to be spending \$247,000 to
8 manage a 109-mile system that exists next
9 to other utilities and there's really no
10 way for them to save money because the
11 management fee is basically a fixed fee.
12 I don't understand it at all. Makes no
13 sense.

14 We could address water loss all we
15 want to, but the fee is really in the
16 fixed portion. It's got nothing to do
17 with the volumetric.

18 And -- and then based on what -- the
19 fee that can be charged, you're basing
20 it -- the fee is being based on a
21 standard of this many employees.

22 In other words, Carrollton is making
23 sure they're being made whole on
24 everything.

25 THE WITNESS: Yes.

1 COMMISSIONER CICERO: And I'd be
2 willing to bet that Carrollton probably
3 has very good benefits for their
4 employees and they're not understaffed
5 and they're not anything else.

6 I'm not quite sure why -- why the
7 discussion of West Carroll even exists
8 because I don't -- I don't see how
9 there's any benefit here to this
10 operation standing on its own and paying
11 \$247,000 a year.

12 THE WITNESS: I'm not sure what
13 you're suggesting maybe.

14 COMMISSIONER CICERO: I'm suggesting
15 that -- West Carroll should probably
16 become part of some other system is what
17 I'm suggesting because the way it stands
18 now its customers who live right next
19 door to the people that live in
20 Carrollton pay \$17 more a month for
21 service when it's being managed by the
22 same organization that their customers
23 pay \$32 less for. And I heard the
24 argument you made about density.

25 THE WITNESS: Yeah.

1 COMMISSIONER CICERO: And my only
2 point is going to be it's 109 miles.
3 There's 1,000 customers. That's ten per
4 mile. So that's ten service lines per
5 mile based on the -- the statistics that
6 you have there. And if I look at
7 Carrollton, the density's there. The
8 service lines are greater. There's a lot
9 more that has to be repaired when you
10 look at that. And I understand the
11 industrial was 50 percent.

12 THE WITNESS: Uh-huh.

13 COMMISSIONER CICERO: But still there
14 is no benefit here that I see as far as
15 West Carroll running an operation by --
16 by themselves. And that's my opinion
17 just in the -- the brief time I've been
18 sitting here listening --

19 THE WITNESS: So --

20 COMMISSIONER CICERO: -- to it.

21 THE WITNESS: So is -- is there a
22 disadvantage for West Carroll to
23 continue?

24 COMMISSIONER CICERO: I think there's
25 a big disadvantage because they're

1 subject to whatever the management fee is
2 going to be from Carrollton to manage the
3 system.

4 Again, Carrollton basically dictates
5 to West Carroll what the amount is going
6 to be, and those customers pay that fee.
7 There's no -- there's nothing -- there's
8 no incentive there.

9 If there was a -- if Carroll -- West
10 Carroll said, Oh. If you get my water
11 loss down to 15 percent, you get paid
12 this much money. If my water loss goes
13 up to this, there's a penalty. You don't
14 get as much money as you had in your
15 initial offer to West Carroll to run the
16 system because the leaks are there and
17 the incentive to fix it isn't really
18 there because West Carroll pays for any
19 major projects, do they not?

20 THE WITNESS: The incentive is there,
21 but we -- we take up the -- pride in any
22 system that we operate. So we -- we --

23 COMMISSIONER CICERO: Pride is one
24 thing.

25 THE WITNESS: -- strive --

1 COMMISSIONER CICERO: Contractual
2 obligation is a totally different thing.

3 THE WITNESS: I -- I think if you
4 would ask our employees, if -- if you
5 don't want to ask me, is we spend more
6 time there and we work harder there than
7 we do --

8 COMMISSIONER CICERO: This is not --

9 THE WITNESS: -- in our own system.

10 COMMISSIONER CICERO: -- a reflection
11 or criticism of you or your personnel.
12 I'm sure they do a great job. We see a
13 lot of people that do a great job in this
14 industry. They -- they take a lot of
15 pride in everything they do.

16 However, when it comes to an actual
17 measurement of activity, a contractual
18 metric system is always better than I've
19 got a guy that takes pride today and
20 somebody replaced him and he's not quite
21 as prideful. Okay?

22 THE WITNESS: Okay.

23 COMMISSIONER CICERO: I'm sorry.

24 I've interrupted you. I --

25 Q. Mr. Rose testified that although at

1 one point the management agreement did have water
2 loss targets and a schedule to meet that, which was
3 not met, there's currently no incentive in the
4 management agreement for Carrollton Utilities --

5 A. No.

6 Q. -- to achieve water loss.

7 A. That's correct.

8 Q. And there's no disincentive if --

9 A. No.

10 Q. -- they don't? Okay.

11 A. That's correct.

12 Q. And with respect to the vice chair's
13 point, has Carrollton Utilities -- Utilities or the
14 city considered the possible acquisition or merger
15 of the finances of the two systems?

