

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

NOTICE OF FILING

Notice is given to all parties that the transcript of the July 10, 2019 Estill County Water District hearing prepared by Todd & Associates Reporting, Inc. has been filed into the record of this proceeding.



Gwen R. Pinson
Executive Director
Public Service Commission
P.O. Box 615
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DATED OCT 07 2019

cc: Parties of Record



Transcript of the Testimony of **PSC Hearing**

Date: July 10, 2019

Case: In Re: Estill County Water District

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COMMONWEALTH OF KENTUCKY
KENTUCKY PUBLIC SERVICE COMMISSION

CASE NO. 2019-00041

IN RE:

ESTILL COUNTY WATER DISTRICT

* * * * *

HEARING HELD ON:

JULY 10, 2019

FRANKFORT, KENTUCKY

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APPEARANCES:

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PUBLIC SERVICE COMMISSION:

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Chairman Michael J. Schmitt
Vice Chairman Robert Cicero
Commissioner Dr. Talina Mathews

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ON BEHALF OF THE COMMISSION STAFF:

12

Brittany Koenig, Esq.
Ariel Miller, Financial Analyst

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ON BEHALF OF THE ATTORNEY GENERAL:

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Justin McNeil, Esq.
Kent Chandler, Esq.

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ON BEHALF OF THE ESTILL COUNTY WATER DISTRICT:

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Gerald Wuetcher, Esq.

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1 COMMISSIONER SCHMITT: We are now on the
2 record. This is the Kentucky Public
3 Service Commission. My name is Michael
4 Schmitt. I'm chairman of the Commission.
5 Vice Chairman Cicero and Commissioner
6 Mathews at this time are conducting another
7 hearing in another hearing room involving
8 this same case.

9 We are here this afternoon in
10 Case No. 2019-00041, investigation into the
11 excessive water loss by Kentucky's
12 Jurisdictional Utilities, and the hearing
13 this afternoon will involve Estill County
14 Water District.

15 This case involves 11 water districts.
16 And in the next hearing room, or with the
17 other two commissioners, at this time, is
18 the North Manchester Water Association.
19 Yesterday we held two hearings, one for
20 Morgan County Water District and the other
21 for Cawood Water District. Remaining
22 through Thursday of next week are Farmdale,
23 West Carroll, Southern Hyden, Hyden-Leslie,
24 Rattlesnake Ridge, Big Sandy and Milburn
25 Water Districts.

1 This proceeding, I guess, was
2 originally scheduled to be broadcast over
3 the Internet, but this hearing room does not
4 have that capability, so -- but it will
5 appear later this afternoon or early this
6 evening on our website.

7 And as many of you may know, we do not
8 usually use a court reporter, but the video
9 is the official record of the proceeding,
10 and we usually have a paralegal, Kabrenda
11 Warfield, who does a log of the testimony
12 that is not an actual transcript. For this
13 case, we have employed the court reporters
14 who will transcribe the proceedings and have
15 copies of any of the exhibits that are
16 filed, and those will be available to
17 counsel whenever they're typed and filed in
18 the record.

19 At this time I would ask Mr. Wuetcher
20 as counsel for Estill County Water District
21 to identify himself for the record, the name
22 of his client, and the witnesses that he may
23 have here today.

24 MR. WUETCHER: Yes, sir. Appearing on
25 behalf of Estill County Water District

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1 No. 1, Gerald Wuetcher. I'm with the firm
2 of Stoll Keenon Ogden. The address is 300
3 West Vine Street, Suite 2100, Lexington,
4 Kentucky 40507. And I have with me today
5 for the water district Audrea Miller, who
6 is the interim general manager, Mr. Blain
7 Click, who is the chair of the Estill
8 County Water District Board of
9 Commissioners. Both of those were ordered
10 by the Commission to appear and give
11 testimony. I also have present Mr. Jack
12 Stickney and Robert Johnson, who are the
13 other members of the Board of Commissioners
14 of Estill County Water District No. 1.
15 Mr. William Murphy, who is the field
16 operations manager for Estill County Water
17 District No. 1. And I also have Alan
18 Bowman, who is a consulting engineer, with
19 Bell Engineering. Mr. Bowman prepared --
20 or was the primary author of the corrective
21 action plan, which the water district filed
22 in response to the Commission's order in
23 Case No. 2000 -- 2018-00276.
24 CHAIRMAN SCHMITT: Okay. Thank you. I
25 appreciate your other members of the Estill

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1 County Commission, employees and Mr. Bowman
2 for attending. We -- because the extra
3 individuals, other than the chairperson and
4 the general manager, in these cases have
5 been able to provide some additional
6 information as to what happened, what the
7 status of the district is, and we've always
8 asked their ideas about, you know, what
9 could be done to help or assist going
10 forward. And at least so far in these
11 hearings, they've been valuable. So I
12 appreciate that, to you people here -- who
13 are here, and to you, Mr. Wuetcher, for
14 assisting in that regard.

15 All right. On behalf of the Attorney
16 General?

17 MR. CHANDLER: Thank you, Chairman. Kent
18 Chandler on behalf of the Kentucky Office
19 of Attorney General. And if he so should
20 be -- if he's inclined to do so, I may be
21 joined by co-counsel, Justin McNeil, at the
22 conclusion of the other hearing.

23 CHAIRMAN SCHMITT: He didn't make it
24 yesterday.

25 MR. CHANDLER: I don't know if he didn't

1 make it or -- I think he chose not to come.
2 Thanks.

3 CHAIRMAN SCHMITT: He may -- that may have
4 been a good choice.

5 On behalf of staff?

6 MS. KOENIG: Brittany Koenig, from the
7 Office of General Counsel, and Ariel
8 Miller, from the Financial Analysis
9 Department for the Commission.

10 CHAIRMAN SCHMITT: Okay. Thank you.
11 Because this is an investigation-type case,
12 more like a discovery deposition than
13 anything else, we've altered the
14 procedures -- or they differ from what
15 we've usually done. So staff counsel will
16 take the lead in asking questions.
17 Commissioners will go second. Mr. Chandler
18 for the Office of Attorney General will ask
19 questions next. And then, Mr. Wuetcher, if
20 and only if you wish to, you can ask your
21 witnesses any questions you want to clear
22 up anything, but you don't feel compelled
23 to do so.

24 MR. WUETCHER: Yes, sir.

25 CHAIRMAN SCHMITT: But whatever you think

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1 might be necessary. We would ask that -- I
2 guess, Ms. Koenig will announce who she
3 would like to testify, and if you would at
4 least do a direct of, you know, who they
5 are and a little background information
6 just like it was in a -- you know, a
7 small-rate case, it would be appreciated.

8 MR. WUETCHER: Yes, sir.

9 CHAIRMAN SCHMITT: Okay. Ms. Koenig, do
10 you have someone you'd like to ask
11 questions of first?

12 MS. KOENIG: Yes, sir. We'd like to hear
13 from Ms. Miller, please.

14 MR. WUETCHER: Your Honor, while Ms. Miller
15 is coming up to the stand, I just wanted to
16 note for the record that the Commission had
17 ordered that notice of this hearing be held
18 and we had a notice published on June 27th,
19 and proof of publication of notice was
20 filed with the Commission yesterday and
21 this morning.

22 CHAIRMAN SCHMITT: Thank you. I appreciate
23 that. I assumed that had been the case,
24 but I had forgotten.

25 MR. WUETCHER: And just as a housekeeping

1 matter because of discussion with staff
2 counsel, she mentioned that the Commission
3 was going to look at some areas of the
4 district's background, and not wanting to
5 interfere with that, but as a suggestion to
6 make for a more complete record, we would
7 simply ask that the Commission take notice
8 of the district's -- of three of the
9 district's cases that I think highlight
10 some of the problems that the Commission is
11 concerned about.

12 One would be the rate case that the
13 Commission had, Case No. 2017-00176, and the
14 district's application for debt
15 restructuring, Case No. 2018-00276. And
16 then finally, the district has recently
17 filed an application for authority to assess
18 a surcharge to finance water loss control
19 measures, and that's Case No. 2019-00119.
20 And for the convenience of staff and also
21 for the record we would simply suggest that
22 the Commission might want to take
23 administrative notice of those cases.
24 CHAIRMAN SCHMITT: We will take
25 administrative notice of those cases. And

1 also, I guess, there was a proceeding
2 involving three of the commissioners who
3 were here. Was that one of the cases that
4 you referred to?

5 MR. WUETCHER: No, sir, I believe that was
6 Case 2017-468 or 469.

7 MS. KOENIG: I believe it was 468.

8 MR. WUETCHER: That's probably correct. I
9 think 469 was Dexter-Almo.

10 MS. KOENIG: You know what, it would be
11 469. 468 was Dexter-Almo.

12 CHAIRMAN SCHMITT: I've seen the chart, I
13 guess, that staff had prepared.

14 MS. KOENIG: Yeah.

15 CHAIRMAN SCHMITT: I'm at a loss right now
16 to find it. Here it is. Okay. Well, we
17 ought to take administrative notice of all
18 of those cases, including 458, the case
19 that was brought involving the other
20 commissioners.

21 The -- one of the things that we like
22 to do, we talk about a history, is to try to
23 make up a record. In many of the cases that
24 we've had, I guess so far, water districts
25 have, I guess, been brought to the precipice

1 of financial insolvency and management has
2 changed through basically either newly
3 elected officials or something. But in
4 order to try to put it in context, I think
5 it's -- it was very helpful to show about
6 some of the problems or things that
7 management did or mistakes that may have
8 been made in the past which have contributed
9 to the present problems that now have to be
10 dealt with. Okay.

11 MR. WUETCHER: Yes, sir.

12 MR. CHANDLER: Can I ask -- sorry,
13 Chairman. Can I ask for the record, can I
14 get a clarification on what the fourth case
15 that's going to be incorporated by
16 reference or taken administrative notice --

17 MS. KOENIG: Just to confirm, it's
18 2017-467. We were both wrong.

19 CHAIRMAN SCHMITT: It was probably -- the
20 case that was brought by the
21 commissioners -- against --

22 MS. KOENIG: To show cause.

23 CHAIRMAN SCHMITT: -- three of the existing
24 commissioners for show cause. Basically, I
25 think it primarily involved loans,

1 unauthorized loans.

2 MR. CHANDLER: And that was my memory of
3 having looked at it. I just wanted to make
4 sure that I understood which four cases
5 we're taking, given as a party, I want to
6 make sure which four we were taking --

7 CHAIRMAN SCHMITT: I think those are the
8 four.

9 MR. CHANDLER: Thank you.

10 CHAIRMAN SCHMITT: But if there's any
11 question about it when this proceeding is
12 over, we can look and make sure our numbers
13 are correct.

14 MR. CHANDLER: Thank you, Chairman.

15 CHAIRMAN SCHMITT: Ms. Miller, will you
16 raise your right hand? I won't even make
17 you stand.

18 * * * * *

19 The witness, AUDREA MILLER, after first
20 being duly sworn, was examined and testified as
21 follows:

22 CHAIRMAN SCHMITT: Counsel.

23 EXAMINATION

24 BY MR. WUETCHER:

25 Q. Ms. Miller, would you please

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1 state your name and business address?

2 A. Audrea Miller, 76 Cedar Grove
3 Road, Irvin, Kentucky 40336.

4 Q. Who are you employed by?

5 A. The Estill County Water District.

6 Q. And how long have you been an
7 employee of Estill County Water District?

8 A. For 14 years.

9 Q. And what is your current position
10 with Estill County Water District?

11 A. I'm currently employed as interim
12 general manager.

13 Q. Okay. And how long have you been
14 employed as interim general manager?

15 A. Since February the 6th of this --
16 of 2019.

17 Q. Okay. And prior to that time,
18 what was your position with the water district?

19 A. I was the office manager.

20 Q. And how long were you office
21 manager; how long have you held that position?

22 A. For 13 and a half years.

23 Q. Okay. And just to clarify for
24 the record, did you participate or assist in
25 preparing the responses to the Commission's request

1 for information in this case?

2 A. I did.

3 Q. And do you have any changes or
4 corrections to any of those items that you were
5 responsible for?

6 A. No.

7 Q. Okay.

8 MR. WUETCHER: Your Honor, we'll turn the
9 witness over.

10 CHAIRMAN SCHMITT: Ms. Koenig.

11 MS. KOENIG: Thank you.

12 EXAMINATION

13 BY MS. KOENIG:

14 Q. Good afternoon.

15 A. Good afternoon.

16 Q. It's good to see you.

17 A. You too.

18 MS. KOENIG: So just for clarification
19 purposes, Chairman, I have nine exhibits
20 for the PSC that I've collected and set
21 next to the witness. And --

22 CHAIRMAN SCHMITT: Mr. Wuetcher have a
23 copy?

24 MS. KOENIG: Mr. Wuetcher and Mr. Chandler
25 have been given copies of those exhibits

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1 prior to the hearing, although just prior
2 to the hearing. And -- but I will go
3 through those as I -- as I come up in
4 questioning, if that's okay. But I don't
5 know how you'd like me to do that, if at
6 the end, you'd like me to introduce them
7 after they've been established?

8 CHAIRMAN SCHMITT: Yeah. Well, let's do
9 this: Mr. Wuetcher, do you have any
10 objection to any of these?

11 MR. WUETCHER: No, Your Honor, I do not.

12 CHAIRMAN SCHMITT: Mr. Chandler?

13 MR. CHANDLER: No objections, Your Honor.

14 CHAIRMAN SCHMITT: Why don't we go ahead
15 then, if the reporter has copies as well
16 and they've also been numbered?

17 MS. KOENIG: Yes, sir.

18 CHAIRMAN SCHMITT: Let's allow these
19 exhibits to be entered into the record as
20 PSC Staff Exhibits 1 through 8. And then
21 as you ask the witness, Ms. Miller, or
22 anybody else about them, if you could just
23 identify it as Exhibit 1, 2, 3, whatever.

24 MS. KOENIG: Sure.

25 CHAIRMAN SCHMITT: And anything else that

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1 might be needed to make sure the record is
2 clear.

3 MS. KOENIG: Okay. I will do that. And
4 also, just to clarify, so the map is
5 Exhibit 9, and I believe that the
6 commissioners were given a copy of that
7 prior to, so that's why you didn't have a
8 copy up there. So it's a map of the county
9 prepared by --

10 CHAIRMAN SCHMITT: I've got 8. Is there
11 supposed to be a map?

12 MS. KOENIG: Yes, but I believe that the
13 chairman -- the commissioners were given a
14 copy earlier.

15 CHAIRMAN SCHMITT: Oh, okay.

16 MS. KOENIG: And that's the only reason why
17 I didn't put one up there. This was
18 prepared by PSC staff and based on the WRIS
19 records.

20 CHAIRMAN SCHMITT: So the map is --

21 MS. KOENIG: Exhibit 9.

22 CHAIRMAN SCHMITT: -- is Exhibit 9?

23 MS. KOENIG: Yeah.

24 CHAIRMAN SCHMITT: Then, for the record,
25 PSC Exhibits 1 through 9.

1 BY MS. KOENIG:

2 Q. Okay. So I'll ask you to refer
3 to an exhibit if I have a question about it, and
4 I'll try to be clear. But also, we have the data
5 responses, and if I refer to a specific question,
6 then I'll give you time to turn to that for
7 reference too.

8 A. Okay.

9 Q. But if you need any clarification
10 or if you can't hear, please ask me to repeat.
11 Okay.

12 So you've been with the Estill County Water
13 District for 14 years?

14 A. Uh-huh.

15 Q. And you were here for the
16 2017-176 alternative rate filing hearing. I
17 remember you testifying in that.

18 A. I was.

19 Q. Okay. And -- and then you've
20 been involved or at least aware of the other cases
21 since then; is that correct?

22 A. I have, yes.

23 Q. Okay. So if you'll look at
24 Exhibit 1, it's the copy of the final order in that
25 rate case, in 2017-176.

1 A. Uh-huh.

2 Q. Okay. On Page 3, under the Water
3 Loss paragraph, staff or -- I'm sorry -- yeah, the
4 Commission explained that the unaccounted water
5 loss, the 15 percent would result in an approximate
6 \$134,422 decrease to its cost of water if Estill
7 County were to get their water loss to the
8 15 percent; do you see that?

9 A. I do.

10 Q. Okay. So today -- or I'm sorry,
11 yesterday you all filed your response to the
12 July 1st order requesting the district give a
13 record of how much water loss -- the water loss
14 that was above 15 percent was costing the district,
15 and I don't have a copy of that filing, but it was
16 your filing.

17 A. Uh-huh.

18 Q. So I'm not sure if Mr. Wuetcher
19 has that up there for you to reference, but it's
20 listed as \$223,761.75; does that sound correct?

21 A. It does.

22 Q. Okay.

23 CHAIRMAN SCHMITT: And is this a figure
24 that Estill Water District did?

25 MS. KOENIG: Yes.

1 CHAIRMAN SCHMITT: Because it's higher than
2 the one, I guess, that staff did; is that
3 correct?

4 MS. KOENIG: Yes.

5 BY MS. KOENIG:

6 Q. And just to clarify, the chairman
7 is referring to figures that our financial analysis
8 staff made off your last annual report, and so I'm
9 just trying to clarify, there are differences, but
10 to the best of your knowledge, that's the most
11 accurate representation, \$223,761.75? And do you
12 know -- I mean, it might say here, but do you know
13 what numbers that was figured on, what water loss
14 numbers?

15 A. I think that's the 2018 year-end
16 numbers.

17 Q. The 2018 annual report?

18 A. Yes.

19 Q. Okay. So it's increased quite a
20 bit since even the 2017 rate case?

21 A. Yes.

22 Q. Okay. So, in general, just
23 talking about that number and the cost to the
24 district, is that number used in your cost-benefit
25 analysis to your efforts to control water loss? Is

1 that number used in your discussions with the board
2 to decide how you're going to proceed and how much
3 money you have to spend on efforts to --

4 A. Yes, it's -- my board is very
5 aware of the number, and that any reduction in
6 water loss will be -- those revenues would be
7 generated and brought back to the district.

8 Q. And to clarify again, your
9 district purchases all of its water, correct?

10 A. We do.

11 Q. So any water loss is just money
12 that you're losing, correct?

13 A. It is.

14 Q. Okay. All right. So the
15 2017-176 rate case, do you -- do you know how long
16 it was before that rate case was filed that Estill
17 County had a rate case?

18 A. Prior to this one? I think we
19 had a rate increase in 2014.

20 Q. Okay. And so just to clarify,
21 the 2014 rate increase, was that for a purchase
22 water adjustment?

23 A. No, I think -- I think we had had
24 a project that we had a rate increase for, but we
25 have had purchase water adjustments in subsequent

1 years after that, so --

2 Q. Okay. Would it surprise you to
3 know that you haven't had a base rate case since it
4 had started in 1964, there had not been a rate case
5 such as the alternative rate filing or a regular
6 rate case, since it started, to the 2017 case?

7 A. Would it surprise me?

8 Q. Uh-huh.

9 A. No.

10 Q. Okay. So --

11 CHAIRMAN SCHMITT: Are you saying that you
12 didn't find evidence of any base rate case
13 from 1964 until 2017?

14 MS. KOENIG: Yes, sir.

15 A. But there had been rate
16 increases.

17 BY MS. KOENIG:

18 Q. Yes, I understand what you're
19 saying. Do you -- okay.

20 MR. WUETCHER: Could I just ask for
21 clarification? When you say base rate
22 case, you're talking about the utility
23 filing for a general rate adjustment --

24 MS. KOENIG: Yes.

25 MR. WUETCHER: As opposed to using 078.023?

1 MS. KOENIG: Correct.

2 MR. WUETCHER: So that when you're saying a
3 rate increase, you're talking where the
4 utility has actually gone in and requested
5 that the Commission increase for rates and
6 it's been reviewed by the Commission and
7 its staff and an order has been issued that
8 way as opposed --

9 MS. KOENIG: Correct, a rate case, not just
10 a rate increase.

11 BY MS. KOENIG:

12 Q. A rate case is what I'm talking
13 about. Because during a rate case our staff looks
14 at all of your numbers and looks at your annual
15 report and then goes -- do you recall the process
16 of the ARF in 2017?

