

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF MARTIN	)	CASE NO.
COUNTY WATER DISTRICT FOR AN	)	2018-00017
ALTERNATIVE RATE ADJUSTMENT	)	

NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on June 16, 2020 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on June 16, 2020 in this proceeding;
- A written log listing, inter alia, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on June 16, 2020.

A copy of this Notice, the certification of the digital video record, and hearing log have been served upon all persons listed at the end of this Notice. Parties desiring to view the digital video recording of the hearing may do so at <https://youtu.be/KmACsti6AQU>.

Parties wishing an annotated digital video recording may submit a written request by electronic mail to [pscfilings@ky.gov](mailto:pscfilings@ky.gov). A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 23<sup>rd</sup> day of July 2020.



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Kent A. Chandler  
Acting Executive Director  
Public Service Commission of Kentucky

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF MARTIN	)	CASE NO.
COUNTY WATER DISTRICT FOR AN	)	2018-00017
ALTERNATIVE RATE ADJUSTMENT	)	

CERTIFICATION

I, Candace H. Sacre, hereby certify that:

1. The attached DVD contains a digital recording of the Formal Hearing conducted in the above-styled proceeding on June 16, 2020. The Formal Hearing Log, Exhibit List, and Exhibits are included with the recording on June 16, 2020;
2. I am responsible for the preparation of the digital recording;
3. The digital recording accurately and correctly depicts the Formal Hearing of June 16, 2020; and
4. The Formal Hearing Log attached to this Certificate accurately and correctly states the events that occurred at the Formal Hearing of June 16, 2020, and the time at which each occurred.

Signed this 17<sup>th</sup> day of July, 2020.



Candace H. Sacre  
Administrative Specialist III



Stephanie Schweighardt  
Notary Public State at Large ID#: 614400  
Commission Expires: January 14, 2023



Date:	Type:	Location:	Department:
6/16/2020	Public Hearing\Public Comments	Hearing Room 1	Hearing Room 1 (HR 1)

Witness: Tim Geraghty; John Paul Hensley; Jimmy Don Kerr; Craig Miller; Ann Perkins; Tony Sneed  
 Judge: Robert Cicero; Talina Mathews; Michael Schmitt  
 Clerk: Candace Sacre

Event Time	Log Event
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9:02:19 AM	Session Started	
9:02:45 AM	Chairman Schmitt Note: Sacre, Candace	We are now on the record. This is the Kentucky Public Service Commission. My name is Michael Schmitt. I'm Chairman of the Commission, and seated here in the Hearing Room with me is Vice Chairman Robert Cicero.
9:02:59 AM	Chairman Schmitt Note: Sacre, Candace	This hearing is being held by video conferencing, and Commissioner Talina Mathews is present and acknowledged her presence here on the record.
9:03:15 AM	Chairman Schmitt Note: Sacre, Candace	The purpose of the hearing today is to take evidence in Case No. 2018-00017 which is a continuation of the case involving the Application of Martin County Water District for an Alternative Rate Adjustment.
9:03:25 AM	Camera Lock Comm Wide Activated	
9:03:35 AM	Chairman Schmitt Note: Sacre, Candace	On January 18th, 2018, to provide a little history, Martin County Water District filed an Application for a Rate Adjustment. At that time, the Public Service Commission was engaged in a 2016 case which undertook an investigation of the operational capacity and business practices of the Water District.
9:04:01 AM	Chairman Schmitt Note: Sacre, Candace	An Order granting a rate increase was entered on November 5th, 2018, and the Commission, at that time, ordered Martin District to advertise for operational management services for the purpose of hiring a professional manager to basically operate the District.
9:04:21 AM	Chairman Schmitt Note: Sacre, Candace	On November 15th, 2019, the Commission directed Martin District to enter into a management contract with Alliance Water Resources, Inc., and two surcharges were established in that Order - one, a management infrastructure surcharge of \$4.72 per meter and, another, a debt service surcharge of \$2.63 per meter per month, that being for the purpose of paying a substantial amount of the long-term debt of Martin County Water District.
9:04:55 AM	Chairman Schmitt Note: Sacre, Candace	That Order provided that Alliance was able to draw from the debt service account when it became apparent or if it became apparent that Martin County Water District could not or would not make a complete payment on its monthly management fee. The Order further specified that if Alliance had to or needed to withdraw funds from the account that it would notify the Commission.

9:05:32 AM	Chairman Schmitt Note: Sacre, Candace	There have been instances where, basically, there's been either a misunderstanding, misinterpretation, or lack of review of the Order, and, as a result of that plus the fact that we're trying to monitor Martin County Water District going forward on probably a more detailed basis, this Commission entered an Order on June 1st, 2020, establishing this hearing.
9:06:03 AM	Chairman Schmitt Note: Sacre, Candace	This proceeding today is being conducted by videoconferencing. It is on the record, and Ms. Candace Sacre, our reporter, will be making a log of the meeting, and, of course, a video will be available for all the parties. As indicated, this proceeding is being streamed live over the internet.
9:06:33 AM	Chairman Schmitt Note: Sacre, Candace	At this time, would counsel for the parties, and there are, I think, two parties - one, Martin County Water District and the Martin County Concerned Citizens organization - so would counsel for the Martin County Water District please identify himself and those individuals who are present at the hearing this morning?
9:06:45 AM	Camera Lock Deactivated	
9:06:49 AM	Video Conference Deactivated	
9:06:56 AM	Atty Cumbo Martin District Note: Sacre, Candace	Your Honor, this is Brian Cumbo, and participating with us today are Jimmy Kerr, our chairman, and John Hensley, our vice chairman.
9:06:56 AM	Video Conference Activated	
9:07:06 AM	Chairman Schmitt Note: Sacre, Candace	Thank you, and on behalf of Martin County Concerned Citizens? (Click on link for discussion.)
9:07:26 AM	Atty Cromer MCCC Note: Sacre, Candace	Good morning. This is Mary Cromer, on behalf of Martin County Concerned Citizens. I have my client representatives watching on YouTube. Thank you.
9:07:35 AM	Chairman Schmitt Note: Sacre, Candace	Okay, thank you, and on behalf of Staff?
9:07:38 AM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Nancy Vinsel, and also I have with me Ariel Miller, who is with our Financial Analysis Division.
9:07:44 AM	Chairman Schmitt Note: Sacre, Candace	Thank you. Now, as I understand it, the witnesses who are to ultimately testify and provide evidence in this case are the following: Ann Perkins, Craig Miller, Tony Sneed, Tim Geraghty, John Hensley, and Jimmy Don Kerr. Is that correct?
9:08:09 AM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	That's correct.
9:08:10 AM	Chairman Schmitt Note: Sacre, Candace	And that is the order, I think, that you intend to call the witnesses or question them?
9:08:16 AM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Yes, it is. Mr. Kerr did let me know yesterday we may have a timing conflict. He has a work appointment and would need to leave the hearing by two o'clock, so I think - if it's acceptable to you, may we make a decision as we move into the hearing?
9:08:33 AM	Chairman Schmitt Note: Sacre, Candace	Oh, I think, sure. I mean, if Mr. Kerr needs an accommodation and you can do that, there's no reason why he can't testify, you know, rather than miss his business appointment.

9:08:46 AM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Thank you.
9:08:51 AM	Chairman Schmitt Note: Sacre, Candace	Okay. Has notice of the hearing, as required by the Order, been given?
9:08:57 AM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Yes.
9:08:58 AM	Atty Cumbo Martin District Note: Sacre, Candace	It has.
9:08:59 AM	Chairman Schmitt Note: Sacre, Candace	Okay, and it's filed in the record.
9:09:01 AM	Chairman Schmitt Note: Sacre, Candace	All right. At this time, the hearing will be open to public comment.
9:09:11 AM	Chairman Schmitt Note: Sacre, Candace	Ms. Vinsel, as I understand it, you're controlling the phone or something. If any member of the public would like to come forward and make a statement on the record, you may call in to the Commission at this time. (Click on link for further comments.)
9:09:51 AM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Right now, there's no one on the line.
9:09:56 AM	Chairman Schmitt Note: Sacre, Candace	Well, apparently, there's no interest in any member of the public making a comment, so we'll move on then to the presentation of evidence or questioning, and I think the best way to handle this is for Ms. Vinsel to ask questions first on behalf of the Staff, followed by the Commisioners and Ms. Cromer, and then, Mr. Cumbo, you have an opportunity then to follow up with anything that you might want to ask later or to clarify anything.
9:10:38 AM	Chairman Schmitt Note: Sacre, Candace	All right, Ms. Vinsel, are you ready to call a witness?
9:10:41 AM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Yes, I am. We will call Ann Perkins.
9:10:44 AM	Chairman Schmitt Note: Sacre, Candace	Witness is sworn.
9:11:00 AM	Chairman Schmitt Note: Sacre, Candace	Okay, thank you. Ms. Vinsel, you may ask.
9:11:03 AM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Thank you.
9:11:06 AM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	I'm going to start with a Commission Exhibit. Ms. Warfield, can I ask you to display on the screen PSC Staff Exhibit 1?
9:11:20 AM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Thank you, and for those who are watching remotely, just to remind you, if you put your cursor on the right side of the screen, there will be buttons that come up that will allow you to resize your view so you can minimize or maximize.
9:11:41 AM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	This exhibit was prepared by Ms. Miller, and this is a reflection of the rate increase that Martin County Water District - and I'm going to call it Martin County just to shorten it. The first column shows the amounts that Martin County requested, the middle column reflects the amounts approved by the Commission on an interim basis in November of 2018, and the last column reflects the final amount the Commission approved for rates in November of 2019.

9:12:24 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Ms. Perkins, can I have you look towards the bottom, where it says Total Revenue Increases, and can you see that line?

9:12:37 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Can you confirm that Martin County initially requested a little over a nine-hundred-thousand-dollar revenue increase?

9:12:49 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace And, on an interim basis, they were approved to receive \$655,000, a little over that, and then, in the final rates approved, were \$799,800, correct?

9:13:10 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace So, subject to check, Martin County received about a hundred thousand less than originally requested, correct?

9:13:25 AM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace Ms. Warfield, can I have you bring up the Responses to the Data Requests that Alliance filed on June 12th, and, when you do, if you'll go to the PDF page no. 23? Thank you.

9:13:54 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Ms. Perkins, can you explain to us what this exhibit is showing, the Net Income on a Cash Basis?

9:15:40 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Let me make sure that I understand what you're saying, that when I look at that Cash Basis, that deficit of about \$87,000, roughly, there's about \$25,000 that's not accounted for in here, so that the deficit would be -

9:16:25 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Okay, I think I'm following. Let me double-check here. Which direction? Would the deficit be higher, or would it be -

9:16:45 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace Examination. Is that just for the month of January?

9:16:53 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace So all of these numbers are twenty-five thousand off?

9:17:12 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace But it's not a true cash basis if there's \$25,000 that has inflated the number?

9:17:54 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace Where do you footnote that?

9:18:11 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace That doesn't really explain to the Commission what you're doing.

9:18:20 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Cross Examination (cont'd). Ms. Perkins, can I ask for one clarification, here? When you say if you had actually put the debt service surcharge and MIS into the account, do you mean just actually put that money into the account, or put that money into the account and sweep it back out?

9:18:42 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Do you mean put it into the account and then sweep it back out?

9:18:59 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace Examination. So back to my question regarding why it's not footnoted in a manner that the Commission would be able to understand what's going on?

9:19:35 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace Well, if you're truly showing the performance or the operations of the entity and you understate it by \$100,000 through the first four months or overstate it, I guess, because, on a cash basis, you would be twenty-five thousand more favorable each month, it would be helpful for anybody looking at these statements, if this is all you have and don't have a detailed income statement because you're still waiting on your software system, that, at some point, there should be a financial footnote that says this is what it would be under these circumstances, not just presented to the board packet for the referenced month. It should state here's what it would be if we funded everything, and, given that we're sweeping out one of the accounts, the net cash basis should be eighty-seven thousand in the first month less twenty-five thousand gives you sixty-two thousand and so forth. That way, you have a more true picture of what the true cash deficit is.

9:20:57 AM Vice Chairman Cicero  
Note: Sacre, Candace I'm sorry, Ms. Vinsel, I didn't mean to interrupt you.

9:21:00 AM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace Oh, no, no. Please.

9:21:05 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Cross Examination (cont'd). There's one thing that Staff is not clear about. Martin County has about \$684,000 in noncash depreciation. Is that included in any of the figures on this schedule?

9:21:42 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace And we understand. I have a more global question for you right now. Other than the obvious, there's greater expenses than there's cash coming in, what is the basis of this deficit? Whether it's fifty to seventy-five thousand dollars or it looks more like perhaps thirty to sixty thousand dollars, what is the underlying basis of why there is a deficit?