16 A. Not beyond I would say casual
17 conversation.

18 Q. And has Carrollton -- does Carrollton
19 Utilities have a position on a potential
20 combination?

21 A. We don't have an official position.

22 Q. What do you think the obstacles would
23 be?

24 A. Well, there -- there's always
25 political issues in -- involved, and we don't know

1 what they -- those are until you -- you tackle
2 that. I think -- I feel like our county is -- does
3 a really good job. I mean, we -- we -- there is a
4 lot of regionalization that takes place in our
5 county. There's good relationships between the
6 elected officials, and we do a lot of projects
7 together. So I'm -- I'm optimistic that that
8 would -- that could go forward.

9 The issues from -- you know, we're
10 owned by the city of Carrollton, of course. And
11 taking a system that is -- knowing that there are
12 issues with water loss there, that would be
13 something we'd have to convince the city that -- to
14 move forward with that. They'd have to approve
15 that. But certainly not something that I
16 personally would be opposed to.

17 Q. How is Carrollton Utilities governed
18 or -- or managed?

19 A. We have a utility commission that is
20 appointed by the mayor with the approval of the
21 city council.

22 Q. Do you see -- we -- we've heard a
23 concern expressed today that if there were a
24 merger, the customers in the city of Carrollton
25 could be negatively impacted.

1 A. Well, that couldn't occur. And I --
2 I -- I'm not really sure how things happen when
3 your other investor owned here acquire small
4 systems, if those -- are the rates the same for the
5 people in Lexington as they are in these rural
6 systems? That wouldn't --

7 COMMISSIONER MATHEWS: Yes.

8 THE WITNESS: Yes.

9 A. So, then, essentially Lexington is --
10 is subsidizing those small systems. And I don't
11 think that would work. I don't think Carrollton
12 would allow that. There -- there would have to be
13 a differential in the rate because they feel
14 like -- I -- I'm sure they would take the position
15 that they should -- that the rural system should
16 pay for its own way, that it's -- the city should
17 not pay the way of the rural community.

18 Q. Do you see any benefits to the city
19 of Carrollton or Carrollton Utilities if the
20 systems were combined?

21 A. Well, if you look, there's not a lot
22 of things to be saved from a sense of overhead.
23 You have five commissioners that are paid a monthly
24 stipend, not very much. They have their own
25 insurance, which, again, is not a whole lot. They

1 don't have any overhead. They don't have any
2 equipment. So there's not a lot of savings to be
3 had by the merger that I see.

4 COMMISSIONER CICERO: Probably not.

5 THE WITNESS: Yeah.

6 COMMISSIONER CICERO: It's all --
7 it's all up front in the fee. It's
8 interesting that you make the comment
9 that the city doesn't want to subsidize
10 the rural rate payors and yet we look at
11 every form of government and say from a
12 road or infrastructure perspective,
13 cities always require much more
14 infrastructure than the rural areas, but
15 the rural areas always contribute the
16 same amount of money even though there's
17 not that much of a requirement.

18 THE WITNESS: Yeah.

19 COMMISSIONER CICERO: So there's all
20 subsidization that -- that crosses over
21 many areas of infrastructure. This just
22 happens to be one that might negatively
23 go across the other one.

24 But I wouldn't be surprised if West
25 Carroll is subsidizing the total cost of

1 Carrollton sister -- system because of
2 the 247,000 fixed fee.

3 THE WITNESS: Yeah. If you --

4 COMMISSIONER CICERO: So from my
5 perspective, there's really not that much
6 subsidization that is probably going --
7 going to go on.

8 THE WITNESS: I can assure you
9 there's no subsidizing in the rate that
10 we charge West Carroll to operate their
11 system.

12 COMMISSIONER CICERO: Well, I wasn't
13 here for the initial part of the hearing,
14 and I apologize for that, but I
15 understand that -- I was surprised by the
16 number of employees Carrollton has to
17 operate the system. It's far higher than
18 any other --

19 THE WITNESS: Two --

20 COMMISSIONER CICERO: -- system.

21 THE WITNESS: Two and a half
22 employees. And we -- we -- that's the
23 total number of employees in the West
24 Carroll system.