17 A. Yes.

18 Q. Can you describe that a little
19 bit, of how staff was involved in --

20 A. I think Scott Lawless came in and
21 done our -- looked through our audits, looked
22 through our records, and done a report.

23 Q. Okay. And do you understand the
24 ARF final order to be where the staff made a report
25 and made a recommendation based on all the

1 information that you gave the PSC, gave a
2 recommendation to make sure that you had covered
3 all your expenses and that you were able to use
4 your rates in a way that would keep your district
5 operating in a good business manner?

6 A. Yes.

7 Q. Okay. And so then, in your
8 response to staff's Data Request No. 1 -- or no,
9 I'm sorry, No. 2, and the Question No. 3, you said
10 that your most significant obstacles to the
11 reduction of reducing its water loss are the lack
12 of properly zoned water distribution systems, the
13 lack of adequate funds to finance water loss
14 control reduction efforts, including rates that
15 failed to produce a sufficient level of revenue to
16 support utility operations and a lack of personnel
17 devoted to leak detection?

18 A. That's 2, Question 2?

19 Q. Question 3.

20 A. I'm sorry.

21 Q. In Data Request No. 2. So it's
22 the second one.

23 MR. WUETCHER: I think it's the smaller
24 binder.

25 Q. And really what I'm -- what I'm

1 asking about is, you know, why don't you have
2 enough money from your rates after the rate case in
3 2017?

4 A. In the rate case we requested, I
5 think, a 22 percent increase. After staff's
6 report, I think they advised a 23 percent increase.
7 And then the PSC granted us an 11 percent increase,
8 so we got half of what we requested.

9 Q. Okay. Is that -- do you know how
10 water loss figures into that?

11 A. I do. It was disallowed.

12 Q. Okay. Can you -- can you explain
13 that?

14 A. I guess the Commission calculated
15 our percentage of loss, determined the value of
16 that loss, and disallowed that for rate-making
17 purposes.

18 Q. Above 15 percent?

19 A. Above the 15 percent, yes.

20 Q. Okay. And that's how the
21 regulation is written, correct?

22 A. I believe so.

23 Q. Okay. So you don't really have
24 enough money because of water loss, even though if
25 everything else was working correctly, the rates

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1 would be sufficient to keep your business running?

2 A. Correct.

3 Q. Okay. In Data Request 2,
4 Question No. 6, do you see that?

5 A. Yes.

6 Q. Okay. It explains some of the
7 training that your staff has had. And one of the
8 things listed is the Kentucky Rural Water -- Water
9 Management Conference. Did you attend that
10 conference?

11 A. I did.

12 Q. Okay. How long was that?

13 A. Two days.

14 Q. Two days.

15 A. I think.

16 Q. Okay. And did you attend that
17 before or after you were interim general manager?

18 A. After.

19 Q. Okay. So there have been a lot
20 of personnel changes, right?

21 A. There have been.

22 Q. Okay. And we're going to get to
23 that. I'd like to refer you to PSC Exhibit No. 2
24 and 3. And can you tell me what those are, just
25 for the record?

1 A. I don't believe I have 3.

2 MS. KOENIG: Okay. May I approach?

3 CHAIRMAN SCHMITT: Yes, you may.

4 A. This looks like an inspection
5 report dated July 21st, 2016. The inspector was
6 Jason Pennell with the Kentucky Public Service
7 Commission, and 3 looks like Dwight Richardson's
8 response to that inspection.

9 Q. Okay. So when you were here for
10 the rate case, Mr. Richardson was your field
11 manager?

12 A. Yes.

13 Q. Is that correct? And he seemed
14 to have a lot of the technical knowledge about the
15 district, is that -- would that be accurate?

16 A. Yes.

17 Q. Okay. So in Exhibit No. 3,
18 Mr. Richardson is responding to the inspection
19 report, and he is discussing the deficiencies that
20 were pointed out in the inspection; is that
21 correct?

22 A. Yes.

23 Q. Okay. And one of those
24 deficiencies involved the tariff, and specifically
25 about fire departments and fire hydrants.

1 A. (Witness nodding head.)

2 Q. Do you have any -- does this
3 sound familiar or do you have any knowledge about
4 this subject matter?

5 A. I'm aware that the fire
6 department reg is not in our tariff, in our current
7 tariff.

8 Q. Okay. And can you explain that?
9 First of all, let me ask: Why was Mr. Richardson
10 doing the tariff; is that normal responsibility for
11 the field manager or --

12 A. I really don't know.

13 Q. Okay. What was his relationship
14 with the board when he was there? Did they have a
15 good communication between the general manager and
16 the board?

17 A. He wasn't the general manager.

18 Q. Okay.

19 A. He was -- I don't believe so, no.

20 Q. Didn't have that great -- okay.
21 So it was a lack of communication or how would you
22 describe it?

23 A. A lack of communication, a lack
24 of expectation. There was no clear policies.

25 Q. Okay.

1 A. That -- what was Mr. Richardson's
2 responsibility and what was my responsibility.

3 Q. Okay. So could you describe the
4 structure a little bit? You said he wasn't the
5 general manager?

6 A. No.

7 Q. But you described your position
8 at the time as office manager and he was a field
9 manager?

10 A. Yes, ma'am.

11 Q. Okay. So was there a different
12 position as general manager or --

13 A. No.

14 Q. Okay.

15 CHAIRMAN SCHMITT: So there wasn't any one
16 person in charge of everything?

17 THE WITNESS: No.

18 CHAIRMAN SCHMITT: You were in charge of
19 office records; he was in charge of outside
20 personnel?

21 THE WITNESS: Yes.

22 CHAIRMAN SCHMITT: People that worked in
23 the field?

24 THE WITNESS: Yes.

25 CHAIRMAN SCHMITT: And were you his

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1 superior?

2 THE WITNESS: No.

3 CHAIRMAN SCHMITT: Was he your superior?

4 THE WITNESS: No.

5 CHAIRMAN SCHMITT: So both reported to the
6 board, correct?

7 THE WITNESS: Yes, that's correct.

8 CHAIRMAN SCHMITT: Let me ask: In terms
9 of -- how many office -- were you the only
10 office personnel?

11 THE WITNESS: No. There's two other girls
12 in the office.

13 CHAIRMAN SCHMITT: Did you have the
14 authority to hire and discharge office
15 personnel?

16 THE WITNESS: I did, yes.

17 CHAIRMAN SCHMITT: And, to your knowledge,
18 did Mr. Richardson have that authority
19 insofar as outside field personnel were
20 concerned?

21 THE WITNESS: He did, yes.

22 CHAIRMAN SCHMITT: He did. Okay. In terms
23 of working with a budget, were you the
24 person who helped develop the budget or did
25 Mr. Richardson or did both of you do that?

1 THE WITNESS: The auditor -- I'm sorry, the
2 accountant developed the budget for the
3 board.

4 CHAIRMAN SCHMITT: Okay. So he -- he
5 basically did -- the accountant did that on
6 his own with the information he had,
7 correct?

8 THE WITNESS: Correct.

9 CHAIRMAN SCHMITT: Okay. I'm sorry to
10 interrupt.

11 Did either you or Mr. Richardson have
12 authority to incur expenditures or to make
13 purchases that sometimes were in excess of
14 the amount budgeted without going to the
15 board first?

16 THE WITNESS: No.

17 CHAIRMAN SCHMITT: All right. Thank you.

18 BY MS. KOENIG:

19 Q. Okay. So to follow up on the
20 tariff discussion, you'll see Exhibit No. 3,
21 there's a tariff attached there, and in the letter
22 that Mr. Richardson wrote in follow-up, he explains
23 that this is a proposed tariff to deal with the
24 fire department and the fire hydrants.

25 If you'll reference PSC's Exhibit No. 6,

1 it's an inspection -- it's the latest inspection and
2 it -- one of the notes from the inspector notes that
3 they've -- they've included the fire tariff or the
4 fire department tariff in your tariff.

5 A. Uh-huh.

6 Q. But as you've already said and as
7 can be confirmed on our website, and in your
8 response to our data request, you said there is
9 no -- that's not true; is that correct? There is
10 no --

11 A. That is correct.

12 Q. Do you know what happened with
13 the fire department tariff?

14 A. I do not, no.

15 Q. You don't know why it never went
16 through?

17 A. I do not.

18 Q. It looks like it's quite -- you
19 know, it's on its last draft or so, and I'm not
20 sure if you're familiar with the regulation that
21 requires a utility -- permits the fire department
22 to withdraw water and that there has to be tariff
23 language regarding the penalty in your tariff. So
24 that was marked as a deficiency because of that,
25 but you don't know why that was never entered?

1 A. I do not.

2 Q. Okay. Is that typical of
3 processes between Mr. Richardson and the board,
4 where there are things that were not followed
5 through on or --

6 A. That's fairly typical, yes.

7 Q. Okay. Do you have any other
8 examples? And I understand that sometimes it's
9 hard to talk about things that you might not feel
10 comfortable or might seem personal, but this is a
11 professional level, and just -- honestly, I mean,
12 I'm just trying to understand how they worked
13 together. And if you can't think of a good
14 example, I'll give you time.

15 A. I can't think of an example at
16 this time.

17 Q. Okay. Well, it might come up
18 later on.

19 CHAIRMAN SCHMITT: Well, let me ask: Are
20 you -- is it your opinion that in any
21 organization, including a water district,
22 that personnel policies ought to be tightly
23 drafted so that the chain of commands and
24 the duties and responsibilities of
25 management personnel are clearly set out

1 and understood between everyone, including
2 the commissioners, the management, and the
3 employees under -- beneath management?

4 THE WITNESS: Yes.

5 CHAIRMAN SCHMITT: At the present time --
6 and I haven't seen them, but at the present
7 time, do you think that the personnel
8 policies at Estill County Water District
9 are in need of basically a review and
10 updating?

11 THE WITNESS: Absolutely, yes.

12 CHAIRMAN SCHMITT: Thank you.

13 BY MS. KOENIG:

14 Q. Okay. And so from some of your
15 responses, I saw that you are working on job
16 descriptions and some policies. So is that
17 something that is in process?

18 A. It is. It is in the very early
19 process. This -- this has been our focus since
20 February, I guess, this and -- this case and our
21 corrective action plan that we have developed, and
22 putting together a project -- a water loss project.
23 So we've focused on those things and feel like
24 we're getting those underway. And it's mine and
25 the board's hope to start developing those policies

1 and procedures quickly.

2 Q. Okay. Okay. And so one more
3 thing on them while you have the Inspection No. 2,
4 Exhibit No. 2 in front of you, could you please go
5 to Page 18?

6 A. Uh-huh.

7 Q. Okay. Will you look at, I guess,
8 No. 99, it discusses PSC Case No. 2013-339, are you
9 familiar with that case or the project? That -- it
10 was a CPCN, just to refresh your mind -- refresh
11 your memory.

12 A. Yeah, I'm somewhat familiar, I
13 guess.

14 Q. That's okay. So let's look
15 here -- look at No. 96, it says -- it's talking
16 about the project, and this page is talking about a
17 construction project in 2013; do you see that?

18 A. I do.

19 Q. Okay. And then it says, the
20 project was financed with a sale of revenue bonds
21 to Rural Development and RD grant. Okay. So do
22 you -- could you speak to the process of how this
23 project came about?

24 A. I think Dwight Richardson, along
25 with our engineer at the time, which I think was

1 Bell Engineering, put together the project. It was
2 some pump station rehabilitations. There was some
3 line replacement from some old -- I think we
4 replaced some old ductile line pipe. There was a
5 lot of rehab work in this project, to the best of
6 my knowledge.

7 Q. Okay. And so -- I appreciate
8 that. I know that you don't have the case in front
9 of you, but it was a construction case, and as part
10 of that case, you took out debt, right, from Rural
11 Development and RD grant?

12 A. Yes.

13 Q. Okay. This happened before the
14 2017 rate case and the 2017 show of cause regarding
15 unauthorized debt. And so you did get
16 authorization for the debt for this project; do you
17 know why? Do you know why they were able to get
18 the debt authorized in this case, but then later on
19 they took on debt when they did not get
20 authorization?

21 A. I do not know why that they took
22 on the unauthorized debt. I'm sure that we were
23 under engineering and legal advisement during
24 this -- this project.

25 Q. And who -- so Rural Development

1 and RD grant, did they put together the project, or
2 did Bell Engineering put it together and then go to
3 RD, or how did that happen?

4 A. Bell and Dwight would have put
5 together the project.

6 Q. Okay. And so through those
7 agencies, that's how the board was advised?

8 A. Our local counsel would have been
9 advised.

10 Q. And local counsel. Okay.

11 So do you know how -- so you're saying that
12 Mr. Richardson and Bell Engineering put together the
13 project. Do you know, did Mr. Richardson have the
14 authority to decide what projects needed priority or
15 did he go to the board and did they -- did they have
16 any method of determining priority of projects or --

17 A. There was no method. It was just
18 on his recommendation and recommendation of the
19 engineering firm.

20 Q. Okay. And was water loss a
21 priority at that time?

22 A. At the time it was. We had a --
23 part of the system we did replace, it was referred
24 to as the West Cedar Grove area, and it was some of
25 the original system put in in '64, and I think I'm

1 right on that date. And it was ductile line, we
2 were having a lot of leaks. I do know that
3 Mr. Richardson did believe that that was a source
4 of a lot of our water loss at that time, was that
5 we were having a lot of issues in that area, and
6 believed that replacing that would remedy some of
7 the water loss issues.

8 Q. Okay. And that actually speaks
9 to Exhibit No. 4 and No. 5, where, actually, he
10 does explain that in the record about that
11 replacement and that construction and why -- why
12 they did that. But then, I guess, if you'll
13 recall, looking at Exhibit No. 5, do you recall
14 that when this repair was done, that it caused
15 other parts of the line to bust?

16 A. I do recall that. It put
17 pressure on some other older -- I don't know this
18 to be fact, I know this is what he would relay to
19 the board. That it caused pressure in other areas
20 of our system and caused leaks in those areas.

21 Q. Okay. And, again, in Exhibit
22 No. 4, one of the deficiencies is you're above
23 15 percent, you were in Exhibit No. 2, the 2016.
24 So you've been above 15 percent water loss for
25 quite a -- quite some time?

1 A. Yes.

2 Q. And was that -- was that a main
3 priority of the board, the water loss, or was that
4 Mr. Richardson's main priority and not the board's;
5 how would you describe that?

6 A. I wouldn't describe it as
7 Mr. Richardson's main priority. I do think that
8 after the board had to borrow an unauthorized debt
9 for the third time, they began to feel the urgency
10 of the water loss issues of the water district, and
11 there was a realization of the board at that time
12 that some changes were going to have to be made.

13 Q. And it was because of the numbers
14 and the dollars -- the dollars and cents?

15 A. The money, yeah. You can't --
16 you can't operate at that percentage of loss for
17 that long.

18 Q. Okay. So one of the things that
19 he also says in this October 3rd, 2017 letter,
20 which is Exhibit No. 5, is that a lot of the system
21 had been put in in the 1960s and --

22 A. That's true.

23 Q. -- and that you have, you know,
24 quite a few old -- old service lines. But then
25 also it says that -- that the district had lost

1 three maintenance employees and due to financial
2 constraints, they had not replaced those.

3 A. Three of the employees they lost,
4 in all fairness to the district, we had lost an
5 employee, but three -- two of the maintenance
6 employees that we had lost, one of those was a
7 sewer operator, and we sold our sewer company to
8 another utility.

9 Q. Okay.

10 A. So they weren't -- I guess we had
11 really -- we were probably down one -- one man,
12 would be fair to say.

13 Q. Okay. So how was that discussed
14 between Mr. Richardson and the board, as far as
15 having enough personnel to --

16 A. The conversations with the board
17 usually would be Mr. Richardson would relay to them
18 his need for personnel and they would relay to him
19 their need for him to reduce the water loss to be
20 able to afford the personnel.

21 Q. That seems like a disconnect.

22 A. There was a disconnect.

23 Q. So and -- I guess I'm recalling
24 from the testimony in the ARF case, I think
25 Mr. Richardson's testimony was that he didn't -- he

1 couldn't perform miracles, or something to that
2 effect?

3 A. Well, we can try.

4 Q. With what -- yeah, with what he
5 had, that maybe he didn't have the resources, or
6 the board wasn't giving him the resources. Do you
7 disagree or agree?

8 A. I would disagree with that.

9 Q. Okay. How so? Could you
10 describe --

11 A. The board would allow him
12 anything that he could justify that he needed. I
13 know in the time that I was -- I was paying the
14 bills then and money was tight, they did -- I can't
15 remember the exact time that they voted on it, but
16 they did vote to purchase a lot of water loss
17 equipment. And this was years before other
18 districts were even -- even had that equipment, we
19 were buying those things. We were buying listening
20 devices and flow meters and line locaters. And I'm
21 thinking that was maybe back in '08, '09 time
22 frame. You know, Kentucky Rural Water was coming
23 in then and showing us how to use this equipment,
24 and advising us to have it on hand to use, and we
25 purchased it.

1 Q. So you think it was an execution
2 of the techniques or --

3 A. I do.

4 Q. And -- so let's move to Exhibit
5 No. 6. Dwight Richardson is still listed on here
6 in September 19 -- September 19, 2018. But in your
7 responses to the data request it says that he did
8 leave Estill County. Was that on his own accord or
9 did Estill fire Mr. Richardson?

10 A. He left on his own accord.

11 Q. Do you know what the
12 circumstances were as far as --

13 A. I -- I know that the board was
14 discussing hiring a general manager. They -- the
15 new board felt that they needed one employee to
16 manage the rest of -- rest of the district. And
17 upon finding that out, he came in and said he would
18 no longer -- he wouldn't be back, that was his last
19 day.

20 Q. Okay. And so would you agree he
21 did have a lot of technical knowledge and ability?

22 A. I would -- I would say that he
23 relied heavily on his staff.

24 Q. Okay. How many -- how many
25 employees worked under Mr. Richardson?

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1 A. I believe he had four, yes.

2 Q. Okay. So --

3 A. Three were certified operators --
4 no, I'm sorry, excuse me, that's wrong. Two were
5 certified operators, a good 10 to 20 years
6 experience at the water district.

7 Q. Okay. So am I to understand that
8 you're saying that the employees had more technical
9 ability and knowledge than Mr. Richardson, they
10 were the ones actually getting anything done or --

11 A. Yes.

12 Q. Okay. But water loss wasn't
13 improving?

14 A. No.

15 Q. Okay.

16 A. He was still their manager. They
17 were not at liberty to go outside his control and
18 work. He was still their manager and he set
19 forth -- they did the operations.

20 Q. So I mean --

21 A. So if he wasn't making water loss
22 a priority, it wasn't -- it wasn't -- it wasn't
23 getting done.

24 Q. What was his priority? Why
25 was -- I mean, what other projects were they

1 working on?