9:24:38 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace I understand, and I want to be clear that I wasn't trying to infer that you should have fixed it.

9:24:52 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Well, I've got some questions that I'm going to jump something ahead, but I think may help me get to the larger point there, trying to understand what's going on, and let me go back to what you said about the number of vendors. Staff is aware that that has been an ongoing issue of there seems to be, at certain points, we know how much we owe and who we owe it to, and then invoices pop up or information pops up, so can you tell me, what is the status of what you know about what Martin County owes and who they owe it to?

9:27:07 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Let me take a step back here. In previous hearings - let me take several steps back. When the Commission established the debt service surcharge, we approved payment of debts incurred prior to April 1st, 2018. Between April 1st, 2018, and December 31st, 2018, I understand that Martin County continued to accrue past-due debt during that period, and I'm going to call that the stub period. We also had testimony that Martin County was able to remain current with their expenses incurred as of January 1st, 2019, and remain current with their expenses in all of 2019, so what I'm wondering, first of all, from your review of the records, have you been able to identify the past-due debts that were incurred between April 1st, 2018, and December 31st, 2018, with any kind of certainty?

9:29:00 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Let me ask, from your review then of the 2019 records, would you agree that Martin County was able to remain current with all payments for debt during that time?

9:29:32 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace Examination. What is the time line for that?

9:30:14 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace So the question is then, because you're not confident in the system that Martin County was or is currently using and you're going to install your own software, how are you going to be able to develop a balance sheet and a P&L statement by next week for at least - are you doing January through April or January through May, or what's the time period?

9:31:27 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace But you're installing more than billing software, right?

9:31:34 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace So the other financial portion of their software is being utilized?

9:32:25 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace So how is QuickBooks feeding into your software?

9:32:45 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace So how do you relieve accounts payable when you write a check off of QuickBooks?

9:33:14 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace So my question is, typically, you enter an invoice into QuickBooks, it shows it as accounts payable, and then when you write a check, it relieves the accounts payable balance; goes as an offset against cash, but that typically would flow into a P&L setup in QuickBooks, and you're saying that you're not using QuickBooks for P&L, that you're using your own software, so I'm wondering how that - is this a duplicate entry of information so that you have accounts payable in two different sets of books, and one just for the purpose of writing checks?

9:33:49 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace Doesn't that lead to a lot of redundancy and potential error?

9:34:24 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace And so I guess the concern of the Commission is that you're unable to generate really a P&L up to this point, but you're not really changing financial software; you're continuing to use what you have, and I don't understand.

9:35:04 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace Well, even if it was posted to the wrong accounts, it would still be an expense being posted somewhere, I presume, and you still should have some kind of accounting, reporting of a bottom-line number, and, of course, I'm sure Ms. Vinsel is going to ask some more questions on this, but we're trying to find out if you're actually recording all of the expenses, where the new expenses are coming from, and why there's not a comparable expense to what was initially requested when the Rate Application was made back in 2017, '18?

9:36:27 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace In that scenario, wouldn't it overstate expenses?

9:36:33 AM Vice Chairman Cicero  
Note: Sacre, Candace All right. I'm going to let Ms. Vinsel continue her questioning because - I'll let you lead, Ms. Vinsel.

9:36:39 AM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace I think your questions are helping me very much, so thank you, Vice Chair.

9:36:48 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Cross Examination (cont'd). I have a line of questions that I think I'm not going to be able to ask now, but I did want to let you know that the Commission has a long-standing concern about the amounts of debt during that stub period. Despite multiple requests, the Commission has never received conclusive information that tells us how much that debt should be. There would be, for example, one of the vendors who was getting paid from the debt service surcharge, there appeared to be debt that should have been paid from the debt service surcharge that had been somehow or the other accounted for in the stub period, so just to let you know that that is another major concern of the Commission, is that we identify what that debt is because it has got to be paid at some point.

9:38:44 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace And I understand, and that's fair, and, again, that was going to be my next question that you've answered was, what is the impact on the 2018 audit given that all of this is so uncertain, and I think you've explained that, and I thank you very much.

9:39:21 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace And, although this is a hearing and we won't get into this, I do want to let you know that, if you have questions that Staff can assist you with, please do not hesitate to reach out.

9:39:38 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace And, again, I have another rather global question for you. If the significantly past-due debts were paid and we can set them aside, is it your opinion that Martin County's rates would generate sufficient revenues to stay current on expenses?

9:40:15 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Okay, thank you, and, again, I want to clarify. I know that in or November 2019 Order, we had asked Alliance to, in January 2121, to review the expenses and come back with a recommendation in regard to rates, so I'm certainly not trying to short circuit that process.

9:40:39 AM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace Ms. Warfield, can I have you bring up the May 2020 board packet, and if you'll go to the - it's the Outstanding Vendor Debt Chart? It's on PDF page 7.

9:41:26 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace This was - again, this is a document that's in the case record. It was filed with the May 2020 board packet. It's a nice chart that walks me through the outstanding vendor debt. As I look at it, and confirm to me that I'm reading this correctly, that the red line that runs right around the five-hundred-thousand-dollar mark, this reflects the debt that is in the debt service surcharge, correct?

9:42:00 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace So it's reflecting that there was a reduction between September 2019 and May 2020 of about right around \$7,000, is that correct?

9:42:18 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace And then the blue line is, again, just in general, long-term vendor debt, so this, of course, includes the debt service surcharge, is that correct?

9:42:30 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Okay, and I can see that, between December 2019 and May 2020, there was an increase from a little over \$7,000 to a little over - excuse me, a little over seven hundred thousand to eight hundred thousand, so a hundred-thousand-dollar increase. Can you tell me what that amount reflects? What was the reason for that increase?

9:45:36 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace Examination. Can I ask a quick question? Most of the numbers that you gave to Ms. Vinsel were decreases in balances until you reached the last three or four numbers for fuel and some other - Zip Zone and whatever, but that didn't - that was nowhere near, basically, \$19,000.

9:46:21 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace Increase or decrease?

9:46:25 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace A forty-thousand-dollar increase, so you found \$40,000 worth of additional C. I. Thornburg invoices that hadn't been accounted for before?

9:46:41 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace Well, if it decreased it, the question is why is the balance from December to May \$90,000 higher, and you've got a forty-thousand-dollar decrease in C. I. Thornburg? That makes it a hundred and thirty thousand.

9:48:28 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace That's about - 52 minus three, forty-nine thousand, so that's about fifty thousand of the hundred and thirty thousand that we're talking about, and then we've got questions about why Evans Hardware and Zip Zone balances are increasing by that amount of money. Are those going further and further into arrears?

9:49:02 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace I think you showed Evans Hardware as being one of them, an increase of \$8,000. Eight thousand dollars in finance charges?

9:49:13 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace Well, can you do, as a post-hearing data request, verify what those interest charges are? because I think the Commission would be very interested in that.

9:49:20 AM POST-HEARING DATA REQUEST  
Note: Sacre, Candace VICE CHAIRMAN CICERO - WITNESS PERKINS  
Note: Sacre, Candace VERIFICATION OF INTEREST CHARGE ON OUTSTANDING DEBT TO EVANS HARDWARE

9:49:24 AM Chairman Schmitt - witness Perkins  
Note: Sacre, Candace Examination. Do you know what the interest rate Evans is charging?

9:49:38 AM Chairman Schmitt - witness Perkins  
Note: Sacre, Candace Is the District still making purchases from Evans?

9:50:02 AM Chairman Schmitt - witness Perkins  
Note: Sacre, Candace I don't know. Perhaps someone else could answer whether there are sources for some of the products that you buy other than Evans Hardware, such as maybe Lowe's or ACE Hardware or somewhere?

9:50:36 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Cross Examination (cont'd). To get back to the entries shown on the chart, what it says to me reading this is that there is a significant amount of current debt that is not being paid. I know you've said now that it's 30, 60, 90 days out, so is that what this chart reflects in terms of the current expenses that are not being paid?

9:51:42 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Oh, okay, just to let you know, we will submit in writing post-hearing data requests, but one of our requests is that we would like to get a copy of the worksheet that you've referenced of the outstanding vendor debt that was prepared for the hearing today.

9:52:03 AM POST-HEARING DATA REQUEST  
Note: Sacre, Candace ASST GEN COUNSEL VINSEL PSC - WITNESS PERKINS  
Note: Sacre, Candace WORKSHEET OF OUTSTANDING VENDOR DEBT

9:52:04 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace And we would also like to get a revised version of this particular chart. For example, you referenced the December 19th balance is not actually the amount shown on this, the \$709,000, so if we could get a revised version along with that worksheet.

9:52:24 AM POST-HEARING DATA REQUEST  
Note: Sacre, Candace ASST GEN COUNSEL VINSEL PSC - WITNESS PERKINS  
Note: Sacre, Candace REVISED FOOTNOTED VERSION OF MARTIN DISTRICT  
OUTSTANDING VENDOR DEBT CHART

9:52:25 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace Examination. Footnoted with notes at the bottom that show the variance or the increase between seven hundred and ten thousand and eight hundred and one thousand and any major change above \$3,000.

9:53:04 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace So, while we're on this chart, let me ask you a question about the debt service charge for the long-term vendors, which include C. I. Thornburg - who are the other four on here? I think they're Linda Sumpter and Zip Zone - Evans, C. I. Thornburg, Linda Sumpter, and Zip Zone. When payments were - you stopped making payments to those vendors because you ran out of cash to make payments. Did you contact those vendors and let them know that there was a cash flow problem and that payments would be temporarily halted until you were able to bring the finances under control

9:54:01 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace Okay, so have you contacted them since?

9:54:17 AM Chairman Schmitt - witness Perkins  
Note: Sacre, Candace Examination. You understand that Thornburg contacted the Public Service Commission about its not being paid, correct?

9:54:34 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace Examination. Because, if you're going to have vendors work with you, you need to work with the vendors.

9:54:47 AM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace I'm sorry. I'll need a moment. I think some of these questions have been answered and some you will not be able to answer because they're on the stub period.

9:54:55 AM Chairman Schmitt - witness Perkins  
Note: Sacre, Candace Examination. Well, while you're getting that, let me ask - just clarify one thing. Are all of the long-term vendors other than Evans - that's Zip Zone, Thornburg, and Sumpter - are all three charging interest on the outstanding debt?

9:55:28 AM Chairman Schmitt - witness Perkins  
Note: Sacre, Candace Okay, well, if they are, I mean, of course, we want to know what Evans - the interest rate they're charging and so forth. If the others are, we'd like the same information about them as well.

9:55:46 AM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace I've got that included in a post-hearing data request to collect it all.

9:55:50 AM POST-HEARING DATA REQUEST  
Note: Sacre, Candace CHAIRMAN SCHMITT - WITNESS PERKINS  
Note: Sacre, Candace LIST OF LONG-TERM OUTSTANDING VENDOR ACCOUNTS TO  
INCLUDE INTEREST RATES, IF ANY

9:55:54 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Cross Examination (cont'd). And, Ms. Perkins, this is something I will  
ask pretty much all of the witnesses, but can you tell me what the  
plans are for paying the past-due debt - let me back up. What are  
the plans for paying the debt service surcharge given that that  
money is now going to pay Alliance?

9:57:04 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace And I know that probably no one wants to discuss it in too much  
detail ahead of that meeting, but would it be Mr. Miller or Mr. Sneed  
that I should follow up with on that matter?

9:57:35 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace I'm going to see if I can do this without the documents. If I need to  
bring them up, I will. We have some discrepancies in the amounts  
due to C. I. Thornburg in the debt service surcharge account  
between the May, April, and February board packets. Let me just  
give you the amounts and see if we can work it without the  
documents.

9:58:04 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace According to the information in the May 2020 board packet, which  
set forth the amounts due, balances due, for the DSS debt, the  
balance for C. I. Thornburg was \$42,468.32, and this is as of May  
26th. In the April packet, that same amount or same debt for C. I.  
Thornburg was listed as \$36,345.26, and then, in the February  
board packet, it was, again, \$42,383.88, and do you know why the  
amount changed? And this amount should have been static but for  
payments or potentially interest.

10:00:04 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace So I'll follow up with Mr. Miller on that one. Thank you.

10:00:20 AM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace Kabrenda, can I ask you to bring up the May 2020 board packet, the  
billing summary which is on PDF page 4? Thank you.

10:00:42 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Now, Ms. Perkins, I've looked at this. I see one column that's labeled  
Revenue and another column that's labeled Payments Received. Can  
you help walk me through? What does the Revenue represent, what  
does Payments Received represent, and why are they so different?