25 COMMISSIONER CICERO: No, I'm not

1 talking about West Carroll. I'm talking
2 about --

3 CHAIRMAN SCHMITT: What's your total
4 employ --

5 THE WITNESS: 35 total.

6 CHAIRMAN SCHMITT: 35.

7 COMMISSIONER CICERO: There we go.
8 Now we're getting back up to where I
9 thought it was.

10 THE WITNESS: Yeah.

11 COMMISSIONER CICERO: I'm referring
12 to the amount of transferred costs from
13 Carrollton to West Carroll for the
14 administrative and the management fee
15 that West -- that Carrollton charges to
16 West Carroll.

17 That's where I'm talking about West
18 Carroll subsidizing some of the costs
19 that occur over here in the Carrollton
20 side because of the cost of carrying that
21 total overhead. I'm -- I don't know --

22 THE WITNESS: Okay.

23 COMMISSIONER CICERO: -- what the
24 right number is, but maybe it's right at
25 35. I don't know. But it's -- it's a

1 high number that you've got there.

2 THE WITNESS: Well, we have a gas
3 system and a sewer system --

4 COMMISSIONER CICERO: I know.

5 THE WITNESS: -- as well. That's why
6 we have 35.

7 COMMISSIONER CICERO: I -- I'm aware
8 of that. Yes.

9 THE WITNESS: Okay.

10 Q. Has Carrollton Utilities ever
11 acquired any other public or private water systems?

12 A. No water systems.

13 Q. Gas systems?

14 A. Yes.

15 Q. And which gas system was that?

16 A. Owenton had a system and we acquired
17 it.

18 Q. The city of Owenton?

19 A. Yes.

20 Q. And Carrollton Utilities currently
21 operates that?

22 A. Yes. And sewer. We have several
23 sewer systems that we've acquired.

24 Q. Private sewer systems --

25 A. Yes.

1 Q. -- that you acquired?

2 A. (Witness nods head.)

3 Q. Has sub -- subsidization concern been
4 raised with respect to those --

5 A. No.

6 Q. -- systems?

7 A. I -- I mean, it -- what -- it's --
8 the same issue exists. We have to ensure that each
9 system pays for its own way.

10 Q. Do you charge different rates?

11 A. They're different. There's -- so,
12 for example, West Carroll has debt service for its
13 system that it has to pay. The sewer systems that
14 we operate, some of those have to have debt that's
15 associated with those, and so those customers pay
16 that debt.

17 COMMISSIONER CICERO: But that's per
18 RD because of the loans associated with
19 that?

20 THE WITNESS: There were RD loans in
21 all those projects.

22 COMMISSIONER CICERO: But then in
23 terms of other than the surcharge that's
24 being charged on the debt, are the
25 operating rates the same?

1 THE WITNESS: They pay the same out
2 of town rate that their -- the difference
3 between their rate and the out of town
4 rate is the debt on the system.

5 COMMISSIONER CICERO: So it's
6 strictly the surcharge. And when the
7 surcharge goes away, then the rate is --

8 THE WITNESS: Yes.

9 COMMISSIONER CICERO: --
10 standardized?

11 THE WITNESS: Right. Correct.

12 COMMISSIONER CICERO: Isn't that the
13 same thing we're talking about? If West
14 Carroll was --

15 THE WITNESS: It could be except,
16 again, there are infrastructure issues
17 that we -- we all see and we don't --
18 it's -- we don't know how bad those are
19 going to get over time. And so there is
20 some risk there associated with that.

21 COMMISSIONER CICERO: I know. But
22 you just got done telling me you acquired
23 gas and sewer lines. And all those are
24 buried as well with all --