2 A. I don't know.

3 Q. Okay. So what -- what makes you
4 think, like, water loss wasn't? I mean, were they
5 checking meters, were they --

6 A. We have no -- we have no
7 documentation --

8 Q. Okay.

9 A. -- that water loss was a
10 priority.

11 CHAIRMAN SCHMITT: But water loss wasn't
12 improving, was it?

13 THE WITNESS: No.

14 CHAIRMAN SCHMITT: So it couldn't have been
15 a priority?

16 THE WITNESS: No.

17 CHAIRMAN SCHMITT: Or if it was, it was a
18 failed priority; would you agree?

19 THE WITNESS: I believe so, yes.

20 BY MS. KOENIG:

21 Q. All right. That's fair.

22 So Mr. Richardson is still on there and
23 one -- okay, we've cleared up the fire department
24 question. And I'm not sure why -- why they thought
25 that was added to the tariff. And it seemed like a

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1 major point to all of those inspection reports, was
2 the fire department tariff, but it never followed
3 through, and you think that's due to Mr. Richardson
4 or due to the board?

5 A. Mr. Richardson.

6 Q. Okay. Also on Page 16 of Exhibit
7 No. 6, which is our most recent inspection -- I'll
8 wait until you get there. Page 16 of Exhibit
9 No. 6, it says Additional Inspector Comments.

10 A. Okay.

11 Q. Okay. So at this point in time
12 you've had a few finance cases that came out of the
13 rate case and the show cause, so it refers to Case
14 No. 2018-276, the restructuring case, and it says
15 the district will save approximately \$80,000 by
16 restructuring their debt, and was that through
17 Rural Development?

18 A. Yes.

19 Q. Okay. How did that process
20 happen? Did Rural Development come and approach
21 you or did you go and ask for help?

22 A. We asked -- we asked for help.
23 We defaulted on our loan with Rural Development.

24 Q. Okay.

25 A. And they -- I guess that was our

1 cry for help, and they stepped in and helped us
2 restructure.

3 Q. Okay. And so at some point, I
4 recall from the rate case testimony, were you
5 not -- was Rural Development saying that they would
6 not grant you any more -- any more grants or
7 financing, that they had kind of stopped -- they
8 would not provide any more loans and was --

9 A. I'm sorry, during the what now?

10 Q. Did you have a point in time
11 where Estill County could not get any funds or
12 restructuring?

13 A. We never applied for any more
14 funds.

15 Q. Okay.

16 A. We have an understanding that
17 once our principal payment is made in August, that
18 we'll be eligible for RD funding.

19 Q. Okay. All right. Who did you
20 work with at RD with that?

21 A. Anthony Hollingsworth, Hilda Legg
22 came to our office and met with our board and our
23 employees, Greg Pridemore.

24 Q. Okay. All right. And then it
25 also mentions there in the second point that you'll

1 start sending monthly water loss reports?

2 A. Yes.

3 Q. Okay. And so prior to that time,
4 there were no reports filed, water loss reports?

5 A. With the Public Service
6 Commission, Dwight would have filed those,
7 Mr. Richardson, so I can't speak to that.

8 Q. Okay. And then it also notes
9 that -- is this what you're referring to, as far as
10 the refinancing of the current debt, after the
11 refinancing of current debt, that fourth little
12 point, the district will be able to obtain a KIA
13 loan to install inline flowmeters, hydraulic model
14 development, relocation of creek crossings, and
15 20 percent residential meter replacement; is that
16 what you're saying, once you make your payments to
17 August, then you'll be eligible for this?

18 A. That says KIA, but, yes, we would
19 be eligible for RD funding as well.

20 Q. Okay. Okay.

21 CHAIRMAN SCHMITT: Why don't we take a
22 five-minute break and allow the switch.
23 We'll be in recess for ten minutes.

24 (THEREUPON, A BREAK WAS TAKEN.)

25 COMMISSIONER SCHMITT: We are now back on

1 the record. Ms. Koenig, you may continue
2 your questioning.

3 EXAMINATION (Continued)

4 BY MS. KOENIG:

5 Q Thank you.

6 Ms. Miller, you stated that you're the
7 interim general manager?

8 A I am.

9 Q Do you know what -- what progress
10 the district has made on hiring a permanent general
11 manager?

12 A I do not.

13 Q Okay. So I think some of the
14 discovery responses said you were developing job
15 descriptions?

16 A (Witness nods head.)

17 Q Does that include the general
18 manager's description?

19 A That will include that
20 description, yes.

21 Q So you don't have a date or a
22 target date right now?

23 A No.

24 Q And so while you are performing
25 the duties of general manager, you filled out the

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1 responses for the data -- the data requests and --

2 A Yes.

3 Q Okay. And so DR 1, Data Request
4 1, Question No. 36, your response was you don't
5 have a policy on theft of water.

6 A That's correct.

7 Q All right. Can you -- but the
8 next one, Question 37, it said that you do refer
9 theft to the county attorney, but then it was not
10 applicable. And so I'm just asking for some
11 clarification.

12 You don't have a policy, but -- but you have
13 referred theft, or do you know how you deal with
14 theft?

15 A No. You're talking about
16 Question 37?

17 Q Yes.

18 A My answer was no requests were
19 made during that time period.

20 Q Okay. I might have the wrong
21 data request. I apologize.

22 Do you know if you have a policy on theft?

23 A We do not have a policy on theft.

24 Q And do you think that you will be
25 getting a policy on theft?

1 A Yes, I believe we'll develop a
2 policy.

3 Q Okay. And so what happens now if
4 you find theft?

5 A If it's a case that the meter is
6 still in the box, if it's been turned off for
7 non-payment or it's been vacant, someone's moved
8 out and someone moved in and just turned it back on
9 themselves, then we can meter the water, we'll
10 calculate the cost, and when the customer -- we'll
11 go out and pull the meter out of the -- out of the
12 sitter, plug it. We have plugs that go in the
13 sitters. That usually prompts the person living
14 there to come in and sign up for water.

15 If based on their rental agreement they have
16 been living there at the time of the theft, then we
17 tell them that water has to be -- their usage has to
18 be paid, the water has to be paid for. Typically
19 they'll pay that bill to get their water turned on,
20 you know.

21 If it's a jumper or a straight pipe or
22 whatever, we don't have a policy on that at this
23 time. We pull them, tag them, document who was
24 there. If it's a customer that we have maybe pulled
25 the meter and they have put in a jumper, and we have

1 a history on them that we can estimate a usage, then
2 when they come in to get their -- pay their bill,
3 get their meter turned back on, or their meter
4 reinstalled, we will assess whatever their
5 estimation was during the time that their jumper was
6 in, and the 50-dollar -- I think it's a 50-dollar
7 charge for a service charge to go out and pull it.

8 Q It sounds like a policy to me.
9 Do you --

10 A It's not a written policy, but
11 that is what we do.

12 Q And how do you know that? Is
13 that what you have come up with as the office
14 manager or --

15 A That's the way I was trained to
16 do it when I came 14 years ago.

17 Q So other people in the district
18 know to do that as well?

19 A Yes. The office staff does that,
20 the field crews are aware that that's how we do it.

21 Q But it is not written down
22 anywhere?

23 A It is not written down.

24 Q Would you agree that needs to be
25 written down?

1 COMMISSIONER SCHMITT: Maybe a custom as
2 opposed to a policy. There is a
3 difference.

4 THE WITNESS: There is.

5 BY MS. KOENIG:

6 Q Okay. And so there's also, in
7 answer to No. 16, DR 1, it says, "No written policy
8 on missed customer billings," but it says you
9 utilize your billing system to detect any errors.
10 Can you describe that?

11 A On 16?

12 Q Uh-huh (affirmative). DR 1.

13 A I think I'm answering the
14 question that you have asked here. The way we
15 typically do that -- there isn't a written policy.
16 The way we typically do that is the billing clerk
17 will print -- she's the office manager now -- she
18 will print out any customer with usage -- I think
19 we set the parameters at below 50 percent of their
20 average.

21 Our billing software will generate a report
22 that shows customer usage with either no usage or
23 half of their average. She'll highlight those, make
24 work orders and send field crews out to check
25 those -- those accounts that have zero or less than

1 50 percent of their average usage for the month.

2 Q Okay. And so that's not written
3 down, but that's just something that you do?

4 A (Witness nods head.)

5 Q Okay. And as office manager, I
6 mean, are there any policies that you have written
7 down, or how do you train new employees that come
8 in and you tell them this kind of stuff?

9 A We don't have policies written
10 down. We -- you know, we follow tariffs, what's in
11 our tariffs. For training, I guess I've just
12 handed it down. We have only had one new hire in
13 the office since they hired me. So it's just...

14 Q For 14 years?

15 A Yeah.

16 Q And so -- but you handle all of
17 the internal controls and trying to make sure that
18 billing is accurate and comparing --

19 A We actually have a billing clerk
20 that that is her main responsibility. She and the
21 other lady in the office both look at any bills
22 that are going to be generated that are over \$100
23 to make sure that they do -- are in agreement that
24 those should be -- that is their norm or their
25 average.

1 They look at zero usages, low usages. They
2 do go through the billing before it is sent out to
3 customers to look for those. Anything that didn't
4 read -- do not reads or missed reads, I guess
5 they'll send the guys up to read those.

6 If they're a vacant account, we have meters
7 -- in those vacant boxes. We have them marked as
8 vacant, so she runs a report on vacant accounts if
9 those show usage. That's obvious somebody's turned
10 the meter on, and that's how we catch most of our
11 thefts, is they will go out and check those. I
12 think we have 400 inactive accounts approximately,
13 and they do check those on a monthly basis.

14 Q So I am trying to save my
15 questions about meters and meter testing for
16 Mr. Murphy. Is that -- would that be under his
17 category, or do you --

18 A Probably.

19 Q -- as general manager --

20 A I can try, but it's probably his
21 wheelhouse.

22 Q Okay. I think this might have
23 crossover with your office records, so I'm not
24 sure, but you just tell me if it's not under your
25 jurisdiction.

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1 But so DR 1, 33 and 34, it said you had no
2 records to answer those questions. They were
3 regarding distribution mains and service connectors
4 and valves.

5 A The small one?

6 Q No. It's the big one, the Data
7 Request 1.

8 A 31 and 34?

9 Q No, 33 and 34.

10 A Okay.

11 Q And I'm just wondering about
12 records in your office. Do you have policies about
13 keeping records and -- and are the records for --
14 like the field manager, are those kept separate
15 from the office manager records?

16 A At the time that Mr. Richardson
17 was there --

18 Q Uh-huh (affirmative).

19 A -- he -- there were minimal field
20 records kept, so I -- I don't have those.

21 Q Okay. So --

22 COMMISSIONER SCHMITT: Let me ask, do you
23 know what a record retention policy is?

24 THE WITNESS: I do, yes.

25 COMMISSIONER SCHMITT: Does the district

1 have a record retention policy? You know,
2 when you keep -- we would keep your
3 receipts for five years, three years --
4 THE WITNESS: Yes. We don't destroy
5 records until -- we have a copy of how long
6 we have to keep bacteriologicals and
7 payroll records -- I'm trying to think
8 of -- lab results, anything like that.
9 We -- you know, we keep those, we have
10 those.

11 COMMISSIONER SCHMITT: And then at the end
12 of the time do you shred them or something
13 or --

14 THE WITNESS: To be honest, we have only
15 destroyed records once since I've been
16 there, and those were records that came
17 over when they -- when the new office was
18 built, and they moved over I think in the
19 '80s. So most of the --

20 COMMISSIONER SCHMITT: In terms of like the
21 field -- field records, you don't
22 necessarily have those archived someplace;
23 right?

24 THE WITNESS: Only if they were given to
25 me. We have the work orders that are kept

1 in archive. Those would be field records.
2 As far as pump and tank inspections, we
3 don't have that. Reading of the gone
4 accounts or the vacant accounts or
5 individual meter inspections, we don't have
6 that. We would have leak repair records.
7 I'm trying to think of anything else we
8 might would have from the field.

9 COMMISSIONER SCHMITT: But moving forward,
10 with one general manager I assume that --

11 THE WITNESS: Yes.

12 COMMISSIONER SCHMITT: -- ultimately you
13 will get to the point where you will
14 keep -- have some centralized records so
15 that it can be kept; right?

16 THE WITNESS: That's correct.

17 BY MS. KOENIG:

18 Q Okay. Kind of big picture-wise,
19 you have testified that you -- if you had to make a
20 decision or you had to make a purchase over a
21 certain amount, that you would go to the board?

22 A Uh-huh (affirmative).

23 Q And I asked you about comparing
24 the amount that -- the costs of the water loss,
25 like \$200,000, versus all of your -- the equipment

1 or hiring a leak detection service or an extra
2 employee, that you have used that to compare; is
3 that correct? You have used that amount that it's
4 costing you -- that water loss is costing you to
5 compare what it would -- what it would cost to hire
6 like a leak detection service or an extra employee?

7 A Yes.

8 Q Okay. So was that in conjunction
9 with the board?

10 A It was. The board and I have
11 talked about outsourcing our leak detection and
12 looking at -- and I do believe that the chair has
13 made a couple of -- has contacted a couple of
14 different leak detection organizations -- I
15 shouldn't say -- I think they're engineering firms
16 that specialize in leak detection.

17 Q Uh-huh (affirmative).

18 A We have -- it's my belief that
19 having that person on staff is more valuable -- if
20 we can find that person, is more valuable to the
21 district over the long -- in the long run, if we
22 can find someone that we can train.

23 Kentucky Rural Water has helped us in that
24 respect. I do think that a dedicated employee is a
25 must when you have a water -- the excessive water

1 loss that we do. It's -- it's one employee's,
2 possibly two, full-time job, or it should be.

3 Q Okay. And in your response, I
4 think Item 10, the DR 2, basically explaining the
5 primary -- an employee whose primary function is to
6 detect leaks would be a good investment, but
7 indicated that, you know, you don't have the funds.
8 And several of your answers indicated, well, we
9 don't have the funds. It's a good idea, but we
10 can't do that.

11 But you have filed the 2019-119 case to
12 request a surcharge.

13 A We have, yes.

14 Q And were you part of that
15 decision?

16 A I was, yes.

17 Q Okay. And so who is making the
18 big decisions? I understand that you have a whole
19 new board as of -- was that January?

20 A The -- about the first part of
21 the second quarter of '18 we got a new board. I
22 think April and May of '18 were all three of their
23 appointments.

24 Q Okay. So you're wearing a lot of
25 hats; right? You have been the bookkeeper and then

1 office manager, and you're also now interim general
2 manager, and then you're also trying to update the
3 new board; am I correct?

4 A That's correct.

5 Q And trying to bring them on board
6 as far as what is going on with the district; is
7 that correct?

8 A That is correct.

9 Q Okay. So when it's all said and
10 done, you said that several policies, you know,
11 would be good to have and things like that. What's
12 to say they didn't have Ms. Miller doing all of
13 that, what would be left there for anybody to come
14 into and know what was going on?

15 A I would think they would rely
16 on -- we do have staff members that have been there
17 for a long time. We have -- Mr. Murphy has been
18 there I think 12 years, the billing clerk that's
19 training for office manager position has been there
20 12 years. The other girl in the office has been
21 there 21 years. We have a gentleman, an operator
22 in the field, that's got 20 years' experience. So
23 we do have some veterans on staff that I think
24 could -- I would hope could step up and wear some
25 of the hats.

1 Q Okay. But would you say it's the
2 board's job to make these big decisions as far as
3 like the -- the cost-benefit analysis for the
4 different positions or to determine when you need
5 to take out funding or request a surcharge and
6 things like that? Would that be something that's
7 under the board's --

8 A I think it's the board's job to
9 set policy and to rely on the general manager to
10 run the day-to-day operations and help make those
11 decisions.

12 Q Okay. Do you think the new board
13 is doing that yet or is that something they
14 understand needs to happen or --

15 A They're well aware it needs to
16 happen. They're -- I think they're on track to
17 make those changes. They got hit with a lot when
18 they were appointed. I feel like we have a very
19 capable board, and they're very involved without
20 being in the day-to-day operations.

21 They do see the need for all of these
22 things, and they're prioritizing -- I think they're
23 prioritizing right now what is important and what
24 is -- you know, you can't -- we didn't get here in a
25 day and we're not going to get out in a day. But

1 we've got to take steps every day to make a change,
2 and I think that's what they're doing, they're
3 prioritizing what they think is going to make the
4 biggest impact. Water loss is their priority.

5 Q Okay.

6 A They have -- you know, they have
7 a clear understanding of the project that we have
8 put together for water loss. They have a clear
9 understanding of the need for the surcharge and
10 they understand why the surcharge was better than
11 just asking for the rate increase.

12 Q Okay.

13 A And they understand that we have
14 asked for that with the PSC's -- asked to be able
15 to spend that with PSC's blessing to -- I think we
16 outlined in our surcharge application our -- the
17 items that we intend on spending that money on,
18 so...

19 Q And would you agree -- I mean,
20 you testified earlier that the rate case didn't
21 provide enough money because of the 15 percent
22 cutoff, and we talked about the 200,000-dollar cost
23 of the water loss, but -- and the surcharge is
24 going to supplement that; is that correct?

25 A That's correct.

1 Q Okay. So in Data Request 1,
2 Question 30, said the top -- what your top five
3 management goals were. Was that you? Did you
4 figure that out or answer that question?

5 A That was me.

6 Q Okay. So would you read what
7 your answer was there?

8 A "One, replace all customer
9 meters. Two, installation of zonal meters with
10 telemetry expansion to all of the metering zones.
11 Three, installation of electronic control valves at
12 the New River pump station. Four, refurbish and
13 replace -- replacement of the pump stations and
14 development of a hydraulic model of the water
15 distribution system."

16 Q Do you think those goals would be
17 the same as the board's goals?

18 A I do.

19 Q So wouldn't differ from
20 management?

21 A Huh-uh (negative).

22 Q Do you have -- and so then you
23 have also submitted as part of the surcharge case,
24 and I believe also as part of the restructuring
25 case, your comprehensive Corrective Action Plan?

1 A Yes.

2 Q And that was in conjunction with
3 Bell Engineering?

4 A Yes.

5 Q I mean, were you involved in
6 developing this application at all or was this all
7 Bell Engineering?

8 A For the surcharge?

9 Q For your comprehensive Corrective
10 Action Plan.

11 A Action plan. That was originally
12 developed with -- in the beginning Mr. Murphy and
13 myself and some gentlemen from Kentucky Rural Water
14 sat down and -- with our maps, our water loss
15 reports, and made a determination of what was our
16 priorities, what did we feel was the most important
17 for the -- for our system.

18 We developed a small Corrective Action Plan
19 amongst ourselves, and it was determined that we
20 needed something more than that. We needed an
21 actual, legitimate, full-blown Corrective Action
22 Plan. I think the board felt that was really
23 necessary at that point.

24 So we contacted Alan Bowman, our engineer.
25 He agreed to draft that. He came in and met with

1 Mr. Murphy and myself. We told him our wants and
2 wishes, and that he produced that --

3 Q Okay.

4 A -- Corrective Action Plan.

5 Q And so one of your major -- or
6 your top goals, I'm sorry, the management goals,
7 was replacing all the customer meters?

8 A Yes.

9 Q And I -- you have over 4,000
10 meters that are --

11 A We have 4,000 taps, 3,700 of
12 those are active -- active meters, and those are
13 3/4 inch. Then we have the larger, 1-inch, 2-inch
14 and 3-inch.

15 Q Okay. So I'm going to ask you
16 more about the meters, but I didn't know if I
17 needed to save those questions for Mr. Murphy. It
18 sounds like you are -- you have that under control
19 there, so I'll ask you about that in a minute.

20 But Exhibit 7, PSC Exhibit 7, I have just
21 taken pages out of your Corrective Action Plan
22 because it is voluminous, so I was trying to save
23 some time there. And you'll see on -- Page 15 is
24 the first page. It says the 10-year historical
25 trend for Estill District, and it says that -- looks

1 like your annual purchase water for each year has
2 remained constant.