10:01:30 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace So I'm trying to figure out what the lag - when I look at the  
Payments Received for April 2020, should there be some sort of an  
alignment with the revenue in March '20?

10:02:19 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace Examination. So there's no correlation here? In other words, when  
we look at those numbers, one includes a pass-through in the form  
of taxes? When you say Payments Received, you're not netting any  
(inaudible)?

10:02:31 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace Okay, so isn't that a difficult presentation for both Alliance and the  
Martin County Water Board if they look at this and think that they're  
receiving payments that should correspond to revenue, but, in  
reality, revenue and payments received are based on two different  
criteria?

10:03:24 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace Well, it's misleading because, if you were using those numbers to make management decisions, which is what you should be using it for, you're misrepresenting yourself by saying "I've got this revenue coming in in the form of payments received," and, in actuality, a portion of that is a pass-through and probably should be reflected as a separate column on this that shows the true amount of cash that's being received for purposes of operations. That's a management tool that I would think both Alliance and Martin County Water District would want to have a handle on.

10:04:20 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace Yeah, but it would be consistently incorrect.

10:04:42 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace If you're going to have an exhibit that is trying to provide management with a true financial picture, you should take out those items that don't reflect anything that has anything to do with operations. Pass-throughs are irrelevant. You're acting as a collection agency to pass through to another entity. It has no impact on the cash balance of Martin County. They can't use it, all they do is collect it, and, therefore, if you include it, it's an overstatement of what you believe you're collecting. Now, it might be a management tool for you as far as your bank recs go, but, in terms of making a decision, there should be some kind of, again, a column on here that subtracts that out so that you understand what you're receiving for operations.

10:05:53 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace If it's only seven thousand, that's fine. That doesn't sound like much of a pass-through, so you're only collecting \$7,000 in total to be passed through to tax agencies?

10:06:07 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace For this entire period or per month?

10:06:18 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace So we're up to sixty-five hundred per month?

10:06:22 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace So, over this course of one year, it's 12 times 6100, seventy-two, seventy-eight, about \$80,000. Not great, but you should still provide information.

10:06:35 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace What people besides you are looking at the report? If you don't provide a footnote that says "This is the information I'm providing," no one has a way of knowing that that's what's being provided. Would you agree?

10:06:53 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace And I think that's important for everyone concerned to decipher the information that's provided. If you want to put a footnote on there that says "The average pass-through is 6500," that's fine, but, at least, we know what we're looking at.

10:07:36 AM Vice Chairman Cicero  
Note: Sacre, Candace Go ahead, Nancy.

10:07:38 AM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace Thank you, sir.

10:07:40 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Cross Examination (cont'd). I think one of the takeaways from today's hearing, I hope, is that the reports that are being looked at are also being looked at by Commission Staff, and, when there are things that are not clear or anomalies that aren't explained, it raises questions and results in something like this where we need to get clarity and then make changes going forward.

10:08:13 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace I have a question about some discrepancies in the revenue and usage numbers between the April 2020 quarterly filing made with the Commission and the April 2020 board packet.

10:08:41 AM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace So, Ms. Warfield, can you bring up the April 2020 quarterly filing but also have the April 2020 board packet ready to go? Can I have you go to PDF page 3 - excuse me, PDF page 5?

10:09:19 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Again, there are discrepancies in the revenue and usage between what's reported here and what's in the April 2020 board packet, so let me walk you through.

10:09:30 AM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace Ms. Warfield, can I have you scroll down to show the February 2020 numbers?

10:09:44 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace So, according to the quarterly filing - well, first of all, can I ask, who prepares this document? Who prepares the documents that get filed with the quarterly filings? Do you know, Ms. Perkins?

10:10:21 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace And it's just this part that I wanted to know about, and I think I'll follow up with Mr. Miller and Mr. Sneed about accuracy checks.

10:10:36 AM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace That's the perfect view. Thank you, Ms. Warfield.

10:10:40 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace So, up in the top by the date 2/20/2020, that reflects the usage - let me see here.

10:10:55 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace The usage numbers?

10:10:59 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Yes, and then down at the bottom is the total bill, and the amount listed here is \$226, \$766.50, correct?

10:11:13 AM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace Okay, and, Ms. Warfield, can I have you scroll down so that we can look at March?

10:11:23 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace So here we see - we have usage. I'm just going to say 11.6 million gallons, and the total billed is \$204,482.82. Yes?

10:11:42 AM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace Okay, Ms. Warfield, can I have you bring up the April 2020 board packet on page 4?

10:12:00 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Again, this is the billing summary. When I look here, what it's showing me, the water sales. Now, should water sales match up with the usage numbers in the billing summary?

10:12:29 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Yes, do you know why there was that discrepancy?

10:12:56 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace I'll follow up with Mr. Miller. Well, then I suspect it's the same issue because the revenue numbers -

10:13:38 AM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace Okay, Ms. Warfield, if you can go back to April 2020 quarterly filing?

10:14:29 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace And was that change made in February? because we noticed that the January revenue amount matched the billing summary.

10:15:09 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Understood. It sounds like, potentially - would you agree with me that we can - that Staff can expect that there will be similar, I'm going to call it, corrections to the inputs to the numbers, and, if that occurs going forward, if we can ask you to please put some sort of an explanation in on the reports.

10:15:46 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace I have one last question for you. When Staff requested the income statements for January 2020 - April 2020 in the last Data Request, Alliance responded that income statements would not be available until June 30, 2020. Is this due to the installation of new software, or can you - walk me through why it will not be available until that date.

10:15:51 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace Still May 26, 2020. This is Exhibit 4-1.

10:16:57 AM Asst Gen Counsel Vinsel PSC - witness Perkins  
Note: Sacre, Candace Thank you. I will say that, having worked on Martin County's financials for quite some time, Staff is well aware of the significant issues that are there, and that's a large part of why we want to make sure that we're understanding going forward so that this could get corrected and fixed.

10:17:28 AM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace Staff has no further questions for Ms. Perkins at this time.

10:17:31 AM Chairman Schmitt  
Note: Sacre, Candace Commissioner Cicero, questions?

10:17:33 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace Examination. So I want to go back and look at the outstanding vendor debt real quick. You were asked several questions regarding the graph that shows the eight hundred and one thousand and the five hundred and seven thousand on this outstanding vendor debt, and there was a list of bills provided as, I think, 4-2 that was provided to Staff, and it lists the past-due accounts which total \$294,140 and \$507,000 which is associated with the DSS money, so the total was eight hundred and one thousand, and that's the amount that's on the top line there, I guess, on this graph. Is that correct?

10:18:23 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace Of that eight hundred and one thousand, is the five hundred and seven thousand that is the cash payment plan for the four largest debtors, right?

10:18:35 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace So I go to the next page, which is the list of bills for consideration, there was \$221,000 of bills to be paid, is that correct, current bills?

10:18:55 AM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace If I may Vice Chair, Ms. Warfield, can you bring up the May 2020 board packet? and it's PDF page 9.

10:19:19 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace That's it. See the two hundred and twenty-one thousand?

10:19:25 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace So, if I add the two hundred and twenty-one thousand to the eight hundred and one thousand, that means that, at one point in May, Martin County owed a million twenty-two thousand in accounts payable, including past due, payment plan, and current debt, is that right?

10:19:48 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace And included in bills for consideration is the management infrastructure surcharge and the debt service surcharge, actual collected will be paid, I'm presuming, into the respective accounts, and those total twenty-five thousand, approximately, okay?

10:20:14 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace So, if I subtract the twenty-five thousand, the actual bills being paid is a hundred and ninety-six thousand, correct?

10:20:24 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace And the Alliance Water Resources invoices total a hundred and sixty-four thousand, correct?

10:20:32 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace So, in reality, only thirty-two thousand is being paid out for accounts payable in this packet for consideration by the board?

10:20:50 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace But, if they're only paying down at the rate of thirty-two thousand, then this balance on past-due accounts will continue to climb, won't it?

10:21:05 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace So, given that that is the situation, isn't it possible that Martin County would run out of cash flow sufficient to actually pay all the invoices and be in a position where Alliance might not be paid, even with a cash surcharge and the - with the infrastructure surcharge and the debt service?

10:21:31 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace And what is the plans for Alliance should that happen?

10:21:49 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace When those options are presented to the board, can you also provide that position paper and options to the Commission?

10:22:10 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace One last question for you. Is there a timeline to seamlessly integrate your financial software including billables, payables, payroll, inventory, asset management, and a to develop P&L and a balance statement without redundancy of order entry?

10:23:29 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace All right, so I'm going to give you the benefit of the doubt in the fact that you've only been managing this for six months, and it's been 25 years in the making, but there's high expectations being that you're a management operation and that you have past experience, and you understand that there's a criticality in how numbers are reported and that the Commission has an intense focus on whether the numbers that are being reported are accurate and whether they can dissect them and understand what they are, so you, being in the financial position, are going to receive a lot of attention until the numbers provided that we believe are reliable and accurate.

10:25:03 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace Yes, and I'll just make one last comment, and then I'll turn it over to Chairman Smith and Commission Mathews. Rates were developed for Martin County based on information that was outdated, inaccurate, and unverifiable, and, unfortunately, when that's the information that a rate is used to develop and you're depending on that information to provide the revenue to sustain the operations and it's not reliable, as you've pointed out, the payables continues to increase because you find invoices that weren't presented, we end up with a situation that, even not including depreciation as a funded reserve, that you're still having a cash shortfall. I think the Commission was depending on operations to improve on water loss and revenue billing by substantiating the meter readings and making sure that everybody was being metered and billed, and, right now, I'm not sure that we can say that is accurately happening, but there's going to be a problem until the information provided is accurate and a rate developed that can be reliable to sustain the operations. Up until now, the residents of Martin County have suffered because of rate increases that put them near the top of the list in the state and, unfortunately, has to do, again, with 25 years of problems coming to a head and need to be managed.

10:26:47 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace But, at this point, the faster the financial information is correct, the more reliable it is for your audit, the more reliable it is to obtaining a loan, and the more reliable it is to have a rate that represents what actually needs to be in place in order to sustain operations.

10:27:06 AM Vice Chairman Cicero  
Note: Sacre, Candace I don't have anything else, Mr. Chairman.

10:27:09 AM Chairman Schmitt  
Note: Sacre, Candace Commissioner Mathews, questions?

10:27:18 AM Commissioner Mathews  
Note: Sacre, Candace I don't have any questions. I believe the Vice Chairman covered everything I wanted to ask.

10:27:26 AM Chairman Schmitt  
Note: Sacre, Candace Thank you. Ms. Cromer, questions?

10:27:55 AM Atty Cromer MCCC  
Note: Sacre, Candace Yes, I do have a couple of questions.

10:27:58 AM Atty Cromer MCCC - witness Perkins  
Note: Sacre, Candace Cross Examination. The first one is just kind of a big picture question, Ms. Perkins, just so I'm properly understanding. It sounds as if you're saying that the District is not accruing additional debt with its vendors but for the fact that some of those vendors are charging finance charges, is that correct, additional past-due debt over 30 days?

10:29:27 AM Atty Cromer MCCC - witness Perkins  
Note: Sacre, Candace And you mentioned Zip Zone a couple of times. Is there someone who is better to talk to about the issues going on with Zip Zone, or can you address those?

10:30:30 AM Atty Cromer MCCC - witness Perkins  
Note: Sacre, Candace Okay, and I'll just say, in our review of the vendor balances over time, it appears that the Zip Zone has increased significantly. Even though there are questions on the accuracy of those past statements on vendor balances, that it does look like, you know, just based on what you all have provided to the board, that Zip Zone has gone up quite a bit, so we'd be interested about what (inaudible) -

10:30:58 AM Atty Cromer MCCC - witness Perkins  
Note: Sacre, Candace Yeah, I think it's pretty significant that the two local businesses are the ones that seem to be milking the District with finance charges.

10:31:07 AM Atty Cromer MCCC - witness Perkins  
Note: Sacre, Candace So I would like to ask another question about, I know we've gone over this, the net income snapshot because I'm still just not quite understanding, and I don't -

10:31:18 AM Atty Cromer MCCC  
Note: Sacre, Candace And I apologize, Nancy, I didn't ask about how to do this. I don't know that we need to look at it again, but it's just that one sheet from the May board meeting.

10:31:31 AM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace Right, right, we can pull that up. Okay, Kabrenda, it's the May 2020 board packet, and it is page 6.

10:31:51 AM Atty Cromer MCCC  
Note: Sacre, Candace Five, I believe? Six, thank you.