25 THE WITNESS: Yeah.

1 COMMISSIONER CICERO: -- and sewer
2 especially with the same type of risks.

3 THE WITNESS: Yeah.

4 COMMISSIONER CICERO: Sorry,
5 Mr. Park.

6 MR. PARK: That's all right.

7 Q. On the -- I believe you said gas
8 system had out of town rates or what was that?

9 A. No.

10 Q. In town and out?

11 A. Yes, we have an in town and out of
12 town rate in the gas system.

13 Q. And that's for customers within the
14 city limits and those outside, or how is that
15 determined?

16 A. Correct.

17 Q. And what are the differences in the
18 rates based on?

19 A. Just the geographic, just, you know,
20 the additional cost of serving customers outside
21 the area.

22 MR. PARK: I have nothing further.

23 COMMISSIONER MATHEWS: And what is
24 that difference?

25 THE WITNESS: I did not look at the

1 gas rates -- I'm sorry -- before I came
2 here today so --

3 COMMISSIONER MATHEWS: What is that
4 --

5 THE WITNESS: -- but I mean --

6 COMMISSIONER MATHEWS: -- magnitude?

7 THE WITNESS: -- I would --

8 COMMISSIONER MATHEWS: Is it \$10?
9 \$5?

10 THE WITNESS: It's -- you know, our
11 gas rates are volumetric so it's --

12 COMMISSIONER MATHEWS: I mean an
13 average bill.

14 THE WITNESS: I really --

15 COMMISSIONER MATHEWS: Okay.

16 THE WITNESS: I don't know.

17 CHAIRMAN SCHMITT: Are you finished?

18 MR. PARK: I have nothing further,
19 Your Honor.

20 CHAIRMAN SCHMITT: Mr. Cicero,
21 questions?

22 COMMISSIONER CICERO: I -- I've asked
23 all my questions.

24 CHAIRMAN SCHMITT: Ms. Matthews?

25 COMMISSIONER MATHEWS: I think

1 Mr. Cicero asked most of my questions.

2 CHAIRMAN SCHMITT: Mr. Chandler's not
3 here.

4 MR. McNEIL: He's not.

5 CHAIRMAN SCHMITT: He knew
6 Commissioner Mathews would ask more
7 questions and he couldn't say anything
8 anyway.

9 COMMISSIONER MATHEWS: Because he was
10 limited to whatever I said.

11 THE WITNESS: That's a good rule.

12 CHAIRMAN SCHMITT: Mr. --
13 Mr. Osborne, how many of the 35 employees
14 that the city of Carrollton Utilities has
15 are dedicated to -- to the water system
16 only?

17 THE WITNESS: To the -- to the West
18 Carroll water system?

19 CHAIRMAN SCHMITT: No, just to the --
20 your -- your water system. Forget --
21 well, you got two and a half, I guess,
22 that are two employees or two and a half
23 that are dedicated to West Carroll?

24 THE WITNESS: Yes.

25 CHAIRMAN SCHMITT: If we just didn't

1 have West Carroll, how many -- how many
2 water system employees do you have for
3 the city?

4 THE WITNESS: We don't really break
5 it down that way because we have
6 distributions. We have a distribution
7 system, and that's gas and water both.

8 CHAIRMAN SCHMITT: Well, all --
9 altogether, then, how --

10 THE WITNESS: Gas and water both?

11 CHAIRMAN SCHMITT: Yes.

12 THE WITNESS: Maybe nine or ten for
13 gas and water both.

14 CHAIRMAN SCHMITT: Okay. And then --

15 THE WITNESS: That are out in the
16 system.

17 CHAIRMAN SCHMITT: Okay.

18 THE WITNESS: You know, field people.

19 CHAIRMAN SCHMITT: Then others are in
20 billing --

21 THE WITNESS: We have --

22 CHAIRMAN SCHMITT: -- and so forth?

23 THE WITNESS: You know, we have our
24 accounting and collecting people that --
25 that deal with the customer that take

1 bills and take calls. And there's three
2 or four of those. We have a couple of
3 engineers besides myself and a finance
4 director that work inside.

5 And then we have a sewer system,
6 which is a lot bigger, and there's
7 probably 13 or 14 customers -- or
8 employees there.

9 CHAIRMAN SCHMITT: In the sewer
10 system?

11 THE WITNESS: Yes.

12 CHAIRMAN SCHMITT: Tell me about --
13 tell me about your engineers.

14 THE WITNESS: Okay.

15 CHAIRMAN SCHMITT: How do you use
16 your engineers?

17 THE WITNESS: Mostly for projects.
18 We do a lot of in-house design work of
19 water, sewer, and gas.

20 One of the engineers does the -- is
21 responsible for our GIS system --

22 CHAIRMAN SCHMITT: And in terms of --

23 THE WITNESS: -- for example.

24 CHAIRMAN SCHMITT: -- looking into
25 what a -- block grants or loans that

1 might be available through Kentucky
2 Infrastructure Authority or US Department
3 of Agriculture, do your engineers do
4 that?

5 THE WITNESS: I -- I usually do that.
6 That's my role.

7 CHAIRMAN SCHMITT: I guess the reason
8 I ask is, in your opinion, is there an
9 advantage to, well, the city of
10 Carrollton's utility by having in-house
11 engineering as opposed to hiring a
12 third-party outside engineering firm to
13 come in and do that?

14 THE WITNESS: Yes, absolutely. Our
15 engineers talk to our operators
16 regularly. You know, we have regular
17 staff meetings and they -- they hear from
18 the operator.