3 A Uh-huh (affirmative).

4 Q But the annual meter sales have
5 declined year after year.

6 A Yes.

7 Q Is that accurate? Can you
8 explain the trend or --

9 A That is accurate. I think when
10 it originally started we attributed some of it to
11 maybe customers moving out, just decline in
12 population. And then as it went on over a few
13 years we realized that there had to be more. And I
14 think -- I can't really tell you when we started
15 having an awareness of that we felt like it could
16 be in the meters, but a few -- a couple of years
17 ago we started looking at the possibility that our
18 meters were -- were not picking up all the flow.

19 So I know Willy -- I'm sorry -- Mr. Murphy
20 and another gentleman that worked for us took it
21 upon themselves to test some of the meters in our
22 system. We can't find the documentation of that.
23 We looked today. And it's maybe something that I
24 can get to you. But they did test some of the
25 meters and -- a small portion of them, and they did

1 fail on low flow. The technicalities of that he
2 could probably testify better than I can.

3 Also, we pulled out a section of just 30 of
4 our -- we have Sensus R2s in the ground. We pulled
5 out 30 of those and replaced them with the iPERL
6 meter, and it's my understanding that it picks up on
7 low flow and it's a really good, accurate meter.
8 We -- of those 30 that we put in, we collected the
9 data six months prior and six months after we put
10 them in, and on an average they were picking up a
11 thousand gallons a month that they weren't getting
12 before.

13 So we're operating under the assumption on a
14 very small test that we're losing about a thousand
15 gallons, on average a thousand gallons per meter on
16 low flow.

17 Q In your latest filing I believe
18 you said, like -- I mean, that's a lot of money,
19 right, that you're losing?

20 A Yes.

21 COMMISSIONER SCHMITT: You talking about a
22 thousand gallons a month?

23 THE WITNESS: Average, yes, per customer.

24 COMMISSIONER SCHMITT: You can't afford not
25 to get all new meters.

1 THE WITNESS: I know, right?

2 BY MS. KOENIG:

3 Q And you have quite a few on the
4 schedule to replace; right? You're replacing them
5 rather than testing them; is that --

6 A Yes. We are currently past the
7 ten-year point. We acknowledge that. We know that
8 we got to replace these. We're looking at an AMI
9 system. We just think that with the manpower that
10 we have, that's a smarter choice for us, to put in
11 a smart system that we can monitor from inside the
12 office with real-time data, not waiting 30 days to
13 get customer readings and 30 days to get zone meter
14 readings. We can do it real time that day. If
15 there is an issue, Mr. Murphy or his team will
16 realize that that day rather than wait 30 days or
17 for a customer to call in.

18 We're trying to become proactive instead of
19 reactive, which has been I think what we have been
20 in the past. But we believe in doing that we must
21 put in a smart system. We think we would already be
22 behind the 8 ball if we just continued with just --

23 Q With what's there?

24 A -- with what we have. So -- and
25 putting in a smart system, it would require total

1 meter replacement anyway, so we want to replace all
2 of them and then implement a meter test program.

3 Q Okay.

4 COMMISSIONER SCHMITT: Ms. Miller, let me
5 ask you -- I think I remember maybe
6 somebody from Kentucky Rural Water telling
7 me at some point when I asked -- your
8 people weren't present, about -- we were
9 talking about water loss, and was told that
10 in your purchases from the city of Irvine,
11 that water passed through the meter and you
12 were charged for it, and then when the
13 pumping stopped, the water ran back the
14 other way, and you were paying for more
15 than you got and then paying for it twice.

16 Was that accurate? And if so, can you
17 tell us what, if anything, has been done to
18 correct the problem?

19 THE WITNESS: Yes. That has been tested a
20 couple of different times. It was
21 Mr. Richardson's belief that it was
22 pushing -- when I -- when Irvine's pumps
23 kicked on, they were pushing water into our
24 system, and then we were pushing back into
25 them. And it was -- he believed it was

1 counting it back off, gallon for gallon.

2 We can't verify that, that it is. So
3 it's our proposal to put in an electronic
4 control valve at the New River pump station
5 to remedy that problem. They will no longer
6 be able to push into our system, use us as
7 an overflow or whatever -- whatever it may
8 be.

9 We have contract -- contacted Service
10 Specialties. He's a gentleman out of
11 Winchester. He has ordered the parts, he's
12 given us a quote. The board has approved
13 that he do it, and he is set to come either
14 tomorrow or Monday. He's supposed to get
15 with me and install that. So the parts are
16 in, we're waiting on him to come in and
17 install it.

18 COMMISSIONER SCHMITT: That ought to solve
19 the problem of their water going into your
20 system at times other than when you're
21 actually drawing from them, right when
22 you're purchasing.

23 THE WITNESS: Yes.

24 COMMISSIONER SCHMITT: And stop it from
25 backflowing, if it does, back into their

1 system.

2 THE WITNESS: That's correct.

3 BY MS. KOENIG:

4 Q So the next page in the PSC
5 Exhibit 7 is Page 16 from your Corrective Action
6 Plan. And it says the Estill District reported
7 that it lost 56 customers in 2018 from 2017. Do
8 you know why you lost that number of customers?

9 A I don't. It's been discussed
10 that that's kind of the nationwide trend in
11 population is just falling off. There's not a lot
12 of industry in Estill County. People aren't, you
13 know, ready to move to Estill County, and I would
14 assume kids going to college, moving out, moving
15 away from the county would be -- I would attribute
16 to that.

17 Q But as far as customer base
18 trend, that's -- you don't have any specific
19 knowledge or --

20 A No.

21 Q Okay. The next page is Page 42
22 of your plan, of your Corrective Action Plan. And
23 it states that approximately 20,455,478 gallons of
24 your total water loss of -- well, anyway, it's due
25 to meter inaccuracies, without me trying to read

1 all those numbers. That's a lot. That's a good
2 percentage. Let's see, it places approximate cost
3 of \$63,412 annually due to the meter inaccuracies
4 that you were just referring to.

5 You talked about that you have done a little
6 bit of sample testing --

7 A Uh-huh (affirmative).

8 Q -- to see if they're running
9 slow, and basically your little bit of testing
10 confirmed that they are?

11 A Yes.

12 Q And then you don't -- could it be
13 isolated to a specific area of meters or do you
14 have records to indicate where?

15 A We pulled -- the sample -- the
16 small sample that we done, we pulled all throughout
17 the system. Our meters were installed in 2007 and
18 2008. We went to AMR meters. We did a complete
19 installation in '07 and the first part of '08. So
20 all of our meters were brought in on pallets, took
21 out in the system and installed. So we don't
22 believe it's a concentrated area. We think it is a
23 county-wide problem.

24 Q Okay. And so the next page is
25 Page 55, and it shows the plan and the phases of

1 your Corrective Action Plan, and it says that meter
2 purchase and replacement is in the two to five year
3 phase, but you have over 4,000 meters being
4 untested that are over -- you know, at least ten
5 years old.

6 Do you think that it makes sense -- and you
7 also listed that as a priority in your management
8 goals. Do you think that they should be in the
9 first phase, or why aren't they in the first phase?

10 A A lot of this is contingent upon
11 funding. We have applied for the surcharge and we
12 have also applied -- accepted the invitation to
13 apply for some funding through KIA, and we're still
14 looking for funding through other resources.

15 If funding becomes readily available, we
16 will certainly bump that up to our priority, our
17 number -- you know, our -- in the zero to two-year
18 range. I think it's -- at that -- in that time
19 frame due to the fact that we don't know how to
20 anticipate the funding.

21 COMMISSIONER SCHMITT: Do you know how much
22 a meter is?

23 THE WITNESS: I do.

24 COMMISSIONER SCHMITT: An AMI? How much
25 would an AMI --

1 THE WITNESS: The meter is \$199, and the
2 MXU -- which the meters that we're looking
3 at are iPERLs, Sensus iPERLs. They are
4 \$199, and the MXU, which is the battery
5 that sends the reading to the -- I guess
6 the repeater, is 130.

7 COMMISSIONER SCHMITT: So you have to have
8 both, is that what you're --

9 THE WITNESS: I believe so, yes, uh-huh
10 (affirmative).

11 COMMISSIONER SCHMITT: And then does that
12 include installation costs?

13 THE WITNESS: That does not. That's if our
14 men install them.

15 COMMISSIONER SCHMITT: So you're talking
16 basically \$300 or a little more --

17 THE WITNESS: Uh-huh (affirmative).

18 COMMISSIONER SCHMITT: -- per meter for
19 4,000 -- approximately 4,000 --

20 THE WITNESS: If we use the Sensus -- the
21 Sensus iPERLs, that's the cost that we're
22 looking at. We're not opposed to another
23 meter manufacturer. That's just what we
24 have had in the past, and so that's what we
25 used to determine what we thought it would

1 cost.

2 COMMISSIONER SCHMITT: I haven't seen -- in
3 fact, I didn't realize that you applied for
4 a surcharge, but does meter replacement, is
5 that included in your surcharge
6 application --

7 THE WITNESS: Yes.

8 COMMISSIONER SCHMITT: -- or is it
9 something else?

10 THE WITNESS: No. It's meter replacement.
11 I think there were five -- four to five
12 items that we listed in the surcharge, and
13 I think in that one we were thinking about
14 20 percent of our meters, using surcharge
15 to do the first 20 percent.

16 COMMISSIONER SCHMITT: Thank you.

17 MR. CICERO: So what -- the \$130 for -- how
18 long do these batteries last?

19 THE WITNESS: The warranty on them I think
20 is ten years, full ten prorated on the
21 battery, but I'm not 100 percent sure on
22 that. I can get that information to you.

23 MR. CICERO: Since the batteries are
24 separate from the meters themselves, is the
25 life of the meter longer than the battery

1 life?

2 THE WITNESS: No. The life of the meter is
3 20 -- I think it's -- on the iPERL is ten
4 full warranty and ten prorated, so it's a
5 20-year life.

6 MR. CICERO: So you'd have to have, over
7 the life of the meter, probably two
8 batteries, a replacement; not that you'd
9 buy it now, but in the future in order --
10 if the battery is only rated at ten years
11 and the service life on the meter is 20,
12 then you're probably going to have to have
13 a replacement for that as well, so you're
14 going to have to carry some kind of
15 inventory of batteries eventually.

16 THE WITNESS: Yes.

17 MR. CICERO: That is an expensive meter,
18 very expensive.

19 THE WITNESS: And as I said earlier, we've
20 not -- the board and myself and Mr. Murphy,
21 we have looked at some other options.
22 We've had some other meter suppliers in to
23 speak to us. We are not sold on the Sensus
24 iPERL, but that's what we're -- we're just
25 using that as our --

1 MR. CICERO: Basis?

2 THE WITNESS: -- basis of we know how much
3 those cost because that's what we have in
4 the ground right now, but...

5 MR. CICERO: But in replacing meters, since
6 you don't have any of these, it's not
7 important that they're PERL because -- or
8 iPERL because you're not actually -- is
9 there compatibility issues? Do they have
10 to be compatible?

11 THE WITNESS: It depends. Some meters can
12 be made to be compatible with the Sensus
13 reading software. Because we are putting
14 in an AMI system, right now we have the AMR
15 drive-by reading system with the bench in
16 the truck that reads the Sensus meters. I
17 understand that there are a couple of
18 different manufacturers that their meters
19 can be made to read with the Sensus system.

20 If we're going with a new AMI system,
21 if that's the route that the board and I
22 decide to go, then we would not necessarily
23 have to have the batteries. It's my
24 understanding there are some meters out
25 there that have built-in batteries, that

1 they send a signal to the repeaters and send
2 that reading on into the office.

3 So there's still some moving parts
4 there, I guess, with the meters. We
5 haven't -- we haven't agreed that that's
6 what we're going with at this time.

7 MR. CICERO: Okay. Sorry, Ms. Koenig.

8 MS. KOENIG: You're good.

9 Q Okay. Let me figure out where we
10 were here.

11 So you said you were involved with the
12 application for the surcharge and for the plan with
13 Bell Engineering. PSC Exhibit No. 8 is part of your
14 application for water loss surcharge, and it's
15 Exhibit 3 to that application in 2019-119.

16 So was this Corrective Action Plan, is it a
17 preliminary opinion of a probable project cost --

18 A Yes.

19 Q -- that was prepared --

20 A Uh-huh (affirmative).

21 Q -- by Bell Engineering?

22 A Yes.

23 Q And it's potentially to install
24 13 zone meters, a meter change-out of approximately
25 700 5/8-inch meters, AMI pertinences, installation

1 of one backflow prevention device; is that correct?

2 A That's correct.

3 Q Is the backflow prevention
4 device, is that what you were talking about
5 earlier --

6 A It is.

7 Q -- between Irvine?

8 Okay. So some of these you're going ahead
9 and moving on?

10 A That is something the board feels
11 strongly about, and I do. We can't wait on that.

12 Q Okay.

13 A If we're buying water twice,
14 we've got to stop that immediately.

15 Q Sure.

16 A And we think that it makes sense
17 to do that now, sooner than later.

18 Q Okay. Did you ask Bell
19 Engineering to prepare this opinion and this
20 Corrective Action Plan, or who asked Bell
21 Engineering to do it?

22 A We did, uh-huh (affirmative).

23 Q But, I mean, it was the board --

24 A No. It was myself, general
25 manager.

1 Q Okay. And so did you go to the
2 board first to ask them?

3 A To prepare the Corrective Action
4 Plan?

5 Q Uh-huh (affirmative).

6 A Yes.

7 Q And did they prepare more than
8 one preliminary opinion for probable project cost,
9 or was this...

10 A No. This is...

11 Q That's it?

12 A Uh-huh (affirmative).

13 Q Okay. They only cover 700 meters
14 and you have 4,000.

15 A That's the 20 percent that I
16 spoke about earlier. We intend on -- if funding
17 becomes available, we intend on replacing all of
18 them. This -- we come up with 20 percent because
19 we thought it would be a good -- a good start.

20 Q Okay.

21 A We have to have -- this is all
22 very fluid, you know. None of this is etched in
23 stone.

24 Q Sure.

25 A And we are open to -- obviously,

1 if the funding were available, we would replace
2 them all immediately. But we had to -- we do feel
3 like the zone meters were important. Our system is
4 very large. We only have four purchase point
5 meters. Our largest one is -- it serves --

6 Q Go ahead. I'm sorry.

7 A No, that's okay -- it serves
8 20- -- I think 2,800 customers, I think. And then
9 we have a smaller meter -- or another zone that's
10 about 850 customers, then we have two with just,
11 like, 13 customers in it.

12 So we have zone -- the bulk of our meters
13 are served by -- the only data we have for our
14 master meter reading is -- I'm sorry, our master
15 meter reading is the only data we have that
16 serves -- I'm trying to think -- 2800 customers. So
17 we're trying to zone the system and to make it
18 smaller, more manageable, and so the 13 zones are
19 imperative to being able to track water loss.

20 Q Okay. That makes sense. So
21 you've also filed in response to -- a couple
22 different responses. You filed a separate water
23 loss prevention and leak detection program. Did
24 you develop that or --

25 A Can I see it?

1 Q Let's see. So do you have your
2 responses to Data Request 1 with you?

3 A Uh-huh (affirmative). I do.

4 MS. KOENIG: May I approach?

5 COMMISSIONER SCHMITT: Yes, you may.

6 BY MS. KOENIG:

7 Q Okay. Just have my notes, so is
8 this -- I think it would be this one.

9 A I'm trying to use that.

10 Q You're drawn to it. So let me
11 see here. Question 4. Okay, your answer was no,
12 that you did not have one. So I stand corrected.
13 Excuse me for that.

14 So I apologize, I thought you had answered
15 that you did have a leak detection policy, and it
16 looks like for Data Request 1, Question 4, you
17 answered no. Is that something that Mr. Murphy
18 would develop, or is that included in your
19 Corrective Action Plan?

20 MR. WUETCHER: Excuse me. I think if you
21 look at Question 3, that was -- the utility
22 did -- she stated that we did have a water
23 loss detection plan. There is a copy of
24 that attached.

25 MS. KOENIG: Okay. Well, that's what I was

1 going for. I promise -- yes, there we go.

2 Thank you. Thank you. There it is.

3 Q Did you develop that plan,

4 Question 3?

5 A I did not.

6 Q Okay. Who did?

7 A I believe Dwight Richardson did.

8 Q Okay. And so was that in
9 practice? Are they using that or is Mr. Murphy
10 using that?

11 A I'll let him testify to that, but
12 I do not believe that they are. Maybe some, some
13 of it.

14 Q So but Mr. Murphy worked under
15 Mr. Richardson?

16 A Uh-huh (affirmative).

17 Q And so you --

18 COMMISSIONER SCHMITT: I thought --

19 Mr. Richardson is gone, though, isn't he?

20 THE WITNESS: Yes.

21 BY MS. KOENIG:

22 Q But Mr. Murphy has been there for
23 12 years working with Mr. --

24 A And it's highly likely -- I can't
25 speak to what Mr. Murphy knows -- that he's never

1 seen this document. That would be a question that
2 you would have to ask him.

3 Q Okay, I will. Thank you.

4 COMMISSIONER SCHMITT: It's doubtful that
5 he's using it if he hadn't seen it before.

6 THE WITNESS: It's very probable.

7 BY MS. KOENIG:

8 Q Okay. So you have discussed, in
9 general and in detail, you have prepared the
10 Corrective Action Plan as part of your application
11 for surcharge. And so would you say -- I mean, you
12 said that you developed that in conjunction the
13 board. But going forward do you feel like the
14 board should be in charge of planning these --
15 these large projects to address the problems of the
16 district or --

17 A No, I don't.

18 Q It just comes from the --

19 A Should come from the general
20 manager. The board is -- I feel like is for
21 oversight purposes. I mean, they should certainly
22 see it and approve it, but they can't develop a
23 policy like that or a Corrective Action Plan. They
24 have never been in the industry at all.

25 Q Okay.

1 A So they're -- they wouldn't know
2 how to begin to prepare that.

3 COMMISSIONER SCHMITT: Have you seen -- I
4 think you're absolutely correct.

5 MR. CICERO: So do I.

6 COMMISSIONER SCHMITT: The management --
7 the general manager operates the business
8 on a day-to-day basis, and is like the
9 president and CEO of a company. And the
10 commissioners are the board of directors,
11 and they actually -- they establish policy,
12 they approve various things, and they
13 exercise oversight over the general
14 manager.

15 I don't know if you -- you have been
16 to trainings. Have you had or seen or been
17 in Gary Larimore's corporate governance
18 program that he has as part of --

19 THE WITNESS: The UMI?

20 COMMISSIONER SCHMITT: -- the education?

21 THE WITNESS: The UMI classes, is that what
22 you're talking about, Utility Management?

23 COMMISSIONER SCHMITT: Well, no, I don't
24 know -- have you undergone the -- the
25 management training program at Kentucky

1 Rural Water?

2 THE WITNESS: I believe -- I believe I've
3 gone through what you're asking, but I'm
4 not 100 percent sure what you're asking me.

5 COMMISSIONER SCHMITT: This one I guess
6 it's about 695, \$700 or something.

7 THE WITNESS: Takes about a year to
8 complete.

9 COMMISSIONER SCHMITT: And down at Bowling
10 Green, and maybe it takes a week or two or
11 three days or something to do it. You have
12 to sign up for it now, they have so many.

13 THE WITNESS: I went through the Utility
14 Management Institute through Kentucky Rural
15 Water. It took a year. I think they give
16 you two years to go through it, but it's
17 every two months you go to various places.

18 COMMISSIONER SCHMITT: So you have been
19 through that; right?

20 THE WITNESS: Yes, uh-huh (affirmative).

21 COMMISSIONER SCHMITT: All right. Then is
22 there -- and I don't know. I haven't --
23 I've seen the agenda, but I haven't seen
24 all the details about the program. But I
25 know in -- in I guess some of the training

1 sessions for district -- water district
2 commissioners, there's a corporate
3 governance section that goes through, and
4 I'm sure Mr. Weutcher is familiar with it,
5 he's probably been on the program. Maybe
6 Mr. Talley has done one.