10:32:02 AM Atty Cromer MCCC - witness Perkins  
Note: Sacre, Candace And, Ms. Perkins, I believe that you testified that, the way you prepared this, you wanted to show a snapshot from the perspective of having funded both of the surcharge accounts and what that would mean to the overall, like, monthly cash in/cash out financial picture for the District, is that correct?

10:32:26 AM Atty Cromer MCCC - witness Perkins  
Note: Sacre, Candace So, taking January, for instance, or, actually, any of the months, I'm not seeing the surcharge showing up on here, so I don't (inaudible).

10:32:55 AM Atty Cromer MCCC - witness Perkins  
Note: Sacre, Candace Okay, so it's there, not down where it's itemized?

10:34:05 AM Atty Cromer MCCC - witness Perkins  
Note: Sacre, Candace Okay, I understand now. Thank you. I also have some questions, and I'm not sure, these may be more for Craig, but I just wanted to discuss the changes in the variance in revenues, and you had mentioned, I think, that the District looks like it's losing about \$10,000 a month due to COVID. Could you explain a little more about that?

10:35:27 AM Atty Cromer MCCC - witness Perkins  
Note: Sacre, Candace Have you all tracked exactly the impact of, like, how many people would be subject to disconnects but for the Order, how many people would be subject to the late fees but for the Order? Have you all been tracking that?

10:35:50 AM Atty Cromer MCCC - witness Perkins  
Note: Sacre, Candace Okay, okay, thank you. I do notice that, based on the board packets, the revenues - well, the residential payments. I believe I'm looking at the right thing. I was very confused by the column that's titled Revenue because I wasn't considering that was billing. I was considering that as money in, but it does look like there was - there has been a dip, starting in - actually, January was the high, it looks like, and it looks like there has been a decrease in the amount of money coming in to the District. Have you - like, do you have an idea or can you say what the percentage of decrease has been and whether that - how much of that was anticipated? I know there are some seasonal variations.

10:37:26 AM	Atty Cromer MCCC - witness Perkins Note: Sacre, Candace	Okay, I will ask those questions of Craig, and this may be a Craig question as well, but have you seen anything in the billing that would indicate whether or not the District has had any repair costs that have been above a twenty-five-hundred-dollar limit for an itemized repair?
10:38:01 AM	Atty Cromer MCCC - witness Perkins Note: Sacre, Candace	Okay, and are you, on sort of an ongoing basis, computing Alliance's direct costs to make a determination as to whether or not, you know, they're being covered adequately by the contract?
10:38:19 AM	Atty Cromer MCCC - witness Perkins Note: Sacre, Candace	And do you have any concern that the direct cost in this year will not be adequately covered? I know there's a reopener in the contract if the direct cost exceeds what Alliance's contract is.
10:38:40 AM	Atty Cromer MCCC Note: Sacre, Candace	Okay, I think that's all the questions I have. Thank you, Ms. Perkins.
10:38:48 AM	Chairman Schmitt Note: Sacre, Candace	
10:38:51 AM	Atty Cumbo Martin District Note: Sacre, Candace	Mr. Cumbo, questions?
10:38:54 AM	Chairman Schmitt Note: Sacre, Candace	No questions.
10:38:57 AM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Okay, anything further, Ms. Vinsel?
10:39:03 AM	Chairman Schmitt Note: Sacre, Candace	Chairman, I need to move to introduce PSC Staff Exhibit No. 1 into the record.
10:39:06 AM	PSC EXHIBIT 1 Note: Sacre, Candace Note: Sacre, Candace	Sustained, let PSC Exhibit 1 be filed and entered into the record.
10:39:09 AM	Chairman Schmitt Note: Sacre, Candace	ASST GEN COUNSEL VINSEL PSC - WITNESS PERKINS ANALYSIS OF RATE CASE PERCENTAGES REQUESTED BY MCWD AND APPROVED BY COMMISSION EDITED ON 6/9/2020
10:39:10 AM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Anything further, Ms. Vinsel?
10:39:12 AM	Chairman Schmitt Note: Sacre, Candace	Nothing further from Staff.
10:39:16 AM	Chairman Schmitt Note: Sacre, Candace	Anyone else have any other questions?
10:39:22 AM	Chairman Schmitt Note: Sacre, Candace	If not, thank you, Ms. Perkins, and you may be excused.
10:39:27 AM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Ms. Vinsel, would you like to call another witness?
10:39:40 AM	Chairman Schmitt Note: Sacre, Candace	Yes, please, Craig Miller.
10:39:54 AM	Asst Gen Counsel Vinsel PSC - witness Miller Note: Sacre, Candace	Witness is sworn. Cross Examination. Good morning, Mr. Miller, I'm going to try to do some clean up from some of the earlier questions, and see if we can get through that first. Can you confirm whether or not - I'm sorry. I was distracted by the screen. Can you confirm whether or not Alliance is purchasing items from Evans Hardware currently?
10:41:07 AM	Asst Gen Counsel Vinsel PSC - witness Miller Note: Sacre, Candace	So you've got that offset then?

10:41:14 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace I would like to get this into the record. I believe we've discussed this in the past. We had discussed at one point, in particular, about Evans because of the interest, about trying to go back to them and negotiate, to negotiate a reduction in the interest or removal of interest in the balance due. Can you tell me, what is the long-term plan that Alliance has for dealing with the debt service, the debts that are in the debt service surcharge?

10:42:18 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace So, once the financial picture is complete and also then with the audits, which ideally will be completed at the end of September this year, is that correct?

10:42:28 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace And, at that point, then Martin County would be in a better position to be able to obtain a loan, correct?

10:42:40 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace Thank you. Again, I know I'm going to be jumping around a little bit, and I apologize for that, but could you discuss the January audit and what the results were, what kind of changes were made to the December billing, for example, as a result of that audit?

10:45:33 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace Understandable. What is the reason or what do you attribute the significant reduction in the negative reads to?

10:46:57 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace And you said that before Alliance came in that, in December, all of the bills were estimated bills, correct?

10:47:10 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace And you mentioned about the negative bills. Many of them were overestimated. Were any of the other bills overestimated? Have you heard much from customers that they felt that that bill was overestimated?

10:47:45 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace And I know, from reading your activity reports in the board packets, that there has been an emphasis on locating all meters, and is it correct that you've located all but, I believe, 35 meters that you have records for?

10:48:30 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace I think I understand, Ms. Cromer mentioned something I was going to follow up on. I'm going to go ahead and do it now. Are you tracking any of the COVID-related both expenses and revenue loss?

10:48:53 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace Are you currently tracking any COVID-related expenses or COVID-related revenue loss?

10:49:40 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace I was thinking of, like, the PPE and many of the things I probably don't know about.

10:50:19 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace And I asked Ms. Perkins about the discrepancies in revenues in the April 2020 quarterly filing, the April 2020 board packet. She said that you and she had discussed it this morning and that I needed - suggested that I follow up with you. Can you talk to me about what you discovered in terms of those particular discrepancies other than the fact that the revenue amounts shown on the quarterly filing reflect something different than the billing summary? Was that too much of a compound question? Let me go back.

10:51:04 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace It sounds like that you and Ms. Perkins had a discussion about some discrepancies in revenue amounts reported in February and March. Is that case, and, if so, can you explain it to me?

10:52:41 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace Okay, and if I'm asking you something that you think I should ask Mr. Sneed, please let me know. I think it would be helpful for the Commission for you to walk through the - when Alliance presents the list of bills for consideration and the prioritization of bills when they are paid. Can you do that, or should I defer that to Mr. Sneed?

10:54:08 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace And, when you say your staff, do you mean Katrina - I believe her last name is Samson?

10:54:20 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace I'm going to jump ahead to Mr. Maynard. We've noticed that there is an entry for payment on truck for Mr. Maynard. Can you tell us a little about that?

10:55:19 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace Mr. Miller, do you know what the balance is on the amount due to Mr. Maynard?

10:55:36 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace I can ask it as a post-hearing data request (inaudible).

10:55:46 AM Asst Gen Counsel Vinsel PSC - witness Miller.  
Note: Sacre, Candace Sure. No, I understand.

10:56:32 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace So, to go back to the list of bills for consideration, so when this list is presented to the board of commissioners, walk me through. Who does what? Who walks through the list? Who on the board discusses it, makes decisions? I know the board as a whole will make the final decision, but can you walk me through it?

10:57:42 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace And does the board - have you explained to the board which ones will be paid when cash is available?

10:58:18 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace When the decision is made, for example, with the debt service surcharge, for Alliance, you know, to apply the first priority and make that payment, is that the type of information that's communicated to the board?

10:58:47 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace So the board was informed that payments were not being made to, I'm just going to call them, the four vendors, C. I. Thornburg, Zip Zone, Linda Sumpter, and Evans Hardware. Is that correct?

10:59:09 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace Is that something that would happen going forwards though?

11:00:12 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace I'm going to see if I can ask this one without bringing up the document. On the list of bills for consideration, one of the entries, the header is the security deposit account customers. Are these entries a refund to customers for security deposits?

11:00:36 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace And I'm glad to bring it up if we need to look at it. I know that one of the entries on the May board packet was to Martin County Water District, and I believe the amount was \$800. Could you explain what that was for?

11:01:04 AM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace Let me have - Ms. Warfield, can you bring up the May 2020 board packet? It's PDF page 11.

11:01:23 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace In there, there are three entries. Two apparently are refunds to customers, and then one is to Martin County Water District.

11:01:50 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace So there was a return to customers of about \$825 in security deposits?

11:02:13 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace Why would two of the customers be indicated individually but the remainder compiled into one heading? Do you know?

11:02:30 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace Okay. I'm going to go ahead and include that in a post-hearing data request. I wasn't sure if there was some privacy concern, but particularly since two customers are listed.

11:02:39 AM POST-HEARING DATA REQUEST  
Note: Sacre, Candace ASST GEN COUNSEL VINSEL PSC - WITNESS MILLER  
Note: Sacre, Candace EXPLANATION OF THREE ENTRIES ON LIST OF BILLS FOR CONSIDERATION IN MAY 2020 BOARD PACKET

11:03:06 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace So when the Commission established the management infrastructure surcharge in November 2018 - I'm going to say this as background, and then I'll get to my question - it was not to be collected until the Commission approved it, and it was to be used to pay a third-party management company such as Alliance, so, in the November 2019 Order is when we authorized that surcharge to be collected. However, in the November 2019 Order, we had specified that that amount, that surcharge, was to be only to pay management expenses and for infrastructure, and is that something that was clear to you, how it had to be used, that limitation?

11:04:22 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace And I know that Mr. Sneed filed the report.

11:04:28 AM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace Kabrenda, can you bring up the June 9th Notice that was filed in regard to the debt service surcharge and management/infrastructure?

11:05:09 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace I really want to focus on what's highlighted in yellow, and I want to be clear that I'm the one who highlighted that to make it a little easier to read. In here, there's notice that the management/infrastructure funds of a little over - well, \$74,000 were deposited and withdrawn to cover revenue shortfall, and I know that Mr. Sneed filed this, but I thought I would ask you first. Was this money applied to the balance due Alliance for its management fee?

11:05:54 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace Okay, so it wasn't to recover revenue shortfall; it was taken out as it would have been normally?

11:06:03 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace And, from that balance, it appears that the money has been collected but not spent out of that fund because I don't - looking at the data we've got, Martin County Water District does not collect that much money per month in that surcharge, so can you confirm to me, was - the roughly \$74,000, was that the entirety of the management/infrastructure surcharge budget - excuse me, balance?

11:06:48 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace Okay, I'm going to move on from that, and I will ask this to you and Mr. Sneed and Mr. Geraghty. I believe that you are all aware that the debt service surcharge has a provision for Alliance to have first priority on the funds if Martin County Water District either does not pay or cannot pay Alliance's fee, is that correct?

11:07:40 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace And that Alliance is required to provide notice to the Commission if Alliance is going to draw upon the debt service surcharge, correct?

11:07:52 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace Okay, I just wanted to make sure we got that in the record.

11:09:02 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace Thank you very much. I appreciate that clarification. I also wanted to make sure it was understood that, in terms of priority of draw from the accounts, that the money should come from the MIS account, and then, if these other conditions are such that the money should be withdrawn from the debt service surcharge, that would be the second priority after other sources are not available

11:09:42 AM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace Kabrenda, can I have you bring up the May 2020 board packet and look at the billing summary on page 4?

11:09:55 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace And this is what we're - we touched on it before about the water sales, and, again, I just want to make sure that I'm understanding here. Just in looking through the entirety of the report, the 2019 water sales tended to vary between 14 million gallons and 16 million gallons. Knowing that January, February, March, April are new with water sales, is there any particular reason why there would have been - it looks like tended to be higher water sales looking from June '19 through December 2019? And let me - I'm sorry. I'm speaking of gallons. I want to be clear.