19 And a lot of times I'm afraid that
20 there is a disconnect between consultants
21 that come in from the outside. And we've
22 have hired consultants from the outside.

23 But when your engineers see
24 firsthand -- put their hands on the
25 project and they are involved with it

1 from the start to finish and -- and, you
2 know, over multiple projects, I think
3 there's a tremendous benefit for that.

4 CHAIRMAN SCHMITT: And your
5 engineers, I take it, are involved in
6 prioritizing projects?

7 Here's -- here's why I say that, and
8 I -- you -- it may be this is okay. But
9 we've seen sometimes outside engineering
10 firms basically drive a -- a rural water
11 district's projects.

12 THE WITNESS: Yeah.

13 CHAIRMAN SCHMITT: And -- and
14 actually there are some that we have seen
15 where the question we've asked becomes,
16 Why this project? You didn't seem to
17 need it. You needed something over here.

18 THE WITNESS: Yes.

19 CHAIRMAN SCHMITT: And the answer was
20 because this was where the money was
21 available.

22 THE WITNESS: Yes. Yeah.
23 Absolutely.

24 CHAIRMAN SCHMITT: And that's where
25 the engineer --

1 THE WITNESS: Absolutely.

2 CHAIRMAN SCHMITT: -- makes his fee;
3 right?

4 THE WITNESS: Yes. And I'm an
5 engineer. I don't want to throw my
6 engineer friends under the bus on this,
7 but it's critical for systems, especially
8 small systems, to have engineers that
9 know the system and make rec -- sound
10 recommendations because if they're -- if
11 they fall into the hands of someone that
12 doesn't, they're doomed from the start.

13 CHAIRMAN SCHMITT: And in 2007, the
14 Public Service Commission required a
15 management audit of the Martin County
16 Water District, and all of their
17 recommendations were agreed to except
18 one. None that were agreed to were ever
19 completed. They never fulfilled their
20 obligation.

21 But the one that -- that they
22 disagreed to was a cooperative effort
23 with other water districts to hire an
24 engineer that all could utilize for
25 engineering services and there were other

1 things like having a common warehouse --

2 THE WITNESS: Uh-huh.

3 CHAIRMAN SCHMITT: -- bidding
4 together to get the economies to scale.

5 And what I'd like to ask you is
6 whether you think that is viable or would
7 make sense for smaller districts to
8 basically, in cooperation with one
9 another, collectively hire one or more
10 engineers to do their work as opposed to
11 farming it out to firms who -- who may
12 all be well -- very well be competent,
13 but who have to go out and then make
14 their money by selling somebody on a
15 project --

16 THE WITNESS: Yeah.

17 CHAIRMAN SCHMITT: -- that may or may
18 not be a top priority?

19 THE WITNESS: Yeah. I mean, there's
20 a problem when an engineer has to do a
21 project in order to get a fee. I mean,
22 if that's the answer he has to come up
23 with, he's in a bad position if a water
24 district can't pay for this -- the
25 day-to-day consulting-type work that's

1 needed. There are issues there. So that
2 kind of arrangement, I would think would
3 be beneficial.

4 CHAIRMAN SCHMITT: Okay. I have no
5 further questions.

6 Mr. McNeil.

7 MR. McNEIL: Yes, a few. Thank you.

8 -----

9 EXAMINATION

10 BY MR. McNEIL:

11 Q. Mr. Osborne, good afternoon.

12 A. Yes, sir.

13 Q. Ms. Edwards testified that Carrollton
14 Utilities has some role in when West Carroll
15 decides to put forth a rate case. Can you speak to
16 that role that --

17 A. Sure.

18 Q. -- takes place?

19 A. We have a finance director that makes
20 a monthly report to the -- the district. And so
21 out of those reports, you know, they're seeing
22 their cash flow. We're reporting on, you know, any
23 kind of operational increase of cost or anything
24 like that. And so just from that point alone,
25 we're making -- you know, we're alerting them to

1 the fact that -- that costs are going up.

2 Q. And, in fact, the board -- I mean,
3 they rely totally on this finance --

4 A. Not totally. Not totally. They have
5 an out -- an outside auditor that they hire --

6 Q. Yeah.

7 A. -- and they have a good relationship
8 with -- with that firm and they came in and they
9 make an independent presentation every year and
10 show them the bottom line and -- so that's a --
11 that's a good resource for them.

12 Q. But day-to-day, I mean, certainly --

13 A. Day-to-day, it's -- it's us, and they
14 have that backup from the auditor.

15 Q. So have there been instances where
16 some years Carrollton Utilities' fees go up and you
17 go straight to the board and say, We -- we really
18 advocate for -- you have to do a base rate
19 increase?