7 But basically it has what the duties
8 of the manager are, the duties of the
9 commissioners, and they're absolutely
10 separate. And the -- just to editorialize,
11 I guess, the board needs to get the best
12 manager it can and let the manager manage.
13 And if the manager can't manage, they need
14 to get a new manager.

15 THE WITNESS: Yes, sir.

16 COMMISSIONER SCHMITT: But the board needs
17 to stay out of management and basically
18 take care of policy issues and oversight of
19 the general manager. Would you agree with
20 that?

21 THE WITNESS: Absolutely.

22 COMMISSIONER SCHMITT: I mean, that's what
23 the whole process is supposed to be about,
24 isn't it?

25 THE WITNESS: Absolutely.

1 BY MS. KOENIG:

2 Q Okay. So as part of the board's
3 duty and oversight, would it be their job to
4 prioritize spending or the general manager's?

5 A I think it's the board's priority
6 to approve the budget and allow their general
7 manager to --

8 Q Prioritize?

9 A -- prioritize, yes.

10 Q Okay. Do you have -- you have
11 parts of your system that are mapped and parts that
12 are not; is that correct?

13 A Our system is mapped. It's
14 mapped digitally. Kentucky Rural Water come in and
15 put all of our maps -- and mapped our system
16 digitally.

17 We have hired a gentleman that is training
18 to be our water loss employee. He has extensive
19 knowledge in water loss. He's been trained by
20 Kentucky Rural Water, but he doesn't know our
21 system. He's not from Estill County. So he's
22 training.

23 And in training, part of what he's doing is
24 helping Kentucky Rural Water develop those maps. So
25 we're getting valves, additional map of our system,

1 we're getting -- I think the valves are in. And
2 Mr. Murphy can probably testify to that better than
3 I can, but we are -- we are getting those -- we have
4 hard copy maps that we're getting digitalized so
5 that they can use them in the field.

6 Q Okay. So I understand that you
7 have a new employee that's going to be dedicated to
8 water loss?

9 A That's our hope. That's what we
10 hired him to do, and he's in training, so to speak.

11 Q So your response that you would
12 like to hire somebody, but you didn't have the
13 funds --

14 A He was hired --

15 Q -- changed a little bit?

16 A -- after this was developed, yes.

17 Q Great.

18 A He's only been there a few weeks,
19 but he's doing what we hired him to do.

20 Q Well, great. Great. That's good
21 news.

22 Okay. We did talk a little bit about that
23 you hadn't been in a rate case -- in for a base rate
24 case for -- you know, since you were starting in
25 1964 until the 2017 alternative rate filing,

1 2017-176 rate filing, and then -- and then the
2 rates, you know, were severely limited, or
3 significantly limited because you were limited to
4 15 percent water loss and you had so much more.

5 So -- but who decides, who determines when
6 you need a rate increase? Like, are you annually
7 assessing whether you're meeting the needs? Because
8 it sounds like -- and I know this is a long
9 question, but sounds like you have done a lot since
10 all of that happened with the rate case and the show
11 cause, and that's a very good thing.

12 But who -- who was the impetus for this and
13 all of these different -- the surcharge cases and
14 the Corrective Action Plan and the new employees
15 and -- you know, things are going on track. What do
16 you think -- what do you think is the reason for
17 that and who is behind all of that?

18 A It's been a shift at the
19 district. We have a new board. They're not afraid
20 to raise rates. They are not afraid to expect
21 customers to pay for a service, quality service,
22 but a service. And I think they're wanting to
23 change the dynamic of the district. It may seem
24 like we're moving in small steps, but I think in
25 the short time that they have been commissioners

1 there we have made some great strides.

2 I have been there for 14 years, so I have
3 some comparison. We have made great strides since
4 they have been appointed to the board.

5 I think that keeping that momentum moving
6 forward is key. You know, we can't -- we can't
7 become complacent and back off. This is a long -- a
8 long, drawn-out process to do this, and I think
9 they're committed to that.

10 Q So it's the board that's behind
11 all of these steps, or is it you?

12 A Well, I wouldn't want to say
13 that, that it was solely me. I think we -- I think
14 we work well together.

15 Q Okay.

16 A But I do have a desire to see the
17 district secede -- succeed. I'm sorry. I'm
18 halfway to my retirement. I would love to leave it
19 better than I found it, and I think you have to
20 have someone that's willing to -- to take on that
21 responsibility.

22 Q Okay. Before the hearing for the
23 rate case, were you aware of the magnitude of the
24 problems of the district?

25 A Well, yeah. You can't pay the

1 bills for the water district and not be aware of
2 the magnitude. And because we were a split managed
3 system and there was no accountability, there was
4 no one -- there was too much that's his job, that's
5 my job, there was -- that's just -- if you had
6 asked me ten years ago, I would have said, yeah, it
7 works fine. Looking back on it now, that's not the
8 proper way to run a district. There were way too
9 many cracks in that system, I guess.

10 And so, yeah, you can't be the one paying
11 the bills and not realize there was an issue, but I
12 had no direct control over how to -- how to fix
13 those issues. I could suggest or I could point to
14 a -- I could make direct correlations in -- when I
15 would submit the monthly profit and loss to the
16 board, the negative amount that we were on the P&L
17 would directly almost dollar per dollar tie to our
18 water loss percentage.

19 And, you know, I tried every way I could
20 think of to say, here's the issue, here's the issue.
21 And it just took -- it just took fresh eyes, I guess
22 a new board, to say, yeah, this is the issue.

23 Q I know that you did attend all of
24 the board meetings, so was the board not responsive
25 to -- to the -- it sounds like you were telling

1 them, we're in trouble, this is the problem, and it
2 sounds like you were making suggestions.

3 Were they not responsive, were they not
4 engaged? I mean, were they -- what -- how did the
5 board respond to your suggestions?

6 A The old board was split in their
7 decision-making processes. There were two -- I
8 guess we were in two camps. There were two that
9 believed Mr. Richardson was their candidate for
10 being the person to run the district, and there was
11 a commissioner that would look at what I would
12 submit and say, you know, we got to fix this water
13 loss, we got to fix this water loss.

14 But it just kept -- you know, the
15 meetings -- we would come to the meetings. They
16 would say, you got to do something about the water
17 loss. We would come to the next meeting, the water
18 loss report we presented, you got to fix the water
19 loss. Nothing -- that's as far as it ever went.
20 There was no accountability, there was no --
21 nothing.

22 Q Was the judge executive involved
23 at all? I mean, did he attend meetings or how was
24 he involved?

25 A He would come to some meetings.

1 He was -- I guess our board was maybe politically
2 driven, parts of our board was, and they were --
3 there was a close relationship with the county
4 judge executive at that time.

5 Q Did the judge executive express
6 opinions as to rate increases or rate cases, or --
7 the old board applied for the rate increase;
8 correct? How did that --

9 A They did. The years prior to
10 that, the judge did have a hand in the
11 decision-making process to have a rate -- he would
12 just blatantly say, don't do it. Don't do it.
13 It's an election year. If you're going to have a
14 rate increase -- and can I use his words and not
15 mine?

16 Q Of course.

17 A "You've got to cut the fat here
18 first," without even knowing what that was or if
19 there was excess spending.

20 COMMISSIONER SCHMITT: He knew about as
21 much about the water district as a hog does
22 Sunday? Yeah.

23 A So it went on to the point that
24 that's what drove the board to borrow the money,
25 the unauthorized debt that we were called down here

1 for. That's what I guess -- you know, you can't --
2 the board was putting Band-Aids on the problem.
3 And it became so bad that they had no choice but to
4 have a rate increase. It didn't matter what the --
5 what the judge wanted at that point. They -- they
6 had to have one.

7 BY MS. KOENIG:

8 Q Okay. Is there anything else
9 that you want to say about that situation as far as
10 comparing, you know, how you're doing now versus
11 then? Would you have any recommendations for
12 things that -- that could have helped you in that
13 situation, as far as the local pressure you were
14 feeling or, you know, do you have any suggestions
15 for what might have been pre...

16 A I will say that I mentioned it to
17 a PSC staff member that I felt it was an issue,
18 that the board didn't seem to be inclined to pay
19 attention. And that's as far as that went. So I
20 don't know if the PSC -- I understand you're
21 understaffed as well, but if there's -- I don't
22 know if there's a policy you could implement that
23 gives managers someone to contact and say, listen,
24 I think this could be a potential problem or, you
25 know, I don't know.

1 Q Okay.

2 A And that's a scary thing to do,
3 to -- that's your board, you know. They're setting
4 your policies and procedures. They can fire you.
5 And so that's -- that's hard for people to do.

6 Q Good point. So it sounds like
7 you are making a lot of positive moves, and we have
8 talked about several of them.

9 But have you considered a merger and how
10 that would impact or improve a situation? Would
11 that be an option that would help at all? And I do
12 have -- PSC Exhibit 9 is the map, and so it shows
13 that -- of course, you buy your water from Irvine.

14 A We do.

15 Q And so would there be any benefit
16 that you think of, or what is your opinion on
17 merger, to --

18 A My opinion is that it's never a
19 good idea for a city entity to run a county water
20 district. There's no representation on our board
21 for my customers.

22 In our case, in Estill County, I do think
23 that we are -- we do have the capability of turning
24 this around. You know, I don't know that -- and I'm
25 not -- I don't know anything about Irvine's

1 finances. I don't know anything about their
2 capability to run us or run us better than we are
3 running us, but it's my opinion that we can do as
4 well or better than the city of Irvine could.

5 Q And if you merged, that doesn't
6 indicate one is over another. But if you had joint
7 representation on a board or something like that?
8 I know that during the ARF case I believe they
9 talked about referring to Irvine as "city folk" and
10 that they wouldn't understand the rural area of the
11 county.

12 A I don't think that's necessarily
13 the way I would feel. I would think -- my main
14 concern would be the representation on that board.
15 And how is Irvine running their water district? Is
16 it a viable company? What's their water loss? You
17 know, we don't -- we don't know.

18 And, honestly, and it -- you know, you can
19 merge with someone besides the city of Irvine, I'm
20 sure, but that's -- that would be a board decision.

21 Q Okay. So I think that -- has
22 anybody from Area Development ever talked to you
23 about what the water district's impact is on making
24 sure that service in your area or the water
25 district doesn't scare away any economic

1 development, or could be an asset for economic
2 development to the area?

3 A We worked with the Bluegrass Area
4 Development. We never -- they never talked to us
5 about scaring away potential businesses or anything
6 like that. We have a capability of -- to serve
7 those customers, so I don't think that's really an
8 issue.

9 We are working with the ADD district on some
10 mapping right now as well. We have a contract with
11 them, so, you know, we do work closely with the ADD
12 district.

13 Q I mean, do you have any
14 industrial customers?

15 A No, not out in the county. I
16 think there's some in the city. There's some --

17 Q Well, I phrased that wrong,
18 but -- let's see, I think one of your former
19 commissioners had an extensive farm and had a lot
20 of farm production that used a lot of water that he
21 explained he was a large customer. Is that
22 accurate?

23 A I don't know.

24 Q I can't remember his name. I can
25 see his face, but I can't remember his name.

1 A I don't know.

2 Q That's okay.

3 COMMISSIONER SCHMITT: Let me ask
4 Ms. Miller, has any investor-owned utility
5 contacted Estill County Water District
6 about possibly negotiating a purchase?

7 THE WITNESS: Yes.

8 COMMISSIONER SCHMITT: Like Kentucky
9 American or -- we know Aqua America
10 bought -- the large nationwide water
11 company bought Delta Gas, and when they
12 came in I think they told us in their
13 transfer case that they intended to
14 basically get into the water business in
15 Kentucky by, I guess, looking for water
16 systems, city, county, that they could
17 purchase.

18 But someone has been in touch with
19 you-all?

20 THE WITNESS: Yes.

21 COMMISSIONER SCHMITT: Could you tell us
22 who that was?

23 THE WITNESS: Sure. It was Kentucky
24 American Water.

25 COMMISSIONER SCHMITT: Are they still

1 talking to you or has that been --

2 THE WITNESS: No.

3 COMMISSIONER SCHMITT: No?

4 MR. CICERO: They are not, you said?

5 THE WITNESS: I'm sorry?

6 MR. CICERO: Did you say they are not?

7 THE WITNESS: They are not.

8 BY MS. KOENIG:

9 Q Okay. So one of your responses
10 about the capital improvement plan, you said you
11 had plans to do that.

12 A Uh-huh (affirmative).

13 Q What's the progress as far as
14 that goes?

15 A We feel like as far as the
16 capital improvement plan goes, that we -- the
17 Corrective Action Plan is a good start. I mean,
18 that's something that we are going to work with our
19 engineering firm on, and we're going to develop an
20 actual capital improvement plan. But I think this
21 is a good starting point. It's good. It's better
22 than what we had six months ago.

23 Q Right, I understand. Okay.

24 Is there anything else that you would add as
25 far as your state from when you were in here for a

1 rate case to now? Because you are the only one that
2 has the history. All of the other people -- well,
3 you just said that Mr. Murphy has been there for a
4 while, but you were involved on the inside and had a
5 lot of information.

6 A Uh-huh (affirmative).

7 Q Do you have any -- anything else
8 to add?

9 A You know, the dynamic at the
10 water district has changed. I guess the overall
11 temperature of the water district has changed. The
12 new board has brought in a different perspective,
13 hiring -- I think hiring a general manager maybe in
14 the beginning, it was something that had never been
15 before. It's been -- it was a -- there was a
16 transition period, but I can see the benefits of
17 what we're doing. And it's making a -- we're
18 making a difference. It's just taking -- we need
19 three things. We need time, money and manpower,
20 and mostly the money, so -- and I think we're on
21 track to get that.

22 MS. KOENIG: Okay. Thank you very much. I
23 have no further questions.

24 COMMISSIONER SCHMITT: Commissioner Cicero?

25 EXAMINATION

1 BY MR. CICERO:

2 Q I apologize, I wasn't in here
3 earlier so I didn't hear some of your responses.
4 If I repeat, I apologize.

5 A That's okay.

6 Q So what is your current
7 responsibility? You said that you were bookkeeper,
8 office manager and interim GM. Are you one of
9 those, more of those? I mean, what
10 responsibilities do you have right now?

11 A I'm training our previous billing
12 clerk to do the office manager's position, the
13 bookkeeping. So I'm letting her do that and I'm
14 overseeing it, so to speak.

15 The general manager's position never existed
16 before, so I'm forging some new roads, learning what
17 that is, and I think the board is going to set some
18 job descriptions in place so that we have a better
19 understanding of what my role is.

20 But right now I'm doing a little bit of all
21 of it, of that.

22 Q So they named you interim general
23 manager for the goal of naming you general manager?

24 A I don't know that that's their
25 goal. I just know that right now I'm filling the

1 role as interim general manager.

2 Q If you weren't the general
3 manager and you're training somebody to be the
4 office manager, what would you be if you didn't
5 become the general manager?

6 A I would go back to that position
7 and she would go back to the billing clerk
8 position.

9 Q So you seem pretty comfortable
10 doing the role of general manager. How do you feel
11 about it?

12 A Do I? It's new. It's exciting.
13 I can -- I have the potential to make the changes
14 that we have needed for 14 years. It's a large --
15 a lot -- it's a large undertaking.

16 Q So I would say that you know a
17 lot more about the objective of the water district
18 than a lot of people that I've heard speak over the
19 past couple of days, so I congratulate you on that.
20 That's great.

21 A Thank you.

22 Q I would say that there's a couple
23 of things, though, like the theft policy --

24 A Uh-huh (affirmative).

25 Q -- where you know that people are

1 actually stealing water, but there's no official
2 policy. And from what I can take out of this,
3 there's no prosecution that's made, and even though
4 you know they're stealing water, and I don't quite
5 understand -- I know you mentioned that's what --
6 the way it's been for the 14 years you've been
7 there. But for all these new ideas you've come up
8 with, I would think that that would be an easy one
9 for you to modify and put into regs.

10 A I agree.

11 Q I would suggest that you do that.

12 I also agree with the Chairman that it is
13 the role of the general manager to develop a plan
14 and present it to the board, and it's up to the
15 board to look at the plan and make modifications if
16 they think so, but it's up to the general manager to
17 present options for them to choose what they believe
18 is the best option to go with.

19 Did you prepare the responses to the
20 questions asked by staff?

21 A These?

22 Q Yes.

23 A I prepared them in conjunction
24 with our attorney. I submitted the documentation
25 he asked for and we talked on the phone about my

1 responses, or he talked to Mr. Murphy and he -- and
2 then he drafted it.

3 Q Did you go over it with the board
4 at all or was it --

5 A (Witness shakes head.)

6 Q I was just curious. I know
7 Mr. Wuetcher is very familiar with the process, so
8 I'm sure he's capable of helping you out. I only
9 ask because some of the items, I believe it was
10 the -- a leak detection plan was submitted, but
11 it's not being used.

12 A Yes.

13 Q And it's -- it's kind of a
14 response to a question in order to have a response,
15 but it's not really a response. Would you follow
16 that?

17 A Sure.

18 Q Yeah.

19 COMMISSIONER SCHMITT: She can tell you
20 why that -- how that worked out. She went
21 over that, I guess.

22 BY MR. CICERO:

23 Q It's one of those that when
24 somebody throws a lot of questions, and I know
25 there was a lot of questions thrown at the

1 different water utilities, that it requires a lot
2 of input. And sometimes it's -- if you can dig
3 something out, it's -- you can submit it. But we
4 all know that it's just --

5 A I think we do know that.

6 DR. MATHEWS: I'm suspecting there's a
7 story we missed.

8 MR. CICERO: There probably was.

9 Q I don't have a lot else to add,
10 but I would say as far as the -- I know you were a
11 little bit defensive when they talked about merger
12 or acquisition, and I sense that you have pride and
13 you believe -- I know most of the water districts
14 do, that it can be managed better on a local level
15 than trying to find somebody else that's going to
16 be at the party. And you said Irvine -- you don't
17 know how well they run theirs and you wanted equal
18 representation, but I guess if you never put your
19 toe in the water, you don't know what the answers
20 to those questions are.

21 A That is true.

22 Q I don't know what Kentucky
23 American Water did on exploratory basis, but from
24 the perspective of serving the customer it's up to
25 not only the general manager and the management in

1 general, but the board, to do the things that they
2 think are best for the rate payer, and if that
3 includes elimination of their own jobs, sometimes
4 that's what happens.

5 I'm not saying it's the best alternative.
6 I'm just saying that an open mind is probably always
7 a good -- you might even -- it might not ever go
8 anywhere, but you would certainly learn a lot about
9 that process as well. There might be a situation at
10 some point in time where they come to Estill and ask
11 Estill, hey, Irvine's failing, or somebody's
12 failing, are you interested.

13 A Uh-huh (affirmative).

14 Q But it's always a learning
15 experience. I mean that --

16 A Thank you.

17 MR. CICERO: You're welcome. I don't have
18 anything else.

19 COMMISSIONER SCHMITT: Commissioner
20 Mathews?

21 DR. MATHEWS: I don't have anything, just
22 apologies for coming in late. We were
23 there.

24 THE WITNESS: I understand.

25 EXAMINATION

1 BY COMMISSIONER SCHMITT:

2 Q Does the -- Ms. Miller, does the
3 Estill County Water District operate or use the
4 Kentucky Model Procurement Code for purchasing?