11:11:42 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace Earlier Ms. Perkins had referenced - I should follow up with you on this, but you've noticed, apparently, there are two different sources for billing summaries, and there was a discrepancy between them, and if you've already answered that question, I apologize. Is that the case? Do you have two different systems that give you two different numbers?

11:13:15 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace In the activity reports, there's a reference to one of Alliance's goals is for Martin County to be a 100 percent metered district, moving forward. Knowing that there's only two that you haven't located, would you say that the - what is the status of the goal to be 100 percent metered?

11:15:22 AM Asst Gen Counsel Vinsel PSC - witness Miller  
Note: Sacre, Candace I've got one question left for you, and this is from -

11:15:27 AM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace Kabrenda, can you bring up the June 12th Response to Data Request? And it would be on page 3.

11:16:00 AM	Asst Gen Counsel Vinsel PSC - witness Miller Note: Sacre, Candace	And this is what Alliance filed in response to a question that we had about sales at the Honey Branch tank to the Prestonsburg utilities. I'm looking down here at the bottom chart that says Invoice Date, Gallons, Revenue/Expense. Looking at the line for February 19th, 2020, to March 18th, 2020, the numbers in red indicate, you know, that Prestonsburg is providing more water to the prison. We're trying to understand how - so that would be, basically, a negative number of gallons reported, but there's revenue, and can you explain how that's possible?
11:17:25 AM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Thank you. I don't think we need to get the numbers. We just needed to understand why that happened.
11:17:33 AM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Staff has no further questions at this time.
11:17:36 AM	Chairman Schmitt Note: Sacre, Candace	Commissioner Cicero, questions?
11:17:39 AM	Vice Chairman Cicero Note: Sacre, Candace	Kabrenda, can you go back to that billing summary that Ms. Vinsel just had up for the last exhibit?
11:17:47 AM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	It's from the May 2020 board packet.
11:17:51 AM	Vice Chairman Cicero Note: Sacre, Candace	That one.
11:17:52 AM	Vice Chairman Cicero - witness Miller Note: Sacre, Candace	Examination. So, just to clarify for me, you stated that, in December, it was 313 negative reads because of over-estimations, in which case, you would think that January's number would be lower because of those 300 in negative reads. Does that sound logical?
11:18:25 AM	Vice Chairman Cicero - witness Miller Note: Sacre, Candace	But, if I look at January, both the revenue and the gallons are the highest they were so far this year even with the negative reads in December?
11:18:44 AM	Vice Chairman Cicero - witness Miller Note: Sacre, Candace	Is there an explanation for that?
11:19:12 AM	Vice Chairman Cicero - witness Miller Note: Sacre, Candace	Fair enough. If I look at the year-to-date totals, April 2019 revenue was eight hundred and thirty-seven thousand-o-sixty-four; in April 2020, the total was seven seventy-one five-thirty-nine. The average per month for 2020 was a hundred and ninety-three thousand; the average per month in 2019 was two hundred and nine thousand, or sixteen thousand less for the four months in 2020 or \$50,000 total in less revenue billed. You've indicated that all meters are being read now. Is there a reason why you'd be averaging sixteen thousand less a month in revenue than you were in 2019?
11:20:26 AM	Vice Chairman Cicero Note: Sacre, Candace	Okay, so let me ask you -
11:21:14 AM	Vice Chairman Cicero - witness Perkins Note: Sacre, Candace	Well, I think you indicated it was about \$6500 a month for pass-throughs, and for -
11:21:49 AM	Vice Chairman Cicero - witness Perkins Note: Sacre, Candace	All right, then let's just look at that gallons, okay?
11:23:12 AM	Vice Chairman Cicero - witness Perkins Note: Sacre, Candace	So we're back to numbers that may not be an apples to apples comparison, is that what you're saying?

11:23:25 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace Okay, so let me ask you, do you look at this report and believe it's useful the way it's presented? Even if the numbers were correct, do you believe it provides enough information that it's useful for management?

11:24:14 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace So I only ask the question because I want to make a suggestion, okay?

11:24:21 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace You show the number of gallons and the number of customers, and if you divide those numbers, the average varies from just over three thousand to forty-four hundred per month per customer, so there's no rhyme or reason why the variations should be so great. Why don't you look at the number of customers and usage by industrial, commercial, and residential so that you have an idea whether you're getting variations, significant variations, like customer in a class, then you wouldn't have to look and say, "I don't know whether I had a large industrial user that threw off or skewed the whole consumption per customer?"

11:25:23 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace And I'm hoping your new software will be able to do that.

11:25:29 AM Vice Chairman Cicero - witness Perkins  
Note: Sacre, Candace Good, then you'll be able to go forward with that and have a new management tool that you can analyze the numbers with.

11:25:40 AM Vice Chairman Cicero  
Note: Sacre, Candace Okay, so I just have one more question for Mr. Miller.

11:25:45 AM Vice Chairman Cicero - witness Miller  
Note: Sacre, Candace And, basically, since you haven't found any significant numbers of meters that are faulty or customers that are not metered, are we saying that the water loss of 70 percent is a real number?

11:26:03 AM Vice Chairman Cicero - witness Miller  
Note: Sacre, Candace So we're at a 70 percent water loss, correct?

11:26:24 AM Vice Chairman Cicero - witness Miller  
Note: Sacre, Candace And is there a plan - I don't know if there's even any need to ask this question. Certainly, you're trying to come up with some kind of plan to make that number at least -

11:28:13 AM Vice Chairman Cicero - witness Miller  
Note: Sacre, Candace Well, prayer is always a good management tool, but there's - finding a good, effective plan also works really well.

11:28:23 AM Vice Chairman Cicero  
Note: Sacre, Candace I don't have any other questions, Mr. Chairman.

11:28:26 AM Chairman Schmitt  
Note: Sacre, Candace Commissioner Mathews, questions?

11:28:28 AM Commissioner Mathews  
Note: Sacre, Candace Just a few. Can you hear me?

11:28:36 AM Commissioner Mathews - witness Miller  
Note: Sacre, Candace Examination. Mr. Miller, you discussed the theft of water just now, and you said it was the largest you'd encountered in any of your work with any other system. Do you have an estimate for how many - of how large that is? Of the 66 percent water loss, what proportion of that you would guess is theft?

11:29:17 AM Commissioner Mathews - witness Miller  
Note: Sacre, Candace And I know it wouldn't be accurate. I was just looking for an order of magnitude. Half, a third, 25 percent?

11:30:38 AM Commissioner Mathews - witness Miller  
Note: Sacre, Candace Is the local hardware store still selling what's, I guess, called cheater bars?

11:30:48 AM Commissioner Mathews - witness Perkins  
Note: Sacre, Candace And, speaking of Evans Hardware and the rather large interest charge they're charging, knowing what critical condition the system is in and still charging what? Eight thousand dollars a month? Is that what you said, Ms. Perkins?

11:31:33 AM Commissioner Mathews - witness Miller  
Note: Sacre, Candace One of the reasons we looked at Alliance for taking over the system was, in managing it was, purchasing in bulk, being able to have inventory on hand, an alternative to just running to Evans when you needed something. Where are we in terms of getting to that cost savings?

11:33:38 AM Commissioner Mathews - witness Miller  
Note: Sacre, Candace Okay, and that's what I - I knew that it would take some amount of time. but I just - there has to be an alternative, and I understand that a half an hour to run to Lowe's each way is not optimal when you're in the middle of fixing something, but having the correct tools on hand and being able to anticipate, I think, comes with time, and I expected that.

11:34:09 AM Commissioner Mathews  
Note: Sacre, Candace That was the only question I had, Mr. Chairman.

11:34:12 AM Commissioner Schmitt  
Note: Sacre, Candace Thank you.

11:34:14 AM Chairman Schmitt - witness Miller  
Note: Sacre, Candace Examination. Mr. Miller, I agree with Commissioner Mathews and Vice Chairman Cicero. I mean, something - I don't know Mr. Evans or who owns Evans, but it seems to me to you spend an awful lot of money at a local hardware store for things that could be anticipated and maybe purchased in bulk or bought somewhere else, especially where you're paying, I assume, fairly substantial interest charges on the debt, and I guess Mr. Evans or Evans Hardware is entitled to interest, but that needs to be, I think, a priority of changing suppliers and getting that debt paid. One question that I have is you talked about meters, and I'm not sure I understood. At some point in December or January, there were over 300 negative read meters, is that what you said?

11:35:22 AM Chairman Schmitt - witness Miller  
Note: Sacre, Candace And those negative read meters were, you found, the result of estimates that had been over - bills that had been over-estimated for the previous month?

11:36:25 AM Chairman Schmitt - witness Miller  
Note: Sacre, Candace How do you know that they were over-estimated? I mean, the meter readers that you have now, are they employees of yours?

11:36:36 AM Chairman Schmitt - witness Miller  
Note: Sacre, Candace And when did the District have contract meter readers?

11:36:45 AM Chairman Schmitt - witness Miller  
Note: Sacre, Candace And, when you hired meter readers, did you hire the contractors, the people who had previously been contractors?

11:37:36 AM Chairman Schmitt - witness Miller  
Note: Sacre, Candace Well, the reason I ask is, is that, in at least one other district and maybe one or two, we found evidence, I think, that the meter readers weren't actually reading meters or they were recording amounts that didn't really represent what the customer was using, and I was just wondering if you had any way of being able to check on your meter readers to make sure you were getting accurate readings?

11:39:43 AM Chairman Schmitt - witness Miller  
Note: Sacre, Candace Well, I mean, the reason - I suspect that erroneous meter reading is always a problem in some districts, and I assume perhaps that's true in Martin County. I'm not going to say who or name the customer, but I was personally told by someone that a meter reader had told a person that a certain customer of Martin County Water District only got billed for water in excess of 30,000 gallons a month. Obviously, that's not a residential customer, so I don't know if that's true or untrue, but I suspect that as much as can be done to verify the accuracy of water usage would probably be beneficial to Martin County Water District.

11:41:29 AM Chairman Schmitt - witness Miller  
Note: Sacre, Candace Do you have a way of checking to see that the information that's provided by the meter readers to your office staff is being correctly recorded so that the bills are accurate, the bills that are sent to the customers accurately reflect what is read by the meter readers?

11:42:50 AM Chairman Schmitt  
Note: Sacre, Candace I have no further questions. Ms. Cromer, do you have questions?

11:42:55 AM Atty Cromer MCCC  
Note: Sacre, Candace I do. Thank you.

11:43:06 AM Atty Cromer MCCC - witness Miller  
Note: Sacre, Candace Cross Examination. I just want to ask this again, Craig. I just want to make sure that we are understanding. I think Ms. Perkins had said that you all were experiencing a ten-thousand-dollar-a-month revenue loss from COVID. Can you tell me - can you verify that or tell me what you all are doing to track that?

11:44:04 AM Atty Cromer MCCC - witness Miller  
Note: Sacre, Candace Does that mean that you're using that billing software, and you're calculating what you would be getting if you were charging those fees and going through with those disconnects (inaudible)?

11:44:35 AM Atty Cromer MCCC - witness Miller  
Note: Sacre, Candace And are you reporting that information to the board?

11:44:48 AM Atty Cromer MCCC - witness Miller  
Note: Sacre, Candace Thank you. I would like to know -

11:45:04 AM Atty Cromer MCCC - witness Miller  
Note: Sacre, Candace Okay, and I guess there have been a lot of questions about the accuracy of the numbers that are in the billing statement as far as the gallons that are - the usage amounts. In particular, that there were two different reports that may have generated some variance in some of the numbers, but it does look like usage has gone down. Is that - I mean, do you see a trend (inaudible)?

11:46:16 AM Atty Cromer MCCC - witness Miller  
Note: Sacre, Candace Okay, and what they are is a bit less than reported last year, so there is a significant decline in revenue because of decreased usage?

11:46:34 AM Atty Cromer MCCC - witness Miller  
Note: Sacre, Candace And I guess it's a Catch-22, but do you attribute any of that decrease in usage to any of the meter audit work that you all have done?

11:46:54 AM Atty Cromer MCCC - witness Miller  
Note: Sacre, Candace It caused the usage to maybe be more accurately reflected than it was previously and, therefore, decreased?

11:47:06 AM Atty Cromer MCCC - witness Miller  
Note: Sacre, Candace Okay, thank you. I would like to talk a little bit about those lists of bills for consideration that you all provided, and I apologize. I have turned off my camera because I have had some issues with internet, and I was starting to have connectivity issues, so I hope that you can hear me okay now that you can no longer see me.