20 A. I mean, we negotiate, discuss
21 annually if that rate needs to go up so there's no
22 surprise in that and -- I'm not sure what your
23 question --

24 Q. So you're -- you're saying the
25 manage -- management fee -- the yearly management

1 fee is not sort of directly tied to when West
2 Carroll wants to go in for a rate case?

3 A. No. I mean, if we -- if our rate
4 went up \$5,000 for next year, they probably
5 wouldn't come in for a rate increase, another rate
6 case.

7 Q. Okay. Mr. Rose testified that the --
8 the -- the water loss on Carrollton Utility system
9 by itself --

10 A. Yes.

11 Q. -- was -- is 5 percent.

12 A. Yeah.

13 Q. Is that correct?

14 A. Less than 5 percent.

15 Q. Less than 5 percent.

16 A. Yeah.

17 Q. So he said that the total Carroll
18 Utilities -- Carrollton Utilities and West
19 Carroll's about 11 to 12 percent.

20 A. That's correct.

21 Q. Is that --

22 A. I think that's --

23 Q. That's accurate?

24 A. -- accurate, yeah.

25 Q. So as a -- even with the concerns

1 about water loss and West Carroll's system, as of
2 today, I mean, that's under the 15 percent rate --

3 A. Right.

4 Q. -- set by the Commission?

5 A. Right.

6 Q. So, I mean, wouldn't you agree that
7 there are rate efficiencies to be had if there
8 were -- if there were a merger and then --

9 A. That doesn't --

10 Q. -- it's --

11 A. -- reduce the amount of water that's
12 lost.

13 Q. Sure.

14 A. The same amount of water is still
15 lost out there. And what -- you know, this -- I
16 haven't made this point. And you've heard 24
17 gallons per minutes. That's -- that's our annual
18 average over 109 miles of pipe, which is the
19 equivalent of a few ounces of water -- all right --
20 24 ounces of water per mile per minute that we're
21 looking for. So it's not like a -- a fire hydrant
22 is wide open and water is flowing everywhere. You
23 know, I don't want you to have that view of the
24 system.

25 These are small leaks. Like, I just

1 got a drink out of that water fountain. We're
2 looking for a water leak like that over miles of
3 main. Okay? So it's not an issue for reliability
4 or safety. It -- it's -- we have -- we transport
5 so little water in their district that it's a big
6 percentage number. Okay? And it's the cost of
7 being in rural Kentucky.

8 In my opinion, there is some
9 additional cost to serve that customer when you go
10 that kind of distance to pick them up. Right? And
11 I don't -- I'm sensitive to the fact that I don't
12 want to charge those customers to repair that leak
13 when their bill is going to go up \$20 a month and
14 we save -- and what have we saved?

15 You know, I think I -- you-all tell
16 me if that analysis is wrong, but that's what we
17 look at when we look at replacing a line.

18 CHAIRMAN SCHMITT: Just like American
19 Water Works. We talked earlier about --
20 when I said we had discussed a pilot
21 project --

22 THE WITNESS: Yes.

23 CHAIRMAN SCHMITT: -- you're talking
24 about what's the value of the water
25 that's lost --

1 THE WITNESS: Yes.

2 CHAIRMAN SCHMITT: -- against the
3 cost of fixing --

4 THE WITNESS: Yes.

5 CHAIRMAN SCHMITT: -- the problem.

6 THE WITNESS: Exactly. And the --
7 the American Water Works has developed a
8 program for this. And it's the water
9 audit that we did, and out of that you
10 get a leakage index for your system.

11 And here's the nice thing about it,
12 is you're comparing all these numbers
13 without validating what went in to
14 calculate the numbers -- or I assume you
15 are. Okay?

16 What -- with -- with a water audit,
17 you validate all the numbers that went
18 into the calculation by an independent
19 third party. That's why we brought our
20 cap in to audit our -- to validate our
21 audit.

22 And so they give you a score on the
23 reliability of your numbers. And if it's
24 not 50 percent or more, then your numbers
25 are not good. They're not going to use

1 them.

2 But then you get a leakage index for
3 your system. And if your -- your leakage
4 index is what you should strive for in
5 your water loss divided by your total
6 water loss. And if it's less than one,
7 then you're doing pretty good.

8 And so -- plus, here's the nice thing
9 about that. The state of Georgia has
10 required all 215 of their systems to do
11 this test. It's available on the web. I
12 went out there and looked. You can
13 research it. Maybe you already have.
14 But you can compare our number -- our
15 leakage index against all the systems in
16 Georgia, and we're in the top 25 percent.