5 A I don't believe so.

6 Q You just -- if you bid out
7 services or bid for equipment or whatever --

8 A Yes, we do.

9 Q -- you do it pursuant to just one
10 statute as opposed to -- the Kentucky -- there's a
11 Model Procurement Code that can be used by
12 governmental entities at the local level; school
13 boards, water districts, the cities, county
14 governments. And then another section of the same
15 code applies to state governments. I didn't know
16 if -- it's a great way to -- it's probably, in my
17 opinion, a better way to purchase, acquire goods
18 and services, and there's more oversight.

19 You have to, you know, go through more
20 steps, but it's probably designed to be more
21 effective in terms of quality control and seeing
22 that things are done right. And I know most water
23 districts, for whatever reason, don't use that Model
24 Procurement Code. My guess is most county
25 governments and all school boards do. But I was

1 just wondering, apparently you don't --

2 A Huh-uh (negative).

3 Q -- or you would know about it.

4 Have you -- other than your training at
5 Kentucky Rural Water Association, have you ever gone
6 to any training or any seminars that were hosted by
7 the Public Service Commission?

8 A Yes. I attend the annual
9 training in December here.

10 Q You were in one about managing
11 legal services, so we expect you to kind of get on
12 Mr. Wuetcher and --

13 A We'll hold him accountable, I can
14 assure you.

15 Q -- keep him in line. I thought
16 that you -- I thought that you were.

17 A I was in your class.

18 DR. MATHEWS: Now they're picking on you.

19 COMMISSIONER SCHMITT: We pick on
20 everybody.

21 Q How much -- how much formal
22 education do you have?

23 A I have a high school diploma; I
24 went to trade school. It had nothing to do with
25 this industry at all. I had -- all my training is

1 on the job.

2 Q Okay. And you have been there
3 for a lot of years, 14?

4 A Fourteen (14).

5 Q Insofar as the permanent general
6 manager position is concerned, has the -- have the
7 commissioners advertised that position? Are they
8 seeking -- actively seeking anyone outside the
9 district --

10 A That's something --

11 Q -- for possible consideration?

12 A That's something you'll have to
13 ask the Chair. I do know that they maybe spoke
14 with Kentucky Rural Water about do they have some
15 ideas of who would possibly want to move to Estill
16 County and be a general manager of the water
17 district.

18 Q You haven't had a formal
19 interview or anything with them yet?

20 A No.

21 Q Because they probably don't need
22 to interview you anyway. I mean, you work with
23 them on a regular basis.

24 A Yeah, uh-huh (affirmative).

25 COMMISSIONER SCHMITT: I don't think I have

PSC Hearing
In Re: Estill County Water District

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1 Q Does Estill County sell water?

2 A We used to sell water to Powell's
3 Valley, but we no longer do that. We sell water
4 back to Irvine Municipal Utilities at a location,
5 but that's -- that's it.

6 Q Okay. Are you aware that there's
7 still an agreement with Powell's Valley or Estill
8 County to sell water to it?

9 A I am, yes.

10 Q And is it your understanding that
11 there's no possibility that Powell County will call
12 on Estill County to sell water, or they just
13 haven't recently?

14 A They haven't recently. I don't
15 believe it's something they intend on doing, but we
16 have never met with them to I guess see about doing
17 away with that contract.

18 Q And do you know roughly what
19 Estill County pays for its purchased water?

20 A Uh-huh (affirmative).

21 Q How much is that?

22 A From the city of Irvine we pay, I
23 think it's 3, \$3 and -- I think it's 3.254.

24 Q It's about \$3 and a quarter;
25 correct?

1 A Yeah, about that.

2 Q Do you know what Powell Valley
3 can purchase water from Estill County for?

4 A No.

5 Q Would you be surprised to find
6 out that the public -- or the filed tariff is
7 approximately \$1.52 for every thousand gallons?

8 A I didn't know that.

9 Q And would you agree that that's
10 something that maybe the water district would need
11 to look at?

12 A Definitely, yes.

13 Q Do you -- I think everybody else
14 has sort of danced around it, and I get to be the
15 bad guy. Do you intend on applying for the
16 permanent general manager position?

17 A I do.

18 Q Okay. And as general manager,
19 will there be a direct report or will a general
20 manager report only to the water district board?
21 Excuse me. Is there a superintendent -- let me
22 withdraw that.

23 Is the water -- is it your understanding
24 that the water district board's anticipation is that
25 the general manager will report directly to the

1 board?

2 A That is my understanding.

3 Q How long was Mr. Richardson with
4 the water district?

5 A Twelve (12) years.

6 Q And did he -- to your knowledge,
7 did he have the same position for those 12 years?

8 A Yes. He was hired as operational
9 manager.

10 Q He was hired in that position?

11 A Uh-huh (affirmative).

12 Q And there's been discussion in
13 the record about working to make the Estill County
14 Water District system to create zones.

15 A Uh-huh (affirmative).

16 Q Are you aware of that plan?

17 A Yes.

18 Q Or that discussion?

19 A Uh-huh (affirmative).

20 Q And who has the water district
21 had discussion with regarding that plan?

22 A Myself and Mr. Murphy were
23 involved with Kentucky Rural Water, our engineering
24 firm. We've talked to our meter distributor about
25 that, and right now two -- two different

1 distributors are doing prop studies to give us
2 pricing to do the zone meters in the AMI system.

3 Q Is it your understanding that the
4 design for the zones has already been done?

5 A I'm sorry, the design?

6 Q Yeah, the design; where the zones
7 will be, where the --

8 A Yes.

9 Q -- zone meters would be.

10 A Yes.

11 Q And that's been done for a while,
12 is that your understanding, a couple of years?

13 A No. There may have been a zone
14 map that was put out a couple of years ago, but it
15 was never presented to the board or given as a this
16 is the way we're going to zone the system.

17 The system -- the map that is in the
18 Corrective Action Plan was designed with myself and
19 Mr. Murphy and Kentucky Rural Water.

20 Q Okay. So do you have the water
21 loss prevention and leak detection program that
22 Mr. Richardson created in front of you by any
23 chance? I think it's a response to Question 3.

24 A Yeah, I do, uh-huh (affirmative).

25 Q It kind of looks like that page.

1 A Yes.

2 Q So do you mind to look at No. 3,
3 zoning?

4 A Uh-huh (affirmative).

5 Q Do you mind to read that section?

6 A "The water zone. The water
7 district has worked with Kentucky Rural Water
8 Association and our engineers to divide its
9 distribution system into eight zones that can be
10 isolated to account for water usage in each zone.
11 There are maps on file in the district's office to
12 show the different zones."

13 Q So are you aware of those maps?

14 A Yeah. We unearthed those out of
15 the basement, yes.

16 Q But even though that this seems
17 to have already been done, it's sort of starting
18 from scratch?

19 A Those -- and Mr. Murphy can
20 probably testify to this maybe a little better than
21 I can. Those were not accurate. Those zones did
22 not make sense. There were areas in the zone that
23 weren't even tied in together. So when we did find
24 those and we looked at those, they just didn't make
25 sense. So we went a different -- different way.

1 Q Do you know who the engineering
2 firm that worked with Kentucky Rural Water on those
3 zones was?

4 A I don't know that the engineering
5 firm worked with Mr. Richardson. I think he
6 drafted those and the ADD district maybe drew up
7 the maps.

8 Q So at best, the representations
9 there might be a bit misleading, that the district
10 worked with Rural Water and our engineers to divide
11 the distribution system?

12 A It could be. That may be a
13 question probably better answered by someone
14 besides myself. I wasn't privy to those meetings.

15 Q You get the benefit of being the
16 first witness. That's always the best part,
17 because you get to push -- is there somebody here
18 that you know may have more direct knowledge of
19 that?

20 A Our engineer is here. He may
21 could answer that. I really -- I couldn't speak to
22 that. I wasn't privy to those meetings if they
23 were, but when we did find them we determined that
24 they were not what we wanted to do, so...

25 Q So would you -- I'm just curious,

1 are you-all starting from scratch in that regard,
2 new zones?

3 A We did.

4 Q New plan?

5 A We did, yes.

6 MR. CHANDLER: Just for ease, may I
7 approach, Chairman?

8 COMMISSIONER SCHMITT: Go ahead.

9 BY MR. CHANDLER:

10 Q Do you have the PSC No. 2 in
11 front of you?

12 A Maybe.

13 Q The utility inspection report
14 that -- that would probably be the one on the
15 bottom. There we go.

16 Do you mind to turn to Page 15 of 22 in that
17 report?

18 A (Witness does same.)

19 Q I can make a representation --
20 it's on the front, but this report was done in July
21 of 2016. Do you see No. 79 that's on Page 15?

22 A Yes.

23 Q And do you see that No. 79 says,
24 "Does the utility have an outside agency perform
25 its meter testing per KAR 5:006, Section 17(2)? If

1 yes, provide outside agency name." Do you see that
2 question?

3 A I do.

4 Q And what does the response say?

5 A "The Utility stated it contracts
6 with CI Thornburg to test its meters."

7 Q Was that true? Let me withdraw
8 that question.

9 Is it your understanding, given that you
10 were office manager at this time, are you aware of a
11 contract with CI Thornburg to test the district's
12 meters?

13 A I'm not aware of a contract. I
14 am aware that if we had customer complaints --
15 there were some issues at that time that our men
16 didn't know if they were certified to -- we have a
17 test bench. Our men wasn't sure if they were
18 certified to test those meters. I think there was
19 some issues maybe at that time. Jerry Rice, is
20 that his name, with the PSC?

21 DR. MATHEWS: Brian.

22 THE WITNESS: I'm sorry?

23 DR. MATHEWS: Brian.

24 A Brian? Would train our men to
25 test meters. They were unclear if they were --

1 actually had gone through that training and were
2 certified to test at this time, and we were using
3 CI Thornburg to test meters if there was a customer
4 complaint.

5 Q Okay. So that's what I want to
6 get to. So testing meters, the district at some
7 point, since the meters were installed, we'll say
8 before 2009 -- I think that's somewhere in the
9 record. So before the meters were installed --
10 since the meters were installed since 2009, there
11 has been an opportunity to test the meters; right?
12 You have the equipment to test the meters; correct?

13 A Yes.

14 Q But other than customers
15 complaining about usage, the district chose not to
16 test meters?

17 A The -- the district chose not to?

18 Q I don't know who makes the
19 decision, but the district did not test meters.

20 A We'll say that management for the
21 district did not test the meters.

22 Q Well, but I think the Chairman --
23 you would agree the Chairman sort of alluded you're
24 only as good as your management at a certain point;
25 correct?

1 A I would agree. Yes.

2 Q And it's -- no one expects the
3 chairman of the board to be testing the meters for
4 the district; correct?

5 A I wouldn't think so, no.

6 Q And so somewhere in the record it
7 states that -- would you agree that in the record
8 it indicates the company believes that -- the
9 district believes it's more cost effective to
10 replace the meters in total than it is to remove,
11 test and replace meters?

12 A Absolutely, it's more cost
13 effective.

14 Q And where is that analysis?

15 A Well, I wouldn't say that we have
16 an actual analysis, but what I would say is we are
17 totally changing the way we read meters, the type
18 of system that we're putting in. It's going to
19 make the meters that we would test and replace
20 obsolete because we're putting in a smart system,
21 an AMI system. So the meters that we -- if we
22 tested the meters that we have in the ground now,
23 we couldn't use those with this system. They would
24 be obsolete.

25 Q But the district hasn't committed

1 to using an AMI system; right?

2 A No. We have just discussed it,
3 looking at that possibility.

4 Q But the vast majority of your
5 meters are in excess of ten years now?

6 A Yes.

7 Q So for the last couple of years
8 there wouldn't be -- any consideration of AMI
9 wouldn't have been the reason that the district
10 didn't pull meters, test them and then put them
11 back if they were still working; right?

12 A No.

13 Q And so other than the discussion,
14 the possible discussion of the possibility of
15 moving to AMI, there's nothing keeping the district
16 from pulling the current meters, testing them and
17 returning them, other than possibly having the
18 staff trained; correct?

19 A And having the manpower to do
20 that.

21 Q And do you know if anyone on
22 staff at Estill County Water District is trained to
23 test the meters?

24 A I believe that Mr. Murphy and
25 another operator is trained, yes.

1 Q So other than manpower now,
2 there's nothing keeping the district from pulling,
3 testing and then returning, if they're working,
4 meters in this -- in the system?

5 A No, I suppose not.

6 Q And the 60 that you replaced on a
7 pilot basis --

8 A Right, 30.

9 Q Thirty (30), excuse me. Were
10 those 30 tested using the meter bench that Estill
11 County owns?

12 A We didn't test -- we didn't pull
13 them off and test them on the test bench. We took
14 them out of service, replaced them with iPERLs, and
15 used the data. We used their average six months
16 prior with the SR2 meter and six months after
17 putting in the iPERL, and determined that their
18 usage -- that we gained about a thousand gal- -- we
19 picked up about a thousand gallons of flow with the
20 iPERL meters.

21 Q That's over two different time
22 periods; right? One was over -- they were over two
23 different six-month periods. So one could have
24 been during winter and one could have been during
25 summer?

1 A No. We used the same 12 month --
2 we used the same time period. And there was some
3 data where -- we didn't cherrypick. There was some
4 data where the customer actually used less with the
5 iPERL. I mean, you know, there's a lot of moving
6 parts to that. There could have been less people
7 in the households. We are aware of that. But we
8 do believe that overall that we are -- we are
9 losing.

10 Q Do you still have those 30
11 meters?

12 A I don't know. That would be a
13 question for Mr. Murphy. I don't -- I don't.

14 Q Do you think it would be a good
15 idea to test those 30 meters with the test bench
16 that you have?

17 A Sure, yeah.

18 Q To see if they're actually
19 running slow or running fast?

20 A Uh-huh (affirmative). And you
21 can -- you can ask Mr. Murphy when he comes up
22 here. I'm not sure that they didn't run some type
23 of test. They could have run a test that I'm not
24 privy to the information on, or wasn't at the time.
25 I just had to -- because it required them to get

1 billing information, they had to come into the
2 office. That's how I know about it.

3 Q What about the -- you're the
4 master of that castle, so you -- it was up to you
5 whether they got the billing information, I get it.

6 A Yes.

7 Q So No. 81 there on that page
8 that's in front of you, do you see the question
9 that says, Is the meter storing -- "Is the utility
10 storing any or all of its meters and historical
11 data in a computer storage and retrieval system in
12 accordance with 807 KAR 5:006, Section 18(4)?" Do
13 you see that question?

14 A I do.

15 Q And the response, do you mind to
16 read that response?

17 A "The Utility stated it is not
18 storing test data on the computer but is storing
19 the historical data on the computer."

20 Q Do you know what that means?

21 A That means that we're not storing
22 our test -- our test results, but we do have
23 history on the computer. We do have history for
24 each meter, is what I assume it means.

25 Q Do you know since -- well, first

1 let me ask, was the computer in the office or in a
2 field office?

3 A It was in the office.

4 Q It was in the office. So do you
5 know if the water district is actually storing
6 historical data on the computer?

7 A We do, yes?

8 Q Do you have historical meter data
9 on the computers?

10 A Yes. History usage, payment
11 history, is that what you're --

12 Q Yes, but also how about do you
13 have any test data?

14 A If it was a customer complaint
15 that was sent off to CI Thornburg, I do have that,
16 because the results came back in with the bill.

17 Q Do you charge customers for --

18 A We do.

19 Q And do you charge them -- well,
20 withdraw the question.

21 Next page. Do you mind to turn to the next
22 page?

23 COMMISSIONER SCHMITT: Once they see this
24 video, Ms. Miller, none of your customers
25 will want their meters tested.

1 THE WITNESS: No.

2 BY MR. CHANDLER:

3 Q Do you see the Question No. 84?

4 A Yes.

5 Q Do you mind to read that
6 question?

7 A "Who is responsible for testing
8 the master meters?"

9 "Irvine Municipal is responsible for testing
10 the master meters. The Utility stated that Jackson
11 County Water Association is responsible for testing
12 its meter."

13 Q So they sell you water; right,
14 Irvine?

15 A Uh-huh (affirmative).

16 Q But they're the ones that get to
17 choose when the meter gets tested?

18 A Correct. That's the way it
19 reads.

20 Q Yeah. So do you think it would
21 be prudent for the water district to have the
22 ability to audit or to request that that meter be
23 tested?

24 A Yes.

25 Q Does, to your knowledge, Estill

1 County Water District have that ability?

2 A To my knowledge, I -- I really
3 don't know if the contractor reads it, we can
4 request that or not.

5 Q Would -- and you'll have to
6 forgive my ignorance on it. What was the item you
7 said that may be installed tomorrow, maybe
8 installed Monday?

9 A An electronic control valve.

10 Q The electronic control valve.
11 Would the electronic control valve -- let me
12 withdraw that.

13 The electronic control valve would not
14 render that issue moot, would it?

15 A No.

16 Q And so if the meter that water is
17 being sold to you is incorrect, either slow or
18 fast, that still would be an issue even with the
19 electronic control valve?

20 A It would. We have actually
21 discussed and -- discussed it with the board, and
22 Mr. Murphy and I have discussed it with Kentucky
23 Rural Water and our engineer, about putting -- we
24 refer to it as a redundant meter. It's something
25 our men can install themselves. We put a vault on

1 our side of the river and put a meter in to verify
2 the reading on the Irvine master meter to see if
3 there's any discrepancies.

4 Q Do you know -- you said you --
5 did you get a quote for that or --

6 A We have not.

7 Q -- a rough estimate?

8 A Huh-uh (negative).

9 Q But it may make more sense just
10 to renegotiate the contract and ask for the
11 opportunity to request the meter testing even if
12 you-all paid for the meter testing; right?

13 A I think the meter on our side of
14 the river was also twofold. It would also -- and,
15 again, Mr. Murphy maybe can testify to this better
16 than I can, but it would also alert us that if
17 there was any leak in the -- in the Kentucky River,
18 in the line under the river.

19 Q Okay.

20 A So there was kind of a twofold
21 reason for wanting to do that.

22 DR. MATHEWS: Are we going to do the same
23 on the Jackson County Water District side?

24 THE WITNESS: Jackson County only serves 13
25 customers and so does -- we have two small

1 meters -- two meters that only serve two
2 small amounts of customers.

3 The two meters that I'm mainly
4 concerned about are the Irvine Bridge that
5 serves the majority, and Dry Branch serves
6 about 850 meters. So those would be the two
7 that I would be the -- that I would want to
8 spend the money on, I guess.

9 BY MR. CHANDLER:

10 Q Do you have all the exhibits in
11 front of you? Do you mind to turn to PSC
12 Exhibit 8? It's a single piece of paper, the
13 Preliminary Opinion of Probable Project Cost.

14 A Uh-huh (affirmative).

15 Q So the discussion was -- you were
16 discussing AMI meters earlier; correct?

17 A Yes.

18 Q And you would agree that AMI
19 meters and AMR meters are different in that AMR
20 meters are -- are what they call radio-read meters;
21 whereas, AMI transmit the information to a direct
22 hub through a number of repeaters; correct?

23 A Correct.

24 Q Do you see the line on here where
25 it provides an estimate or preliminary opinion

1 regarding the per unit of material and the per unit
2 labor cost of AMI meters?

3 A Yes.

4 Q Do you see that's \$600 a meter?

5 A Yes.

6 Q And were you aware of that cost
7 before today?

8 A I have seen this. Again, it's a
9 probable construction cost. It doesn't necessarily
10 mean that that's exactly what we're going to spend
11 for the meters. I think maybe Mr. Bowman could
12 testify as to why, where he -- where he got that.

13 Q Well, would you agree that at
14 3,730 customers that's in excess of \$2 million to
15 replace all the meters?

16 A Uh-huh (affirmative).

17 Q And you would agree that all the
18 meters on the system apparently need replacement?

19 A We're not even sure that we can
20 do all the meters. We are a very -- a lot of
21 mountainous terrain in our area. We were hoping do
22 a central hub, approximately -- approximately maybe
23 2,000.