11:47:31 AM Atty Cromer MCCC - witness Miller  
Note: Sacre, Candace Okay, so the list of bills for consideration that you all had provided in your most recent filing, I think it was on Friday evening, I just wanted to mention or ask about a couple of things, and I guess just, starting with January, and this is a general question for all of the list of bills for consideration, in each instance, we have two pages of bills that are listed for consideration, and the second page looks like it has sort of the ongoing debt payments that are consistent month to month, and then you also have payments listed for the DSS account and then payment plans for the revenue account - or payment plans/revenue is how it's listed. Am I to understand - and, I guess, let me take that back, and let's talk about February. Am I to understand that even though this was what was presented to the board as a list of bills for consideration, the bills for past-due vendor amounts were not actually being considered for payment, the amounts on the second page, C. I. Thornburg 2018 invoices, are not actually being paid that month?

11:49:17 AM Atty Cromer MCCC - witness Miller  
Note: Sacre, Candace Okay, so the same thing for March? The DSS account, the payment plans/revenue account, those are not actually a listing of bills that are being considered for payment by the board?

11:50:25 AM Atty Cromer MCCC - witness Miller  
Note: Sacre, Candace So the payment plans/revenue account, the ones that aren't the DSS but (inaudible) and the vendor outstanding balances, that should say the same thing based on cash available?

11:50:41 AM Atty Cromer MCCC - witness Miller  
Note: Sacre, Candace And this was created with the understanding that there was available cash for those bills?

11:51:11 AM Atty Cromer MCCC - witness Miller  
Note: Sacre, Candace Okay, okay, okay, so I think I have a better understanding of how this is presented, so it's, basically, if you all have money to pay all your bills, these are the bills for that month that are due, essentially, to be paid if you have money to do so?

11:51:34 AM Atty Cromer MCCC - witness Miller  
Note: Sacre, Candace Okay, I wanted to mention, and I think I just want to clarify something that Ms. Vinsel had talked about and just you all - she was going to do a post-hearing data request. It's about the (inaudible) accounts payments to the Martin County Water District, and I believe she had focused on May, but I just wanted to note, if you go back to other months, there are substantial amounts. Like, in April, there's a two-thousand-five-hundred-and-twenty-dollar payment to Knott County Water District, so I would hope that post-hearing data request would include, basically, the entire year and not just the one that was -

11:52:24 AM Atty Cromer MCCC - witness Perkins  
Note: Sacre, Candace Yeah, that would be great.

11:53:15 AM Atty Cromer MCCC - witness Perkins  
Note: Sacre, Candace Okay. That's very helpful. Thank you.

11:53:24 AM Atty Cromer MCCC - witness Miller  
Note: Sacre, Candace I wanted to ask about a couple of specific bills, and I don't know - you know, I'm not sure how to do this without - I'll just try it without having the exhibit in front of me, and, hopefully, Craig, we can figure this out. Are you going to be able to talk about specific bills?

11:53:55 AM Atty Cromer MCCC - witness Miller  
Note: Sacre, Candace Let me - so I have a paper document. I don't have the PDF in front of me. Let's see if I can find the PDF for it, so it looks like I'm on page 26 of the PDF document that the Water District submitted on Friday evening.

11:54:32 AM Atty Cromer MCCC - witness Miller  
Note: Sacre, Candace Okay, so it looks like I am on page 26 of the PDF document the water dist submitted on Friday evening.

11:55:03 AM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace I believe this is the Response to the Data Request, and it was filed on June 12th.

11:55:10 AM Atty Cromer MCCC  
Note: Sacre, Candace Right, I have it as MCWD PHDR, see, I don't know if this is me naming it, PSC Submittal 12June20. Correct, that's it.

11:55:28 AM Atty Cromer MCCC - witness Miller  
Note: Sacre, Candace I wanted to ask about the CAD Accounts Record Management Collection Service charge and actually the one right before it. I wanted to get a little more information on what those were.

11:56:17 AM Atty Cromer MCCC - witness Miller  
Note: Sacre, Candace Let me just state my concern. My concern is that, my understanding of the contract, I would have thought that any billings and collections would have been within Alliance's scope of service, so I'm wondering about, you know, whether you all interpret that to be within or outside of Alliance's scope of service, and then the date at which those collections services were performed would be important to that, too.

11:57:52 AM Atty Cromer MCCC - witness Perkins  
Note: Sacre, Candace Okay, and it's a pass-through, as I'm understanding.

11:57:59 AM Atty Cromer MCCC - witness Perkins  
Note: Sacre, Candace Okay, and the one before, the Tech2000?

11:58:21 AM Atty Cromer MCCC - witness Perkins  
Note: Sacre, Candace Okay, so no check was actually cut for twenty-five twenty?

11:59:00 AM Atty Cromer MCCC - witness Perkins  
Note: Sacre, Candace Item No. 10, that's Ashland Office Supply?

11:59:07 AM Atty Cromer MCCC - witness Perkins  
Note: Sacre, Candace That was on my list. Thank you, and there was another Ashland Office Supply that showed up later in May, it looks like. Is that the same? Well, it looks like it's a recurring charge, so -

12:00:11 PM	Atty Cromer MCCC - witness Miller Note: Sacre, Candace	Okay, thank you. That's good to hear. I'll just also note, I think, maybe that we're following that line as the notice that was put in the paper for this hearing shows up. Let me switch gears, and I thank you for that exhibit. I am done looking at that, I think I have another question, and I apologize. I suspect it's been asked at some point before, but it's regarding the vendor balance summaries. In all instances that shows two vendor balances for Evans, and I wanted to get some understanding of what those two are or why there are two.
12:01:38 PM	Atty Cromer MCCC - witness Miller Note: Sacre, Candace	Okay, thank you, and, I guess, Craig, I've already asked about this, but I'll ask you. Do you - from your understanding, has Alliance been asked to do anything - or have you all performed any services that you believe are outside the scope of services of the contract?
12:02:39 PM	Atty Cromer MCCC - witness Miller Note: Sacre, Candace	And is - that billing software, is that a stand-alone platform, or is that something that Alliance uses in-house? Is it - I mean, is the District getting a stand-alone piece of software, or is it going to be tied to the Alliance software and just getting sort of a user - becoming a user of Alliance software?
12:03:34 PM	Atty Cromer MCCC - witness Miller Note: Sacre, Candace	And do you have an estimate on the annual cost of that software?
12:04:19 PM	Atty Cromer MCCC Note: Sacre, Candace	Okay. I believe I have no more questions. Thank you.
12:04:28 PM	Chairman Schmitt Note: Sacre, Candace	Mr. Cumbo, questions? Mr. Cumbo, any questions? (Click on link for further comments.)
12:05:06 PM	Atty Cumbo Martin District Note: Sacre, Candace	No, I don't have any questions.
12:05:08 PM	Chairman Schmitt Note: Sacre, Candace	Okay, well, it's now five after 12, so why don't we take a lunch break until one o'clock, and then, when we get back, I guess, Ms. Vinsel, we'll need to make a determination about Mr. Kerr fairly soon. Okay, thank you. We'll then take a lunch break until one o'clock, and we'll be back on the record then. Thank you.
12:05:35 PM	Session Paused	
1:02:06 PM	Session Resumed	
1:02:27 PM	Video Conference Activated	
1:02:35 PM	Chairman Schmitt Note: Sacre, Candace	We're now back on the record. Ms. Vinsel, would you like to call your next witness?
1:02:43 PM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Yes, I will definitely watch for that.
1:02:43 PM	Chairman Schmitt Note: Sacre, Candace	Okay, you'll have plenty of time for Mr. Kerr, right, so he can leave by two o'clock?
1:02:43 PM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Yes, Chairman, I have just a few questions for Mr. Sneed and Mr. Garaghty. Why don't I, at least, start with Mr. Sneed? And then we'll see where we're going and then have time for Mr. Kerr.
1:02:58 PM	Chairman Schmitt Note: Sacre, Candace	Witness is sworn.
1:03:10 PM	Chairman Schmitt Note: Sacre, Candace	Ms. Vinsel, you may ask.

1:03:12 PM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace Thank you, Chairman.

1:03:13 PM Asst Gen Counsel Vinsel PSC - witness Sneed  
Note: Sacre, Candace Cross Examination. Good afternoon, Mr. Sneed.

1:03:33 PM Asst Gen Counsel Vinsel PSC - witness Sneed  
Note: Sacre, Candace Yes, I'd very much appreciate that.

1:04:01 PM Asst Gen Counsel Vinsel PSC - witness Sneed  
Note: Sacre, Candace I'm sorry. How much is it? Sixteen, one-six?

1:04:07 PM Asst Gen Counsel Vinsel PSC - witness Sneed  
Note: Sacre, Candace I'm sorry. I wanted to clarify. It's one-six?

1:04:22 PM Chairman Schmitt - witness Sneed  
Note: Sacre, Candace Examination. Evans is charging - excuse me. Evans is charging 16 percent interest on the debt, one-six, 16?

1:04:35 PM Chairman Schmitt - witness Sneed  
Note: Sacre, Candace Is Evans charging 16 percent interest?

1:04:43 PM Vice Chairman Cicero  
Note: Sacre, Candace Wow.

1:04:44 PM Chairman Cicero  
Note: Sacre, Candace I don't know. There used to be a usury statute in Kentucky.

1:04:48 PM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace There is.

1:04:49 PM Chairman Schmitt  
Note: Sacre, Candace But I don't know if that's the present case, but we need to take a look at that. That's unbelievable.

1:05:30 PM Asst Gen Counsel Vinsel PSC - witness Sneed  
Note: Sacre, Candace Can I - I'm sorry. I didn't mean to interrupt you. Is there a contract? Do you know if Martin County has a contract with Evans in regard to this debt?

1:05:49 PM Asst Gen Counsel Vinsel PSC - witness Sneed  
Note: Sacre, Candace Okay, thank you.

1:06:10 PM Asst Gen Counsel Vinsel PSC  
Note: Sacre, Candace Kabrenda, that's in the May 2020 board packet on page 6. (Click on link for further comments.)

1:08:12 PM Vice Chairman Cicero - witness Sneed  
Note: Sacre, Candace Examination. So let me interject since you're trying to answer my question. I would say that, while you say Footnote No. 3 addresses that, the fact that there was no communication with the Commission regarding transfers in or transfers out of either of those surcharge accounts without the Commission's permission, they wouldn't know that those funds were being used to pay Alliance and, therefore, still couldn't do the calculation because of being unaware of what activity was occurring.

1:09:26 PM Vice Chairman Cicero - witness Sneed  
Note: Sacre, Candace I think that, if you were going to make the exhibit worthwhile, you would title the last line on there Cash Basis to Fully Fund, the next line should be Reduced for Nonfunding of DSS and MIS and put the dollar amount in, and the final should be True Cash Basis or something similar to that which would have a subtraction out of it to know what the true cash position is because, obviously, while we want to pay off the other balances, there's got to be some kind of plan going forward where you negotiate with the vendors, like you've said you're going to, and that those funds can actually eventually be used for the purposes they were intended for, but looking from the perspective that that isn't occurring right now, there should be another line down there that becomes the critical line.

1:10:27 PM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	And just because I want to get this in the record today, Kentucky does have a usury statute. It's KRS 360.010, and, as of July 14, 2018, the legal rate of interest is capped at eight percent per annum. If there's a contract, it can be more, to be fair, but it sounds as if Martin County is paying substantially over the legal cap on the limit.
1:11:12 PM	Chairman Schmitt - witness Sneed Note: Sacre, Candace	Examination. Well, if there's a contract, I want to see a copy of it because some members of a public body shouldn't be signing any contract for an interest rate that's twice the legal interest rate by statute, and when we agreed - Martin County Water District came before the Commission and wanted to establish a priority of payment of these long-term debts and they said, "Well, the four local - that Thornburg plus Zip Zone, Linda Sumpter, and Evans Hardware had agreed to take a place at the back of the line" because they knew ultimately they'd get paid, we were never told and would never have approved any kind of an agreement or priority if we had known that Evans was somehow charging and the Water District was intending to pay an interest rate of 16 percent. I can absolutely tell you that, so if there is a written contract, I'd like to have a copy of it, and if there are board minutes of the Martin County Water District where they approved such payment, I'd like to see that as well. It ought to be filed in the record.
1:12:30 PM	Chairman Schmitt Note: Sacre, Candace	Thank you. I have nothing else.
1:12:34 PM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Chairman, can I make a suggestion? I hate to interrupt and do this, but given that it's one-twelve and Mr. Kerr is going to have to leave at two o'clock, what if we put Mr. Kerr on the stand right now?
1:12:47 PM	Chairman Schmitt Note: Sacre, Candace	That'd be fine. That'd be fine.
1:12:49 PM	Vice Chairman Cicero Note: Sacre, Candace	Maybe Mr. Kerr has information about this contract.
1:12:53 PM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	I was thinking that very thought.
1:12:54 PM	Chairman Schmitt Note: Sacre, Candace	Mr. Kerr may know. He can tell us. Mr. Kerr, can you take the stand here for a second?
1:13:03 PM	Chairman Schmitt Note: Sacre, Candace	Witness is sworn.
1:13:11 PM	Chairman Schmitt Note: Sacre, Candace	You may ask, Ms. Vinsel.
1:13:13 PM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Thank you.
1:13:14 PM	Asst Gen Counsel Vinsel PSC - witness Kerr Note: Sacre, Candace	Cross Examination. Mr. Kerr, let's start with this Evans Hardware issue. Are you aware of any contract between Martin County Water District and Evans Hardware?
1:13:25 PM	Asst Gen Counsel Vinsel PSC - witness Kerr Note: Sacre, Candace	And were you aware that Evans was charging 16 percent interest rate?
1:13:35 PM	Vice Chairman Cicero - witness Kerr Note: Sacre, Candace	Examination. Did anyone question why the rate was 16 percent?