17 COMMISSIONER CICERO: What's the --
18 what's the leading factor that's given to
19 contaminates in the system and
20 degradation of the infrastructure over a
21 period of time?

22 THE WITNESS: There's no water
23 quality that goes into that. But, I
24 mean, you can look at -- I mean, we've --
25 we have annual --

1 COMMISSIONER CICERO: Well, I'm just
2 saying it -- it's just not a factor.

3 Water quality has to figure into any --

4 THE WITNESS: But you're looking
5 strictly at a water percent. We're here
6 because our numbers are high on water
7 percent only, not because our -- we -- we
8 have an issue with water quality.

9 COMMISSIONER CICERO: We're here
10 because there's 11 plus two more
11 including Martin County that has received
12 all kinds of national exposure that talks
13 about quality and water loss. It's not a
14 matter of the --

15 THE WITNESS: Uh-huh.

16 COMMISSIONER CICERO: -- the water
17 leaves the plant. The division of water
18 has certified that it meets all
19 requirements. By the time it gets out to
20 the end of line, it does meet the
21 requirements and our goal is not just to
22 have affordable water but --

23 THE WITNESS: Yes.

24 COMMISSIONER CICERO: -- to have
25 potable drinking water.

1 THE WITNESS: We're on the same page.
2 And I -- I salute the Commission with the
3 staff that you have to dig into this
4 issue because I know how much time this
5 must have taken to undertake this
6 analysis.

7 But our -- we're talking strictly on
8 water loss here. And if you -- if you
9 compare our leakage index with the entire
10 state of Georgia and West Carroll, we're
11 in the top 25 percent. And I -- I don't
12 want to overstep my bounds, but if you
13 would look at that when you are analyzing
14 systems and requiring systems to validate
15 their data, you can get a better picture
16 of comparing to -- it's not fair to
17 compare Carrollton Utilities to western
18 water districts.

19 COMMISSIONER CICERO: So -- so just
20 to clarify, the threshold to have someone
21 come in before the Commission was a water
22 loss rate, but the goal of this
23 investigation is not just water loss.

24 THE WITNESS: I understand.

25 COMMISSIONER CICERO: Water loss is

1 being addressed as part of the big
2 picture. There's management issues that
3 are -- that exist. There's lack of
4 funding that exists. There's all kinds
5 of different issues that contribute to
6 water loss, and water loss is one of the
7 primary objectives and it was used as a
8 threshold to determine.

9 THE WITNESS: Yes.

10 COMMISSIONER CICERO: But water loss
11 in and of itself is not the reason why
12 this hearing is occurring.

13 THE WITNESS: I understand. I
14 understand that. And -- and I assume you
15 looked at our annual inspections and our
16 compliance with the division of water and
17 saw that we had no violations and you --
18 you know that already, but -- and I --
19 and I understand what you're saying
20 completely and I agree completely with
21 what you're doing.

22 COMMISSIONER MATHEWS: And we're not
23 -- we're also not saying that each of
24 these 11, 13 entities are the same.

25 THE WITNESS: Right.

1 COMMISSIONER MATHEWS: Part of the
2 reason we're here is to adhere to the
3 things that are similar --

4 THE WITNESS: Yes.

5 COMMISSIONER MATHEWS: -- and then
6 things that are different.

7 THE WITNESS: And -- and I'm glad to
8 hear that. If you will use this American
9 Water Works program, you know -- okay.
10 Okay. I'm sorry.

11 COMMISSIONER MATHEWS: We've had the
12 lecture.

13 THE WITNESS: I didn't -- okay.

14 COMMISSIONER MATHEWS:
15 Mr. Cavanaugh's been here.

16 CHAIRMAN SCHMITT: And do you know
17 Cavanaugh?

18 THE WITNESS: Did he submit -- we had
19 some comments submitted -- okay. Yeah.

20 CHAIRMAN SCHMITT: We had some --

21 THE WITNESS: I don't know.

22 CHAIRMAN SCHMITT: In fact, we
23 invited him in to --

24 THE WITNESS: Okay.

25 CHAIRMAN SCHMITT: -- a program, and

1 he spoke. And we invited him in and he's
2 spent a couple of hours with us.

3 THE WITNESS: Okay.

4 COMMISSIONER CICERO: We're aware of
5 the metrics.

6 THE WITNESS: Okay.

7 CHAIRMAN SCHMITT: Okay. Thank you.

8 MR. PARK: No further questions,
9 Chairman.

10 CHAIRMAN SCHMITT: Ms. Honaker.

11 MS. HONAKER: I don't think I really
12 have questions. I just have some
13 housekeeping. We have the exhibits that
14 you-all requested in the order, and I've
15 already provided you a copy, but I need
16 to introduce those into the record, the
17 minutes of the board meeting, the water
18 loss.