24 Again, we're having a prop study done to
25 even see if it's viable to be able to do this. But

1 the prop study is supposed to tell us how many
2 repeaters we would have to have, how many meters we
3 could read within that area. We haven't gotten that
4 back yet to even know if this is viable. But
5 it's -- it is what we're, I guess, spending our
6 resources right now trying to determine if it is the
7 best for the district.

8 Q Do you have an independent entity
9 that is, that has no bias at all to whether or not
10 you spend money, determining whether these AMI
11 meters are the most cost beneficial option?

12 A No.

13 Q So is the manufacturer of the
14 meter helping you do this stuff?

15 A They are doing the prop study,
16 and they have given presentations of their
17 products. They have shown us -- we already have
18 the AMR meters in the system. They've shown us
19 AMR. They're AMRs that they currently have. And
20 they have shown us the AMI system. We're just in
21 the process of determining which is best suited for
22 the district.

23 Q And I'll ask the follow-up
24 questions of the board on that. Thank you.

25 A Okay.

1 Q Are you aware -- you've been
2 doing your job, the interim manager job, for about
3 five and a half, six months --

4 A Yeah.

5 Q -- approximately?

6 A Five.

7 Q Are you aware that the utility
8 has to annually inspect pumping equipment, water
9 storage facilities, electric power wiring,
10 hydrants, mains, meters, meter settings and valves
11 on an annual basis?

12 A I am.

13 Q Do you know if the utility
14 historically has tested those on an annual basis --
15 or let me withdraw that, I'm sorry -- has inspected
16 those on an annual basis?

17 A If they have, I don't have
18 documentation to support that, so I couldn't speak
19 to that if they have or -- that might be a question
20 better suited for Mr. Murphy.

21 Q If you continue through the end
22 of the year as the interim general manager, is it
23 your expectation that the utility will be able to
24 inspect all of those requirements within the year?

25 A It is. Mr. Murphy and I were

1 working on a -- we got some -- a template, I guess,
2 for inspection sheets from another water utility.
3 I think we got them from Kentucky Rural Water, and
4 we're develop -- making them our own. But it's our
5 intent to start inspections.

6 Q And with the valves, does the
7 utility know where all its valves are?

8 A I do think they know where the
9 majority of the valves are. And let me speak to
10 the valves a little bit. I think I may have
11 misspoke a little earlier. I do know that Kentucky
12 Rural Water has come in and assisted us in doing
13 some valve exercises. They've brought in their
14 machine that exercises those. I know they have
15 done that on several occasions.

16 I do know that it has -- has been done. I
17 can't produce documentation to show you that it's
18 been done, I guess. Maybe they could. I don't
19 know.

20 Q Have you had any discussions with
21 the board as to whether or not in terms of timing
22 they intend to move ahead on choosing meters before
23 they have a full-time manager, or has that
24 discussion occurred?

25 A That discussion really hasn't

1 occurred.

2 Q So let me just ask it this way.
3 Do you believe that choosing a certain type of
4 meters is contingent on -- contingent on whether or
5 not there's a new manager or when they choose the
6 new manager?

7 A No. I think it's a decision that
8 can be made now.

9 Q I couldn't find Estill County
10 Water District's annual report on the Commission's
11 website. Do you know what the process is on the
12 annual report? Has it been submitted to the Public
13 Service Commission?

14 A The annual report?

15 Q Uh-huh (affirmative).

16 A Not the audit? It's been
17 submitted.

18 Q It has been submitted?

19 A Yes.

20 Q And there's -- occasionally there
21 could be a lag between the time it's submitted and
22 the time it's posted. I just wanted to make sure
23 that --

24 A I think I printed a copy of it
25 off of the website, but I'll have to get back to

1 you on that.

2 MR. WUETCHER: Would you like a copy? I
3 don't believe it is on the website as of
4 yet. I believe the Commission staff is
5 doing its internal audit of the report to
6 make sure everything's correct. We can
7 furnish a copy to you.

8 BY MR. CHANDLER:

9 Q I just wanted to make sure that
10 the district had filed it at this point in 2018 --

11 A Yes.

12 Q -- or at this point in 2019.

13 A Possibly I was able to print it
14 off because I can log into the website and do that.
15 I don't know.

16 Q Okay. Your --

17 MR. WUETCHER: Actually, I believe there's
18 a copy attached to the surcharge
19 application.

20 MR. CHANDLER: In the surcharge case. In
21 the 119 case?

22 MR. WUETCHER: Yes.

23 BY MR. CHANDLER:

24 Q And then finally, with regards to
25 legal counsel, there was discussion in the record,

1 and maybe it was actually in the -- one of the
2 previous cases. Does -- that the council has --
3 that the water district has legal counsel; correct?

4 A Correct.

5 Q Over the last few months, has --
6 who is the council's ongoing -- or who is the water
7 district's ongoing legal counsel?

8 A Gerald Wuetcher.

9 Q How long has Mr. Wuetcher been in
10 that position?

11 A Since 2017.

12 Q Since 2017. Has that
13 relationship changed since Mr. Wuetcher initially
14 became counsel?

15 A No.

16 Q Has the district expanded the
17 services in which they request Mr. Wuetcher's
18 attention on?

19 A Yes.

20 Q And is the district now
21 requesting Mr. Wuetcher to come to more meetings or
22 maybe come to meetings when maybe previously
23 counsel didn't?

24 A Yes, he is -- we have requested
25 his presence at the meetings. He's available by

1 phone if I have questions, yes.

2 Q And do you believe that his --
3 his attendance, having counsel present and his
4 attendance at the monthly meetings, has helped the
5 district?

6 A Absolutely.

7 Q In what ways?

8 A You know why we're here; right?

9 Q Well --

10 COMMISSIONER SCHMITT: Now is your chance
11 to brag on him.

12 BY MR. CHANDLER:

13 Q Yeah, I'm asking a leading
14 question, but I'm letting you do the full answer.

15 A My prior board was in trouble for
16 unauthorized debt, and when we got a notice to
17 appear before the Public Service Commission, I
18 called Mr. Wuetcher. I sat in on a few of his
19 classes when he was employed with the Public
20 Service Commission. And he was who I knew, so I
21 called him.

22 And he has really guided our board. You
23 know, that's a big change. We changed all new board
24 members. We've lost our field manager. So there's
25 a lot of things that were in flux. There was a lot

1 of things I didn't know the answer to, the board
2 certainly didn't, and I feel like he is an asset to
3 the district.

4 He's -- you know, I'm a firm believer -- you
5 can hire any attorney. I can go down to the corner
6 and get the county attorney. But if they're not an
7 industry-specific attorney, you're wasting your
8 money, because they can lead you astray if they
9 don't know the PSC rules and regulations.

10 Q And would you say that having
11 Mr. Wuetcher was one of the primary reasons -- was
12 Mr. Wuetcher's involvement in his capacity
13 important in filing the surcharge application?

14 A Yes. Once the board decided that
15 they wanted a surcharge, he navigated that for us.
16 That's something that we have never done. And once
17 they made the decision, they felt like that was the
18 way they wanted -- wanted to go, was with a
19 surcharge. And he was instrumental and he
20 navigated the application and helped us through
21 that.

22 Q Okay. And finally, I just want
23 to -- is it your understanding that the surcharge
24 application would bring in approximately \$150,000 a
25 year?

1 A 159, I think.

2 Q In that ballpark?

3 A Yes, uh-huh (affirmative).

4 Q But knowing that we were
5 discussing earlier that the ballpark estimate on
6 PSC 8 is that meters are \$600 apiece for
7 installation, even if that's depreciated over ten
8 years, right, that's still -- we talked it's in
9 excess of \$2 million upfront; right?

10 A Uh-huh (affirmative).

11 Q And you can depreciate it over
12 ten years, that's at least \$200,000 a year; you
13 would agree with that?

14 A Yes. That is -- the surcharge is
15 not our only source of funding. I mean, we're not
16 looking at just that. We're looking at a project
17 funded by KIA or Rural Development. We would
18 certainly take a larger surcharge if the PSC saw
19 fit to give us that, but it was a good starting
20 point at something.

21 Q And that's what I wanted to ask
22 about. What other sources is the water district
23 actively looking at in terms of either financing
24 for some of these improvements or reducing
25 operating expenses so that you can open up

1 additional cash flow?

2 A We have looked at -- to fund the
3 project we have looked at Kentucky Infrastructure
4 Authority. I think they have -- well, I know they
5 have invited us to accept an application -- or to
6 submit an application for funding for this project
7 that we have put together.

8 We have not ruled out Rural Development,
9 ARC, CDBG. We are open to any funding sources.
10 Does that answer your question?

11 Q How does that work for the
12 district? Is Bell Engineering your only -- your
13 only intermediary to those funding sources, or is
14 the district itself working towards receiving that
15 funding?

16 A Bell is -- has helped us with the
17 KIA funding, but Don -- I have spoke with Don
18 Marlan on the phone, I spoke to Karen
19 Levinger (phonetic) -- I mean, I met with them
20 extensively. Kentucky Rural Water has met with
21 them on our behalf. So, you know, we're involved
22 in the process as well, I think, if that's what
23 you're asking.

24 Q And in terms of operating
25 efficiencies, other than the refinancing of the

1 debt to say -- I think what was approximately -- it
2 was a little under \$100,000 a year, I think,
3 maybe -- I think the record indicates -- well,
4 let's get it straight. I don't want to testify.

5 COMMISSIONER SCHMITT: Be the first lawyer
6 I've ever known that didn't want to
7 testify.

8 MR. CHANDLER: I just say that so that I
9 don't get in trouble when I do.

10 Q Do you mind to turn to PSC No. 6,
11 which is the periodic compliance inspection? It's
12 the -- sorry, PSC's --

13 A Oh.

14 Q -- Exhibit 6 that they provided
15 today. I apologize.

16 A That's okay.

17 Q And I believe it's on the third
18 page, it's technically Page 16.

19 A Uh-huh (affirmative).

20 Q And I know this isn't perfect,
21 not a Commission order, but do you see at the top
22 that it says that the district expects to save
23 approximately \$80,000 a year with the refinancing,
24 the restructuring of its debt?

25 A Uh-huh (affirmative).

1 Q And so other than that, are there
2 any other efficiencies or cost savings that the
3 water district has found that frees up funding so
4 that it can address its water loss issues?

5 A We actually haven't. We were
6 understaffed at -- in February, when I came on as
7 GM, as interim general manager. We were
8 understaffed by, I believe, four employees in the
9 field and half -- part-time employees in the
10 office. We had vehicles beyond disrepair.

11 And those are just the major things that --
12 that were prohibiting day-to-day operations that had
13 to be fixed immediately. You can't find water leaks
14 if you can't get a crew of men out there, or if you
15 don't have a crew of men to go do it.

16 So to say that there was excess that could
17 be cut, I don't know that I would agree with that.
18 I don't know that I -- I mean, I think we've looked
19 at it, certainly looked at it, but I don't know that
20 there was necessarily any excess expenditures to be
21 cut.

22 Q Do you remember the question
23 earlier in the record, early on in the case, that
24 asked if the district had a capital improvement
25 plan?

1 A Uh-huh (affirmative).

2 Q And is it your understanding the
3 response was in the negative, that it does not?

4 A (Witness nods head.)

5 Q Has the district since
6 implemented a capital improvement plan?

7 A No. We have implemented -- or
8 adopted the Corrective Action Plan that we believe
9 is the beginning of our capital improvement plan,
10 that we're going to use this to implement that.
11 But we have not.

12 Q And so would you agree that a
13 capital improvement plan, a prudent one, may also
14 include things like vehicles and equipment and
15 items like that?

16 A Yes.

17 Q Is it your expectation that the
18 district will implement -- create and implement a
19 capital improvement plan?

20 A Yes, it is my expectation.

21 MR. CHANDLER: I think that's all the
22 questions I have for now, Chairman. Thank
23 you.

24 Thank you, Ms. Miller.

25 COMMISSIONER SCHMITT: Mr. Wuetcher, any

1 questions?

2 MR. WUETCHER: Just a few, Your Honor. I
3 just wanted to clarify a few points.

4 EXAMINATION

5 BY MR. WUETCHER:

6 Q Can you start back with the
7 Corrective Action Plan, just to confirm for the
8 record. That plan, before it was submitted to the
9 Commission in response to the Commission's order in
10 2018-256 -- 276, the board reviewed that report;
11 did they not?

12 A They did.

13 Q Would you say that their review
14 was fairly extensive?

15 A They were e-mailed copies and
16 they were -- they reviewed it --

17 Q Did they comment on it?

18 A There was comment made on it
19 and...

20 Q Was there some discussion
21 between, for example, the chairman of the
22 Commission -- I'm sorry, the chairman of the board
23 of commissioners and the engineer that drafted it?

24 A Yes. You'll have to ask
25 Mr. Click, but I do think -- I think he actually

1 went to the -- to Alan, to Mr. Bowman's office, and
2 they discussed it there. I wasn't privy to that
3 meeting, but I think that happened.

4 Q In terms of funding for meters --
5 because you got a lot of questions on that -- you
6 have a couple of different funding sources that the
7 district is looking at; is that correct?

8 A That's correct.

9 Q One is the surcharge that's been
10 proposed to the Public Service Commission?

11 A Yes.

12 Q And that application now is
13 pending before the Commission?

14 A It is.

15 Q Okay. And then you also have a
16 project that the Kentucky Infrastructure Authority
17 has invited the district to submit an application
18 for; is that correct?

19 A That is correct.

20 Q And the total amount of that
21 project as it's been proposed is about
22 \$1.3 million; is that correct?

23 A That is correct, yes.

24 Q And the KIA is proposing to fund
25 at least half of that; is that correct?

1 A That's correct.

2 Q And that loan that they're
3 proposing to -- or is proposing to provide to the
4 district, does that have a loan forgiveness
5 provision in it also?

6 A It does. It's 50 percent
7 forgiveness.

8 Q I want to go over the KIA funding
9 source to begin with, but you would agree that
10 under the terms of the proposed surcharge, anything
11 that the district does before it uses that money,
12 it has already stipulated to the Commission that it
13 will submit that plan to the Commission, and it
14 will not take any action until the Commission
15 reviews it and approves it?

16 A That's on the surcharge -- I
17 mean, in the application for the surcharge.

18 Q Okay. And in terms of any loan
19 from KIA, you would agree Commission approval is
20 required for that, given prior experiences?

21 A I would definitely agree that
22 that's required.

23 Q And is it your understanding that
24 when you submit either your proposal for the
25 surcharge or submit your application for a loan,

1 that the Commission is going to look at the cost
2 effectiveness of what you propose to use those
3 funds for?

4 A I would assume so, yes.

5 Q So would it be correct to say
6 that before the district makes its final decision
7 that it's going to purchase and install meters,
8 it's going to consider all the variable options and
9 the cost effectiveness of each?

10 A Yes.

11 Q Because it knows the Commission
12 is going to be expecting it to justify the cost
13 effectiveness of its proposed plan?

14 A Yes.

15 Q Going back on the KIA. There was
16 another KIA loan that the district's been invited
17 to submit an application for; is that correct?

18 A Yes.

19 Q And was that one for its Phase 11
20 project?

21 A Yes.

22 Q Can you tell me what's involved
23 in the Phase 11 project?

24 A I can. Install flow metering and
25 back flow prevention, develop a hydraulic model,

1 replace -- it says six river crossings. I think
2 the plan is five, and they're not river crossings,
3 they're creek crossings. Replace meters with smart
4 meters and replace all the residential meters.

5 Q Is it actually -- is Phase 11
6 actually going to be funding the replacement of the
7 residential meters or is that the other project?

8 A That's the second project.

9 Q Okay. And that project that's
10 for -- KIA has offered, or at least suggested that
11 it would be willing to loan \$1.1 million?

12 A Uh-huh (affirmative).

13 Q And is there a loan forgiveness
14 feature in that one also?

15 A Yes, 50 percent forgiveness.

16 Q There was some discussion about
17 the reduction in your debt cost. In addition to
18 the RD restructuring, did the district restructure
19 its loans with Citizens Guaranty Bank?

20 A Yes, we restructured all four of
21 those loans, and the realized savings on that
22 restructure was -- I don't see that here. 30 --
23 let me think. \$36,000 annually, I think.

24 Q So the total savings that the
25 district has incurred in the last year from

1 restructuring its debt has been about 110 --

2 A Yes.

3 Q -- to \$115,000?

4 A Yes.

5 Q Having that restructuring, has
6 that improved the district's financial condition?

7 A It has. It has allowed us to --
8 to purchase some -- what I consider stopgap
9 vehicles. We -- we've been able to do that to get
10 our men to job sites. We didn't have that
11 capability in February. They were having to work
12 on the buddy system because we had two vehicles.
13 So we've been able to do that.

14 We have been able to purchase a few things
15 outside of -- that's the savings with -- that's what
16 we're going to install this electronic control valve
17 at the New River pump station with. So we are
18 seeing some of that additional revenue. We're being
19 able to utilize that now.

20 Q You received some questions
21 regarding the district's failure to come in for
22 rate adjustments before.

23 A Uh-huh (affirmative).

24 Q Has the district done recently an
25 examination to determine whether it would be a good

1 idea to file, or what the results would be if it
2 filed for a general rate adjustment?

3 A Yes, but we did ask you to
4 compile that information for us.

5 Q And what was the -- is a copy of
6 what that -- those results were included in the
7 surcharge application?

8 A It is.

9 Q And what were the results? Would
10 the district be able to get a rate adjustment if it
11 used the alternative rate filing procedure today?

12 A No. Due to the disallowance for
13 the excessive water loss, we would not qualify for
14 a rate adjustment.

15 MR. WUETCHER: That's all I have, Your
16 Honor. Thank you.

17 EXAMINATION

18 BY COMMISSIONER SCHMITT:

19 Q I have just one question. Did
20 you say, or did I misunderstand it when you said in
21 February of this year you only had the -- only had
22 two vehicles for your men?

23 A (Witness nods head.)

24 Q And that's now been corrected or
25 you replaced those?

1 A We -- yes, we bought some from
2 the federal surplus sale and...

3 Q Federal surplus, is that vehicles
4 that were all used --

5 A Yes.

6 Q -- that were in good enough
7 condition for you to --

8 A Yeah, they are stopgap vehicles,
9 so hopefully they'll hold out until --

10 Q That's what you meant by
11 "stopgap"?

12 A Yes.

13 COMMISSIONER SCHMITT: Anything?

14 EXAMINATION

15 BY MR. CICERO:

16 Q You indicated that you're the one
17 that contacted Mr. Wuetcher in order to help you
18 out where you had the last case with the other
19 commissioners; is that correct?

20 A That's correct.

21 Q And then are you the one that
22 engaged Mr. Wuetcher to expand his duties when this
23 process came about -- or just his role with Estill?

24 A No. That was -- the board did
25 that.

1 Q Did you recommend that to the
2 board or --

3 A I did.

4 Q -- was that -- did you set up a
5 retainer or consulting agreement?

6 A We have an agreement with him,
7 yes.

8 Q Is it a monthly retainer?

9 A No. At this time it's an hourly
10 rate.

11 Q What's that hourly rate?

12 A There is a reduction, I think. I
13 think he gives us --

14 MR. WUETCHER: Can I answer that? It might
15 be easier. My stated rate is \$335 an hour.
16 Estill County gets a 25 percent discount
17 off of that. In addition, there is -- at
18 least my practice has been, while I have
19 attended all of their board meetings, they
20 are not charged for any type of travel, and
21 I limit as much as possible to no more than
22 two hours in attendance, even if I'm there
23 for four or five hours.