1:14:15 PM	Vice Chairman Cicero Note: Sacre, Candace	I'm curious, Mr. Cumbo or no one else thought to check what the maximum usury laws were in Kentucky?
1:14:33 PM	Atty Cumbo Martin District Note: Sacre, Candace	This would be the first time I was aware that there was 16 percent (inaudible).
1:14:44 PM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Mr. Cumbo, can I have you repeat that? I heard it, but it was very, very quiet.
1:14:51 PM	Atty Cumbo Martin District Note: Sacre, Candace	This is the first awareness that I have that Evans was charging 16 percent interest.
1:14:57 PM	Vice Chairman Cicero Note: Sacre, Candace	Okay, so nobody advised you of the 16 percent rate for Evans Hardware?
1:15:04 PM	Atty Cumbo Martin District Note: Sacre, Candace	That's correct.
1:15:06 PM	Vice Chairman Cicero Note: Sacre, Candace	And I know - it would be one thing if this was a small balance that we're talking about for 16 percent, but it appears that \$8,000 a month is going as an increase for interest charges being charged by Evans Hardware, so I think the magnitude of it is significant.
1:15:28 PM	Atty Cumbo Martin District Note: Sacre, Candace	I agree.
1:15:32 PM	Chairman Schmitt Note: Sacre, Candace	With a business like that, you'd think Evans Hardware would be a prime takeover target.
1:15:43 PM	Asst Gen Counsel Vinsel PSC - witness Kerr Note: Sacre, Candace	Cross Examination (con'td). Now that you've been informed of this, Mr. Kerr, will the board take any action in regard to this?
1:16:02 PM	Vice Chairman Cicero - witness Kerr Note: Sacre, Candace	Examination. Can I suggest that part of the action being that anything in excess of the eight percent has to be credited back to the balance of the amount, principal?
1:16:18 PM	Asst Gen Counsel Vinsel PSC - witness Kerr Note: Sacre, Candace	Cross Examination (cont'd). Mr. Kerr, can you walk us through, from the board's side, when you get a list of bills of consideration, what are the decision points and what kind of discussion goes on with the board at the meetings?
1:17:13 PM	Asst Gen Counsel Vinsel PSC - witness Kerr Note: Sacre, Candace	And, when the bills are ultimately paid, will you know what's paid and what's not paid the next month by reviewing the financial information?
1:18:10 PM	Asst Gen Counsel Vinsel PSC - witness Kerr Note: Sacre, Candace	Given that the past few months the debt service surcharge funds collected went to pay Alliance's fee, what plans does the board have - well, first of all, at what point was the board aware of that situation?
1:19:29 PM	Chairman Schmitt - witness Kerr Note: Sacre, Candace	Examination. Mr. Kerr, you were sworn in, correct?
1:19:35 PM	Chairman Schmitt - witness Kerr Note: Sacre, Candace	Yeah, that's what I thought, but Vice Chairman Cicero didn't recall, and, yeah, I thought that I had sworn you in.

1:19:57 PM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	I think this covers everything, actually, that we have for Mr. Kerr. Most everything else has already been answered.
1:20:06 PM	Chairman Schmitt Note: Sacre, Candace	Okay, Vice Chairman Cicero, any questions?
1:20:08 PM	Vice Chairman Cicero Note: Sacre, Candace	No, I don't have any additional questions. Well, maybe one.
1:20:12 PM	Vice Chairman Cicero - witness Kerr Note: Sacre, Candace	Examination. How do you believe the relationship with Alliance is working out in terms of improving the situation at Martin County? Do you think it's better, worse, or about the same?
1:22:10 PM	Vice Chairman Cicero - witness Kerr Note: Sacre, Candace	And what is the reception that's been as far as the community goes for Alliance? Are they - I know this would be an opinion on your part. I'm curious as if your interaction with the community has been positive or if it's been negative as far as Alliance goes?
1:23:35 PM	Vice Chairman Cicero - witness Kerr Note: Sacre, Candace	Well, I'm not going to ask any other questions about financials or anything like that because I think it's still a state of flux in transition for Alliance, and, until they can understand fully and can account for all the numbers and validate all the numbers, it would be probably not very useful for me to ask you questions about it. I'm hopeful that it -
1:24:43 PM	Vice Chairman Cicero Note: Sacre, Candace	Thank you. I don't have any other questions.
1:24:45 PM	Chairman Schmitt Note: Sacre, Candace	Commissioner Mathews, questions?
1:24:47 PM	Commisioner Mathews Note: Sacre, Candace	I don't have any questions.
1:25:00 PM	Chairman Schmitt - witness Kerr Note: Sacre, Candace	Examination. I just have a couple of questions, Mr. Kerr. I know that the District has changed auditors. Who is the present - what's the name of the present auditing firm?
1:25:49 PM	Chairman Schmitt - witness Kerr Note: Sacre, Candace	The only other question is - well, maybe two. Other than Evans, are any of the other three long-term, I guess, creditors charging interest?
1:26:12 PM	Chairman Schmitt - witness Kerr Note: Sacre, Candace	Do you know when Evans started charging interest? Did they always do that, or was it just as when we got to the priority payment list?
1:26:29 PM	Chairman Schmitt Note: Sacre, Candace	All right, thank you. I have no further questions. Ms. Cromer, questions?
1:26:38 PM	Atty Cromer MCCC - witness Kerr Note: Sacre, Candace	Cross Examination. Yes, I do have a couple of questions, Jimmy Don. Could you confirm, now, Zip Zone is not charging interest?
1:27:00 PM	Atty Cromer MCCC - witness Kerr Note: Sacre, Candace	Okay. Do you know if they have, at any point in the past, charged interest?
1:27:13 PM	Atty Cromer MCCC - witness Kerr Note: Sacre, Candace	Okay, because it looked like there was a jump in Zip Zone vendor balance.
1:27:29 PM	Atty Cromer MCCC - witness Kerr Note: Sacre, Candace	Have you ever just explicitly, point blank asked Evans Hardware to stop charging interest?

1:28:08 PM	Atty Cromer MCCC - witness Kerr Note: Sacre, Candace	And just one more question. Do you - has Alliance ever reported any repair cost on a single repair above \$2500?
1:28:19 PM	Atty Cromer MCCC Note: Sacre, Candace	Okay, thank you. No other questions.
1:28:23 PM	Chairman Schmitt Note: Sacre, Candace	Mr. Cumbo, questions?
1:28:26 PM	Atty Cumbo Martin District Note: Sacre, Candace	No questions.
1:28:27 PM	Chairman Schmitt Note: Sacre, Candace	Okay. Thank you. (Click on link for further comments.)
1:28:56 PM	Chairman Schmitt Note: Sacre, Candace	You may be excused, Mr. Kerr. Have a good day.
1:29:03 PM	Chairman Schmitt Note: Sacre, Candace	All right, Mr. Sneed, it looks like you're back up again. (Click on link for further comments.)
1:29:31 PM	Chairman Schmitt Note: Sacre, Candace	Ms. Vinsel, you may continue.
1:29:34 PM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Thank you, Chairman.
1:30:50 PM	Asst Gen Counsel Vinsel PSC - witness Sneed Note: Sacre, Candace	Mr. Kerr just testified that there's been ongoing conversations, you know, board members with you, with Mr. Miller, reports are being revised, particularly as the financial information becomes more clear or verifiable, but, from early on, what steps did Alliance take to educate the board members on financial reports?
1:33:16 PM	Asst Gen Counsel Vinsel PSC - witness Sneed Note: Sacre, Candace	I feel like we've covered a lot of territory, and I don't want to repeat it, so I'm going to ask you an open-ended question. Is there something that you think the Commission needs to know that's not been addressed so far today?
1:36:02 PM	Asst Gen Counsel Vinsel PSC - witness Sneed Note: Sacre, Candace	I asked this of Ms. Perkins, and I know she deferred, so I'm good, but I'm still going to ask it of you. But for Martin County's past due expenses, is it your opinion that right now the rate set would cover expenses, again, but for all of the past-due debt?
1:36:35 PM	Asst Gen Counsel Vinsel PSC - witness Sneed Note: Sacre, Candace	If none of the debt existed, if none of the debt existed today?
1:37:30 PM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	That did make sense. Staff does not have any further questions.
1:37:37 PM	Chairman Schmitt Note: Sacre, Candace	Commissioner Cicero?
1:37:39 PM	Vice Chairman Cicero - witness Sneed Note: Sacre, Candace	Examination. So, Mr. Sneed, I think you were responding to my question earlier regarding - or maybe not my question but my statement regarding how rates were developed and on the information that was provided, and I think your response, basically, is be patient, but there will be improvements, but it's not going to be immediate, so when we talk about water loss reduction, nonrevenue or faulty metered meters, nonmetered customers, or purchasing efficiencies, none of those are going to be - none of those are going to have an impact on reducing expenses in the near term. Is that what you were saying?

1:39:19 PM	Vice Chairman Cicero - witness Sneed Note: Sacre, Candace	Well, the power billing, itself, should be a rather substantial savings, if you could reduce even, I guess, 20 percent on 70, 14 percent of your total pump-required electricity and whatever else the electricity is used for that's related strictly to production.
1:39:45 PM	Vice Chairman Cicero - witness Sneed Note: Sacre, Candace	And, if you start chipping away at it, I don't know what that's worth in terms of your power bill, but I saw one payment there for AEP of \$16,000. If there was actually a 20 percent reduction of that or even a 15 percent reduction, that's sixteen hundred, say, two thousand, and it appears that, if you took half of the interest rate reduction, that's another four thousand. That's fifty-six hundred. If you start to do all these things and have even the minor ones make an impact, and, of course, we thought you'd find nonmetered customers, and we thought you'd find improvement by repairing or replacing faulty meters, and, apparently, that is a nonissue at this point.
1:41:04 PM	Vice Chairman Cicero - witness Sneed Note: Sacre, Candace	Actually, I would guess that you're probably already caught up in your meter reads. If you had any reason for lost revenue outside the norm, it would be the disconnects, reconnects, and nonpayment of bills, which nonpayment of bills really is a cash item. It's not a revenue item. You're still billing; you're just not collecting, correct?
1:41:45 PM	Vice Chairman Cicero - witnesses Sneed and Miller Note: Sacre, Candace	All right. I'm not going to push the subject any more. I think it's been discussed, and we are very interested to see what proposals are going to be given to the board for their July meeting. The only other question I would ask is if you have any kind of an update on grant money for capital spending on some of these projects that have been identified for Martin County to begin improvements.
1:43:32 PM	Vice Chairman Cicero - witnesses Miller and Sneed Note: Sacre, Candace	So are any - is any time being utilized from District personnel on these capital projects?
1:44:18 PM	Vice Chairman Cicero - witness Sneed Note: Sacre, Candace	The only reason why I ask is, if there was labor being utilized for capital spending that's funded by grants, that money would come out of the operating and expense budget and help your cash flow, I would think.
1:45:33 PM	Vice Chairman Cicero Note: Sacre, Candace	Okay, thank you, Mr. Sneed. I don't have anything else, Chairman.
1:45:37 PM	Chairman Schmitt Note: Sacre, Candace	Commissioner Mathews?
1:45:42 PM	Commissioner Mathews Note: Sacre, Candace	I don't have anything for him. Thank you.
1:45:46 PM	Chairman Schmitt Note: Sacre, Candace	I have no questions. Ms. Cromer?
1:45:51 PM	Atty Cromer MCCC - witness Sneed Note: Sacre, Candace	I have one quick follow-up question, Mr. Sneed, regarding the Town Point (inaudible) was done, so are you saying that that repair, which was around \$4500 - how was that paid for?
1:46:57 PM	Atty Cromer MCCC - witness Sneed Note: Sacre, Candace	You all paid for the cost, but did you or are you intending to get compensated for that amount from the board?
1:47:46 PM	Atty Cromer MCCC Note: Sacre, Candace	Okay, thank you.
1:47:55 PM	Chairman Schmitt Note: Sacre, Candace	Mr. Cumbo, questions?

