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STATE REPRESENTATIVE
93rd Legislative District
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REPRESENTATIVE CHRIS HARRIS

COUNTIES:

PIKE AND MARTIN COUNTIES

March 30, 2015

Kentucky Public Service Commission
Post Office Box 615
Frankfort, Kentucky 40602

Re: Mountain Water District Rate Increases- Case No. 2014-00342

Dear Public Service Commission:

As a former Pike County Magistrate and current State Representative, I am writing to voice my strong objection to the proposed water and sewer rate increases requested by Mountain Water District. While any public utility may be expected to seek modest adjustments from time to time, the proposed 25 percent water and 159 percent sewage increases are simply unconscionable. Since contracting its operation out to a private company, Utility Management Group (UMG), Mountain Water District's financial stability has experienced a proverbial death spiral, leaving it without sufficient cash flow to meet its obligations. Although warned this would occur in 2011, the Mountain Water Board of Directors nonetheless refused to heed the pleas of several members of the Pike County Fiscal Court, its own attorney, and its CPA and renewed UMG's contract even after it was apparent the relationship was not in the best interests of the District's customers.

In addition to the obvious financial decline the District has seen since its operations were contracted out to UMG, the public has found itself in the dark and unable to look to the protections of Kentucky's Open Records Act for answers as UMG, a private company, claims it is not subject to Kentucky's open records laws. The customers of Mountain Water District are now victims in what amounts to a "shell game", with the substantive information that would allow a customer to determine if he or she were getting a fair service for a fair price, being hidden behind the corporate cloak of UMG, a private for-profit company.

Former Kentucky Auditor Crit Luallen openly criticized UMG in her 2011 audit of Mountain Water District for refusing to turn over documents that her office needed to complete its audit. Even without the information, her audit revealed a number of serious infractions, including violations of procurement laws, which were referred to the Attorney General's Office and the Legislative Ethics Commission for investigation.

While Mountain Water District has not applied to the PSC for a "rate" increase in recent years, it has substantially increased the fees and assessments it charges customers. I routinely field calls from disgruntled constituents who have been hit with hefty reconnect fees after having their water cut off for being only a couple of days late in paying their bill, usually due to illness or vacation. This can be a tremendous burden, particularly for the elderly or someone on a fixed income who may have just spent days or weeks caring for a loved one in the hospital.

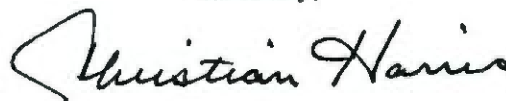
Other negligent and misguided decisions by the Mountain Water District Board of Directors, such as the transfer of the profitable Mossy Bottom wastewater service area to the City of Pikeville in 2006, have also contributed to its current financial condition. The transfer resulted in not only the loss of a profitable service area, but also the dismantling and scrapping of a basically new, fully functional, taxpayer-funded, sewage treatment plant. The Board justified its decision to transfer the service area and dismantle the plant because the City of Pikeville had plenty of available capacity and could treat the wastewater cheaper and more efficiently, with no consideration being paid to the fact that the plant was profitable for the District. The City of Pikeville is now seeking public funding for expansion of its wastewater treatment facility due to operating over capacity.

Eastern Kentucky is currently experiencing the most challenging and troubling economic times many of us have ever seen, and its citizens can't afford excessive utility increases that will only serve to push them back to using wells and straight pipes. The once strong and vibrant Mountain Water District has become financially drained and nearly crippled by almost a decade of siphoning profits, insider control, and back room deals that have benefitted a select few at the expense of the public.

With many families simply living day to day, surviving on fixed incomes and looking for work, unreasonable public utility rate increases, like the ones requested by Mountain Water District, should be outright rejected. Additionally, all rate increases should be placed on hold until the records of Mountain Water District, together with its operating company, UMG, become subject to Kentucky's Open Records laws and are open, transparent, and accessible to the public for inspection and review. The public deserves no less.

I regret that I am unable to attend the public hearing on this matter scheduled for April 16th, but I stand available to discuss my position with you at any time and hope you will free to contact me with any questions or concerns you may have with the content of this letter. My email address is chris.harris@lrc.ky.gov and my legislative office telephone number is (502) 564-8100 Ext. 635.

Sincerely,



Chris Harris
State Representative
93rd District