19 CHAIRMAN SCHMITT: Why don't we go
20 ahead and -- and I don't know how many
21 you have, but we can number them or --

22 MS. HONAKER: Yes.

23 CHAIRMAN SCHMITT: -- and -- and give
24 them to the reporter so they can be
25 filed.

1 MS. HONAKER: I handed those out
2 prior.

3 COMMISSIONER MATHEWS: Do you do
4 sampling at the end of the lines, given
5 that this is --

6 THE WITNESS: Oh, yes.

7 COMMISSIONER MATHEWS: -- 20
8 customers per line?

9 THE WITNESS: Oh. Oh, the whole
10 system, absolutely. Yeah, we do routine
11 sampling.

12 COMMISSIONER MATHEWS: And those are
13 reported to the division of water --

14 THE WITNESS: Yeah.

15 COMMISSIONER MATHEWS: -- for
16 water quality?

17 THE WITNESS: Yeah. We -- we've not
18 had any violations of water quality in
19 years.

20 CHAIRMAN SCHMITT: Let me ask just a
21 couple more questions. There are
22 engineers and there are engineers.

23 What -- do you have a speciality? Do
24 you --

25 THE WITNESS: I'm a civil engineer.

1 CHAIRMAN SCHMITT: And -- and prior
2 to coming to Carrollton Utilities, what
3 experience, if any, did you have in the
4 water utility industry?

5 THE WITNESS: That's what I did. I
6 worked for a consulting firm prior to
7 coming to Carrollton Utility.

8 CHAIRMAN SCHMITT: For about how
9 long?

10 THE WITNESS: From 1989 to 1998.

11 CHAIRMAN SCHMITT: Can you tell me
12 who you worked for?

13 THE WITNESS: I worked for --
14 actually, had my own firm with a couple
15 of other fellas for a little while called
16 EnviroTech. Prior to that, I worked for
17 TM Regan. And then prior to that, I
18 worked for McCoy & McCoy.

19 CHAIRMAN SCHMITT: Okay. And in --
20 what? -- Pike County?

21 THE WITNESS: No, their Lexington
22 office.

23 CHAIRMAN SCHMITT: Lexington.

24 THE WITNESS: But I did work in South
25 Williamson and some -- some other areas.

1 So that's how I got lost in Phelps.

2 MS. HONAKER: It happens.

3 THE WITNESS: Yes. I spent a -- a
4 year in -- in South Williamson one summer
5 so --

6 CHAIRMAN SCHMITT: Yeah. I --

7 THE WITNESS: Yeah.

8 CHAIRMAN SCHMITT: I'm not going to
9 ask.

10 THE WITNESS: Under houses is why I
11 say that. It -- it was a beautiful area,
12 but we were crawling under houses,
13 raising them for the flood project. So
14 that's why I say that.

15 CHAIRMAN SCHMITT: I -- I was -- I'm
16 afraid to ask. You stayed in a motel?

17 THE WITNESS: Yes.

18 CHAIRMAN SCHMITT: Okay.

19 THE WITNESS: We -- we did get a
20 house -- we did rent a house in --
21 eventually and a group of us stayed in a
22 house so --

23 CHAIRMAN SCHMITT: Okay.

24 THE WITNESS: Yeah. Yeah.

25 CHAIRMAN SCHMITT: Is there any

1 reason why this witness cannot be
2 excused?

3 MR. PARK: No, Your Honor.

4 CHAIRMAN SCHMITT: Thank you,
5 Mr. Osborne. Appreciate it.

6 THE WITNESS: Thank you, Your Honor.
7 I appreciate you.

8 CHAIRMAN SCHMITT: Is there anything
9 else, Mr. Park, Mr. McNeil, that we need
10 to discuss -- or Ms. Honaker?

11 MS. HONAKER: I don't think so, Your
12 Honor.

13 MR. PARK: No.

14 MR. McNEIL: No.

15 CHAIRMAN SCHMITT: If there is
16 nothing at this time, then this hearing
17 is adjourned.

18 Thank you all very much.

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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. That the witness was
12 duly placed under oath by me prior to giving
13 testimony, and that no request was received by me
14 that the witness either read or sign the
15 transcript.

16 Given under my hand this 12th day of
17 August, 2019.

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25

/s/ Tamela T. Lewis
TAMELA T. LEWIS
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