1:47:57 PM	Atty Cumbo Martin District Note: Sacre, Candace	No questions.
1:48:00 PM	Chairman Schmitt Note: Sacre, Candace	No questions, okay, all right. Do you have your next witness? Are you ready?
1:48:05 PM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Yes, I'd go with Mr. Geraghty.
1:48:08 PM	Chairman Schmitt Note: Sacre, Candace	Witness is sworn.
1:48:17 PM	Chairman Schmitt Note: Sacre, Candace	Ms. Vinsel?
1:48:19 PM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Thank you, Chairman.
1:48:22 PM	Asst Gen Counsel Vinsel PSC - witness Geraghty Note: Sacre, Candace	Cross Examination. Well, Mr. Geraghty, one of the benefits of being in this position is that pretty much - we've discussed, pretty much, everything I would have asked you otherwise, so what I would ask at this point is, is there something that you believe the Commission should know that has not been addressed so far today?
1:49:33 PM	Vice Chairman Cicero - witness Geraghty Note: Sacre, Candace	Examination. Can I ask a quick question here? So, when we initially opened proceedings on the rate increase for Martin County and we started to discuss financials, we talked about the amount of accounts receivable that was uncollectible, and I think it was somewhere over \$200,000 identified by Ms. Sumpter as probably noncollectible, and I thought, at that point, Martin County made an effort through Ms. Sumpter to start writing off those uncollectible amounts. This is another sixty thousand on top of that amount that has not been identified as uncollectible?
1:50:28 PM	Vice Chairman Cicero - witnesses Geraghty and Perkins Note: Sacre, Candace	Is it associated with - is there a large amount associated with a small number of customers, or what?
1:52:06 PM	Vice Chairman - witness Geraghty Note: Sacre, Candace	So, when we talk about 224 customers, does that mean that the 3,370 customers identified on your billing summary is 224 customers less, or this already reflects those not being in there?
1:52:29 PM	Vice Chairman - witness Perkins Note: Sacre, Candace	So the thirty-three-seven is active customers?
1:52:35 PM	Vice Chairman - witness Perkins Note: Sacre, Candace	Okay, so just one last question for me. Can you identify what the largest amount is - what single customer has the largest balance that's being written off?
1:53:02 PM	Vice Chairman Cicero - witness Geraghty Note: Sacre, Candace	Okay, so that's the largest amount that's being written off for a customer?
1:53:08 PM	Vice Chairman Cicero Note: Sacre, Candace	Okay, thank you.
1:53:13 PM	Vice Chairman Cicero Note: Sacre, Candace	Go ahead, Nancy. I'm sorry.
1:53:18 PM	Asst Atty Gen Vinsel PSC - witness Geraghty Note: Sacre, Candace	Cross Examination. Is there anything else that you want the Commission to know, Mr. Geraghty?
1:53:29 PM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Staff has no further questions.

1:53:32 PM	Chairman Schmitt Note: Sacre, Candace	Mr. Cicero?
1:53:34 PM	Vice Chairman Cicero - witness Geraghty Note: Sacre, Candace	Examination. So, Mr. Geraghty, now that you've had Martin County for almost six months, was this a good business decision, are you neutral on it, or what do you have to say about it?
1:55:28 PM	Vice Chairman Cicero Note: Sacre, Candace	Thank you. I don't have anything else, Chairman.
1:55:32 PM	Chairman Schmitt Note: Sacre, Candace	Commissioner Mathews?
1:55:34 PM	Commissioner Mathews Note: Sacre, Candace	I don't have anything. Thank you.
1:55:37 PM	Chairman Schmitt Note: Sacre, Candace	I have no questions. Ms. Cromer?
1:55:42 PM	Atty Cromer MCCC Note: Sacre, Candace	Thank you.
1:55:44 PM	Atty Cromer MCCC - witness Geraghty Note: Sacre, Candace	Cross Examination. I have one question, following up on the accounts receivable. It was my understanding that, prior to January 1st, that the District had contracted with a collection agency for collection of past-due amounts, and that sort of came up in earlier questioning about a bill that as for CAD Accounts Receivable Management that showed up in February. Do you know at what point - I guess, the first question is, is the District currently contracting with a collection agency for collection of past-due amounts, and, if not, do you know at what point that stopped?
1:56:45 PM	Atty Cromer MCCC Note: Sacre, Candace	Okay, thank you.
1:56:51 PM	Chairman Schmitt Note: Sacre, Candace	Do you have any other questions, Ms. Cromer?
1:56:54 PM	Atty Cromer - MCCC Note: Sacre, Candace	No.
1:56:55 PM	Chairman Schmitt Note: Sacre, Candace	Okay. Mr. Cumbo, questions?
1:57:06 PM	Chairman Schmitt Note: Sacre, Candace	Mr. Cumbo, do you have any questions?
1:57:10 PM	Chairman Schmitt Note: Sacre, Candace	I assume he does not.
1:57:16 PM	Chairman Schmitt Note: Sacre, Candace	Ms. Vinsel, I think you have one more witness, correct?
1:57:18 PM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Yes, it's Mr. Hensley.
1:57:21 PM	Chairman Schmitt Note: Sacre, Candace	Witness is sworn.
1:57:30 PM	Chairman Schmitt Note: Sacre, Candace	Mr. Cumbo, we may have lost you earlier. I had asked if you had any questions of Mr. Geraghty?
1:57:42 PM	Chairman Schmitt Note: Sacre, Candace	Well, we may have lost Mr. Cumbo again.
1:57:45 PM	Chairman Schmitt Note: Sacre, Candace	Ms. Vinsel, why don't you go ahead and begin your questioning of Mr. Hensley?
1:57:50 PM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Okay, thank you.

1:57:53 PM	Asst Gen Counsel Vinsel PSC - witness Hensley Note: Sacre, Candace	Cross Examination. Good afternoon, Mr. Hensley. After one of our hearings, and I apologize, I really can't remember which one, you and I spoke, and, at that time, you told me that you had been spending up to 40 hours a week at Martin County Water District, doing administrative work, also while running your business, and, at the time we had talked, you were planning to narrow that back down to a more reasonable number, so what I am wondering right now, how is that going for you? What kind of time are you spending at Martin County Water District?
1:59:39 PM	Asst Gen Counsel Vinsel PSC - witness Hensley Note: Sacre, Candace	And do you still hold the position of treasurer on the board?
2:00:12 PM	Asst Gen Counsel Vinsel PSC - witness Hensley Note: Sacre, Candace	Well, I appreciate you being here today. You operate your own business, do you not?
2:00:26 PM	Asst Gen Counsel Vinsel PSC - witness Hensley Note: Sacre, Candace	As treasurer, can you describe how you interact with Alliance?
2:01:10 PM	Asst Gen Counsel Vinsel PSC - witness Hensley Note: Sacre, Candace	So it sounds like you've got, and don't let me put words in your mouth, it sounds though like you have a pretty good working relationship with Alliance in that you can present them with what you want, and then there's a group or a collective effort to reach that point. Is that the case? Would you say that's accurate?
2:02:03 PM	Asst Gen Counsel Vinsel PSC - witness Hensley Note: Sacre, Candace	Well, Mr. Hensley, I think we've covered, pretty much, everything else that I was going to ask, so I'm going to give you this opportunity. Is there something that you think has not been discussed today that the Commission should know?
2:03:29 PM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Staff has no further questions.
2:03:32 PM	Chairman Schmitt Note: Sacre, Candace	Mr. Cicero?
2:03:34 PM	Vice Chairman Cicero Note: Sacre, Candace	Mr. Hensley, I do not have any questions for you. You get a free pass from me today. (Click on link for further discussions.)
2:04:50 PM	Chairman Schmitt Note: Sacre, Candace	Any questions, Commissioner Mathews?
2:04:52 PM	Commissioner Mathews Note: Sacre, Candace	I don't have any.
2:04:54 PM	Chairman Schmitt Note: Sacre, Candace	I have no questions. Ms. Cromer?
2:04:58 PM	Atty Cromer MCCC Note: Sacre, Candace	None, thank you.
2:05:00 PM	Chairman Schmitt Note: Sacre, Candace	Mr. Cumbo? (Click on link for further comments.)
2:05:35 PM	Chairman Schmitt Note: Sacre, Candace	Okay, is there anything further, Ms. Vinsel?
2:05:40 PM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	No, there's nothing further.
2:05:41 PM	Chairman Schmitt Note: Sacre, Candace	Ms. Cromer, anything you would like to add at this time?
2:05:52 PM	Chairman Schmitt Note: Sacre, Candace	Mr. Cumbo, anything you'd like to add? No?

2:05:57 PM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	I'm sorry, Chairman. I did think of something another one of my coworkers asked that I pass along, and that is, thanks to Mr. Miller and Mr. Sneed the annual reports that have been sitting and waiting forever to get corrections have received corrections, so we very much appreciated their work in getting that information to us.
2:06:21 PM	Chairman Schmitt Note: Sacre, Candace	Martin County's annual reports have been a subject of some concern here for more than a decade, so I'm happy that they've been corrected and, hopefully, in the future, will be filed on time.
2:06:37 PM	Chairman Schmitt Note: Sacre, Candace	So is there anything else, Ms. Vinsel?
2:06:41 PM	Asst Gen Counsel Vinsel PSC Note: Sacre, Candace	Just the post-hearing data requests.
2:06:43 PM	Chairman Schmitt Note: Sacre, Candace	Oh, okay, there'll be post-hearing data requests, and, when you get them, maybe there'll be an order or something in the request that will set a time, a reasonable time period, to answer, and, of course, as Mr. Cumbo knows, if there's an issue where you need more time, just to file something and state why, and we've usually been, I think, accommodative in terms of complying with those requests
2:07:12 PM	Chairman Schmitt Note: Sacre, Candace	One other thing, as I guess this is probably the last hearing that we will have in this particular case, 2018-00017. We will be opening a new case whenever we get the responses to the data requests and maybe can get an order out, which will, basically, just be monitoring the financial and operational status of the District going forward, and we'll probably be requiring maybe a monthly report or something so that we can keep track of the District and assist in any way possible to help you succeed. We know the Governor's Office has been active in supporting the District through the Energy and Environment Cabinet and associated agencies, and we've been working with them as well, so we want to see Martin County succeed, but we know it's a difficult and painful process not only for management but for Ms. Cromer's clients as well because, now, unfortunately, when you spend all the money or waste it, then somewhere down the road current customers have to pay for things that should have been paid for and maintained in the past, and that's where we probably are in terms of Martin County.
2:08:49 PM	Chairman Schmitt Note: Sacre, Candace	But, if there's nothing else, then this hearing is hereby adjourned, and I thank you all very much
2:09:00 PM	Session Ended	



## Exhibit List Report

2018-00017 16June2020

Martin County Water District  
(Martin District)

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**Name:****Description:**

PSC Exhibit 1

MCWD Analysis of Rate Case Percentages 6/9/2020

PSC Staff Exhibit 1

Martin County Water District				
Analysis of Rate Case Percentages				
Requested by Martin District and Approved by Commission				
Last Edited on:		6/9/2020		
		Martin District Requested	Commission Approved 11/5/2018	Commission Approved 11/22/2019
Pro Forma Operating Expenses	\$	2,597,940	\$ 2,262,858	\$ 2,262,858
Plus: Average Annual Principal and Interest Payments		209,998	209,998	209,998
Additional Working Capital		38,822	38,822	38,822
Debt Service for Operational Deficit Retirement		163,187	-	-
Overall Revenue Requirement		3,009,947	2,511,678	2,511,678
Less: Other Operating Revenue		(286,066)	(106,066)	(106,066)
Interest Income		(293)	(293)	(293)
Nonutility Income		-	-	-
Revenue Required from Rates		2,723,588	2,405,319	2,405,319
Less: Pro Forma Present Rate Service Revenues		(1,822,189)	(1,913,245)	(1,913,245)
Required Revenue Increase		901,399	492,074	492,074
Debt Service Surcharge Revenue		-	163,187	109,734
Management Infrastructure Surcharge Revenue		-	0 <sup>1</sup>	198,008
Total Revenue Increase	\$	901,399	\$ 655,261	\$ 799,816
Percentage Increase		49.47%	34.25%	41.80%

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