24 MR. CICERO: You answered all the rest of
25 my questions. Thank you.

1 COMMISSIONER SCHMITT: Anything?

2 MR. CHANDLER: I do have one. I ran over a
3 question, I apologize.

4 EXAMINATION

5 BY MR. CHANDLER:

6 Q Do you have the PSC No. 1, the
7 Order from the alternative rate filing case?

8 A I do.

9 Q Do you mind to turn to Page 3 of
10 that, and then it's Footnote 2. It's the
11 calculation of the disallowance for water loss in
12 excess of 15 percent.

13 A Uh-huh (affirmative).

14 Q So the unaccounted for water was
15 32.7 percent; correct?

16 A Yes.

17 Q Okay. And that's 17.7 -- it's
18 not percent, but percentage points over 15 percent;
19 correct?

20 A Correct.

21 Q Okay. And do you also have
22 the -- a copy of -- maybe counsel may -- it was
23 titled the Notice of Compliance with the
24 Commission's order of July 1, 2019 that
25 Mr. Wuetcher filed on behalf of the district.

1 MR. WUETCHER: That's the item that has
2 three tabs that you --

3 THE WITNESS: I don't think I have -- I
4 think Duane has that.

5 MS. KOENIG: I have a copy of it. This
6 one?

7 MR. CHANDLER: Yes. If they have it...

8 Q Do you mind to turn to the very
9 last page of that filing, the very, very last page,
10 and it's the calculation of the cost for water
11 loss. Do you see that?

12 A I do.

13 Q Do you know who calculated that?

14 A Mr. Murphy.

15 Q Mr. Murphy?

16 A Uh-huh (affirmative).

17 Q So if I have any questions, I
18 should ask Mr. Murphy?

19 A I can try to answer, but I think
20 he would be better.

21 Q Okay. No, I just -- you were
22 asked questions about this earlier, correct, that
23 the amount has increased since the last rate case?

24 A It has, yes.

25 Q Would you agree that one of the

1 reasons it seems to have increased is because the
2 water loss has increased?

3 A Yes.

4 Q And it's increased approximately
5 7 percentage points, from 32.7 to 39.62?

6 A I don't see 39.62, so I'm sorry.

7 Q That's okay. So halfway down the
8 page of the calculation, on the very last page of
9 that filing, there's a water loss percentage.

10 A Uh-huh (affirmative).

11 Q Would you also agree that one of
12 the reasons it's increased significantly is because
13 the cost of the water has increased since the last
14 rate case?

15 A I would agree, yes.

16 MR. CHANDLER: Okay. That's all the
17 question I have.

18 COMMISSIONER SCHMITT: May this witness be
19 excused?

20 MS. KOENIG: Yes.

21 COMMISSIONER SCHMITT: Thank you.

22 THE WITNESS: Thank you.

23 COMMISSIONER SCHMITT: Let's take a
24 ten-minute break until -- or 15, whatever,
25 until 20 after 4:00 and then come back.

1 (THEREUPON, A BREAK WAS TAKEN.)

2 COMMISSIONER SCHMITT: We are now back on
3 the record.

4 Ms. Koenig, do you have another
5 witness?

6 MS. KOENIG: Yes. We'd like to call your
7 board chair, Mr. Click, please.

8 COMMISSIONER SCHMITT: Please raise your
9 right hand.

10 * * * * *

11 The witness, DANIEL CLICK, after first
12 being duly sworn, was examined and testified as
13 follows:

14 EXAMINATION

15 BY MR. WUETCHER:

16 Q Good afternoon,
17 Commissioner Click.

18 A Good afternoon.

19 Q Can you please state your name
20 and business address?

21 A My name is Daniel Blain Click,
22 and I work -- do I need to state the water
23 district's? I work for several different people.

24 Q Oh, well, just your business
25 address as related to the water district.

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1 A I had to write this down. It is
2 on Cedar Grove in Irvine, Kentucky. I'm the board
3 chair of the water.

4 Q And how long have you been on the
5 board of commissioners for Estill County Water
6 District?

7 A April of 2018.

8 Q And what's your current position
9 with the board?

10 A Board chair.

11 Q Okay. And have you always held
12 that position?

13 A Yes. Well, it occurred the first
14 meeting.

15 Q Have you had an opportunity to
16 review all the documents that the district has
17 filed in this case, at least the responses to the
18 Commission's information request?

19 A Yes.

20 Q And my only other question to
21 you, could you very briefly describe your
22 educational background and how you ended up
23 becoming a commissioner on the water district's
24 board?

25 A Not exactly sure how I ended up

1 on the board, but I was a civil engineer with the
2 Transportation Cabinet for ten years, and then
3 moved over to education. I taught math and physics
4 for several years, and then was the high school
5 principal for the last 12 years that I worked for
6 the school system.

7 Retired in late 2015, and I have done
8 different things. I currently work for Stantec
9 Consulting out of Lexington in utility relocation
10 coordination. And I write for the newspaper, I do
11 radio, I coach, and a few other things I can't
12 remember.

13 Most of my career was spent in education,
14 but I do have a civil engineering degree from
15 University of Kentucky.

16 MR. WUETCHER: I'll leave it at that, turn
17 the witness over to the staff.

18 MS. KOENIG: Okay.

19 EXAMINATION

20 BY MS. KOENIG:

21 Q Hi, Mr. Click, how are you today?

22 A I'm good.

23 Q Surviving the hearing so far?

24 A Yeah.

25 Q So when did you become board

1 chair? What was the date?

2 A It was in April of '18, I
3 believe.

4 Q And were you aware of the
5 problems that Estill County Water District had had
6 prior to you becoming board chair?

7 A Some of the problems, but not to
8 the extent which I learned after I got on the
9 board.

10 Q Okay.

11 A But I was aware there were
12 problems, yes.

13 Q Do you live in Estill County?

14 A Yes.

15 Q So you're a customer of the water
16 district?

17 A Yes.

18 Q Okay. And you said you're
19 employed by several different places, or you
20 have...

21 A Well, I just have -- when I
22 retire -- I'm supposed to be retired, but I work
23 part-time for a few different places, yes.

24 Q Okay.

25 A Do you need me to state those?

1 Q Well, yes, please.

2 A Well, I work some as an editor
3 for -- sports editor for the newspaper. I do some
4 radio broadcasting, I am an assistant basketball
5 coach. I -- sorry, I just -- it's funny how many
6 different things I'm into. And then I primarily
7 work for Stantec Consulting out of Lexington.

8 Q And do you believe that your
9 experience as a civil engineer and with utilities
10 previously has benefited you as a board member and
11 a board chair?

12 A Yes, ma'am.

13 Q Okay. And I've noticed as well
14 in your response -- or the district's response to
15 staff's data request to Question No. 5, that some
16 of your new members, one of them worked for
17 Kentucky Rural Water?

18 A Yes, ma'am.

19 Q Or maybe still does?

20 A He just retired.

21 Q Okay. And then Mr. Johnson was a
22 school -- he's a retired educator, but do you feel
23 like the new makeup of the board had a significant
24 impact on what you're able to do and how you're
25 able to understand the problems of a utility or

1 what the utility needs?

2 A Are you asking if my -- if their
3 experience has been helpful? Yes, ma'am.

4 Q Yes, okay.

5 A Very.

6 Q So you said that you weren't
7 quite aware of the problems that had existed
8 before, but have you since learned of some of the
9 actions of the former board?

10 A Yes.

11 Q Okay. And maybe as a warning or
12 as a cautionary tale?

13 A Yes.

14 Q You have been warned --

15 A Yes.

16 Q Okay. And so have you had
17 training yet, commissioner training?

18 A Yes.

19 Q Okay. And have you fulfilled
20 your year -- your 12 hours in your first year yet?

21 A Yes. I did that within the first
22 month I was appointed.

23 Q Do you believe that it's one of
24 your duties to keep the Estill County Water
25 District viable as a business?

1 A Absolutely.

2 Q And do you think that your board
3 does look at it as a business?

4 A Yes, ma'am.

5 Q Okay. What is your relationship
6 like with the interim general manager Ms. Miller?

7 A What is my relationship with her?

8 Q The board's relationship. How
9 does the board interact with the general manager?

10 A Is it -- are you asking are we
11 amicable or?

12 Q Right. Does she attend the
13 meetings or does she give you reports of the
14 meetings, does she give you daily reports, or how
15 do you-all communicate?

16 A We are in constant contact. Of
17 course she attends meetings. We collaborate on the
18 agenda for the meeting. She will typically set an
19 agenda, send it to us to review and add anything
20 that we would like to the agenda before the
21 meeting, well before the meeting.

22 Q Okay.

23 A Do you have any other specific
24 questions?

25 Q I guess I'm wondering how much

1 you rely on your -- on Ms. Miller. I mean, is she
2 your only point of communication from what's going
3 on in the district or do you go to the water
4 district, do you ever --

5 A Yes, we think it's very important
6 to be around the district as much as possible; so
7 we do know the employees, do talk to them on
8 occasion. We are at the office some, not as much
9 as we'd like, actually, but I'm going to reduce
10 some of things I'm doing to be there more.

11 Q Okay. Are you -- do you feel
12 like it's Ms. Miller's -- like the general manager
13 should work the daily part of the water district
14 and that the board would oversee? Do you agree
15 with that?

16 A Absolutely.

17 Q And so do you -- whose
18 responsibility is it to plan for -- to correct the
19 water loss issues?

20 A Ms. Miller.

21 Q Okay.

22 A In collaboration with the other
23 staff there.

24 Q So long-term plans, capital
25 improvement plans, things like that, would they be

1 approved by the board or?

2 A I think that they obviously would
3 be approved by the board, but also there will be a
4 collaborative approach to plan out those plans with
5 her and Mr. Murphy.

6 Q Were you involved in the
7 Comprehensive Corrective Action Plan?

8 A To some extent, yes. We were --
9 of course, those are ongoing discussions that we
10 have at almost every meeting about the water loss.
11 That's the primary thing we talk about, actually,
12 and then the countermeasures to that.

13 So most of the things that are in the
14 Corrective Action Plan are things that we have
15 discussed in the board meetings, and they're very --
16 I mean, there's literally a big white board with
17 these plans in the boardroom that we meet in, so
18 we're constantly reviewing those.

19 Q Okay. So I guess just to
20 clarify, you did say you knew a little bit about
21 the history of Estill County, but you know enough
22 not to repeat the mistakes of the -- of the
23 former --

24 A I know enough to not repeat those
25 mistakes, yes.

1 Q All right. And so, I mean -- so
2 as far as your finances and your budget for the
3 water district, who comes up with your budget?

4 A Well, Ms. Miller, in
5 collaboration with the accountant and with the
6 board, generate that budget. She will -- I mean,
7 as far as specifically, she'll probably present to
8 us the first draft, and then allow us to offer
9 input, if you're asking specifically how that
10 process would work.

11 Q Yes, thank you.

12 And so are you -- does any state or federal
13 agency help you plan, or maybe your attorney help
14 you plan for long-term financial goals, or long-term
15 financial funding for water loss and things like
16 that?

17 A Well, our attorney has certainly
18 been active in that area, yes. I mean, we
19 solicited input from Kentucky Rural Water. We
20 obviously have a really good relationship with
21 them. We switched auditors just so we would have a
22 fresh look at our financial records. It's the
23 first year for that. So we do solicit input from
24 them.

25 As far as any other -- in terms of the

1 finances, I don't think that there's any other
2 agency that we would solicit input from.

3 Q Okay. Does your attorney, or
4 whoever is advising you, do you plan for
5 infrastructure needs and how to use depreciation?

6 A Well, we under- -- I think we
7 understand that, but chronologically the way we've
8 approached it, when I started we were basically
9 close to bankruptcy, so the first thing we had to
10 do was make ourselves solvent, so that we could pay
11 our bills. And so our immediate focus was to
12 refinance to have enough operating income to try to
13 take care of the things that we were doing on a
14 daily basis.

15 Q Okay. And is there a written
16 policy about purchases and procedures as far as how
17 that gets approved by the board or what the general
18 manager has authority to make?

19 A There's not an adequate policy,
20 in our opinion, and we know that and we intend on
21 establishing that. Currently we operate in what I
22 think Mr. Schmitt called a custom in a lot of ways,
23 in a lot of areas. I think that's one area.

24 For several years the general manager -- and
25 there's just been one general manager -- has

1 approval to purchase -- again, this is the custom --
2 up to about \$800, unless it's something that
3 requires an immediate or emergency need of some sort
4 within the structure that people are losing service,
5 water service, because of it, then we would have
6 allowed the general manager to go ahead and make
7 that decision on purchasing something without our
8 approval.

9 Q Okay. And just to confirm,
10 Ms. Miller explained that this is new to have a
11 general manager, and that they used to just have an
12 office manager and a field manager, but she's felt
13 like the board was set, that the new structure is
14 going to be what you're going to go with in the
15 future?

16 A The old system was completely
17 dysfunctional. That's my opinion, and of the
18 board.

19 Q Okay.

20 A So we will definitely be looking
21 at one person to hold responsible, yes.

22 Q Do you have anything that you'd
23 like to add as far as what you plan to do as far as
24 the board chair for water loss and focusing your
25 attention on water loss?

1 A Well, water loss is our main
2 priority. That's what we spend most of our time
3 talking about every single meeting, that's what we
4 spend most of our time talking about in between
5 meetings.

6 And I don't know if you're asking are we --
7 what specific activities that I have been involved
8 in with regard to water loss, but I have personally
9 interviewed a couple of engineering firms. I
10 actually think one of those is not an engineering
11 consultant, it's just a general contractor, that
12 specialize in water loss with -- under the
13 assumption that there would be a contract generated
14 that was performance based, that that particular
15 contract would be paid based on how much water they
16 found.

17 I initiated that on my own just as an
18 inquiry. It was informal and, of course, presented
19 that to Ms. Miller. But I had had -- myself had a
20 couple of contacts because of my background, so I
21 made those calls myself, even though it's -- really
22 would be her job and we feel like she's capable of
23 doing that.

24 Q Okay. And you have filed --
25 let's see, April 2018. So you've been a part of

1 these cases, the surcharge case --

2 A Yes.

3 Q -- and the debt restructuring
4 case.

5 A Yes.

6 Q So you have made a lot of
7 attempts to try to put good policy in place and try
8 to create funding for the water loss efforts; is
9 that correct?

10 A Yes. And we are very aware that
11 we have some policies that we need to address.

12 MS. KOENIG: Okay. I don't have anything
13 further. Thank you.

14 COMMISSIONER SCHMITT: Commissioner Cicero?

15 EXAMINATION

16 BY MR. CICERO:

17 Q I'm just curious, how often does
18 the board meet?

19 A Well, officially once a month,
20 but we've had a lot of special meetings in addition
21 to that.

22 Q So there's multiple meetings a
23 month right now?

24 A Yes.

25 Q Do you go through the standard

1 invoice report, approvals, signing checks or
2 authorizing signing checks?

3 A Yes, yes.

4 Q So who is authorized to sign
5 checks? Is it the treasurer?

6 A Actually, all three of us. All
7 three of the board members are authorized.

8 Q Does it require two signatures or
9 one?

10 A Two.

11 Q If you go with this new structure
12 and you add a general manager, does that mean
13 you're going to add a body to the office just by
14 default because your structure is going to come to
15 a point now?

16 A I'm not sure I can answer that
17 question yet. I have some thoughts that would just
18 be opinions. Obviously, we have been really
19 understaffed in the field, and it depends on how we
20 go with the general manager position as to what the
21 fallout or the vacancies would be from there.

22 So it would be our intention right now to
23 add at least one more field person to the staff that
24 we have. As far as adding to the office, that would
25 probably be something that we haven't come to a

1 decision about.

2 Q We've come a long way from the
3 last time we had Estill Water in here, so that's a
4 good thing. That was meant as a good thing.

5 A Thank you.

6 Q If it didn't come across that
7 way, I apologize. It's much better, and your
8 interim general manager seems to know what she's
9 talking about.

10 A Yes, sir.

11 MR. CICERO: So I don't have anything else.

12 THE WITNESS: I agree.

13 COMMISSIONER SCHMITT: Commissioner
14 Mathews?

15 EXAMINATION

16 BY DR. MATHEWS:

17 Q Is that one person in addition to
18 the new person that's been hired to look at leaks?

19 A Yes.

20 Q Okay.

21 A When I started we had one field
22 boss -- terrible choice of words -- three field
23 employees, so there was four field workers. And I
24 early on actually tried to make several phone
25 calls -- actually, in my work with Stantec I work

1 with a lot of water companies and utility
2 relocation. So during the process of my normal day
3 I'm in constant contact with not only the water
4 companies and utilities, but also their engineers.

5 So I've asked a lot of questions about
6 staffing, made a lot of notes, and it was determined
7 that we thought we were two people short in the
8 field when we -- when I first started. Of course,
9 since then we've lost two field people and we've
10 hired two field people; well, actually, now three, I
11 guess.

12 Q So you still think you're one
13 short?

14 A Yes, ma'am.

15 DR. MATHEWS: I don't have anything else,
16 just some clarifications on that answer.

17 * * * * *

18 EXAMINATION

19 BY COMMISSIONER SCHMITT:

20 Q Mr. Click, here, for the record,
21 I have seen in I guess the response to data
22 requests something about the background of the
23 other two board members --

24 A Yes.

25 Q -- the other two commissioners.

1 Would you please, for the record, tell us about --
2 is it Mr. Stickney?

3 A Yes.

4 Q -- about his background.

5 A I don't have that in front of me,
6 I don't think. I can tell you what I know off the
7 top of my head.

8 Q That's fine, because we got the
9 rest of it in the records, but I'd like to hear
10 you.

11 A Mr. Stickney was a long-time
12 employee of Kentucky Rural Water. I think he was
13 in the environmental section, but he spent a lot of
14 time in water districts throughout the state for
15 the last several years. If I hear a sigh back
16 there, I may have said something wrong.

17 That experience that he's had in -- with
18 Rural Water has been very valuable in the district.
19 Also, it's provided us maybe an extra inroad to a
20 really good relationship with Rural Water, which we
21 find is a great resource.

22 And there's some other things that he's
23 brought to the table. He's very active,
24 civic-minded in the community.

25 Q I think I saw somewhere maybe he

1 has a degree in geology?

2 A Geology.

3 Q Is he a geologist?

4 A Yes.

5 Q What about Mr. Johnson?

6 A Mr. Johnson and I used to work
7 together in the school system. When I was high
8 school principal, he was director of pupil
9 personnel for a long time. He knows every inch of
10 the county and most every student and probably
11 between --

12 Q That's a good thing.

13 A Oh, yeah. And he's appropriately
14 named -- truant officer named "Skip" Johnson.
15 Ironic.

16 Q I hope that doesn't say what it
17 implies, you know.

18 A He likes to bring that up.

19 Q As a former school principal,
20 just a couple of comments I guess I'd have as an
21 old school board lawyer. You were involved in
22 budgeting and things, because when you have -- were
23 allocated the funds for the school, you led the
24 site-based council in basically distributing and
25 seeing how the funds were spent; correct?

1 A Correct.

2 Q And the same thing in terms of
3 personnel management. The school principal is the
4 hardest job in the school system, would you agree?

5 A That's what they tell me, yes,
6 sir.

7 Q Sometimes, you know, a -- the
8 problem, at least my perception, with water
9 districts is sometimes the commissioners don't
10 understand or realize, and maybe sometimes don't
11 care, what their actual responsibilities are toward
12 running your organization. Like when you were
13 school principal, your job, you were the CEO of the
14 school and you were responsible for the high
15 school; correct?

16 A That's correct.

17 Q And as a water district
18 commissioner, especially as chairman, the
19 commissioners have a fiduciary duty, just like
20 Mr. Wuetcher does to you-all, just like your doctor
21 would have, you have to the water district to make
22 sure it functions properly as a business
23 organization. That doesn't mean you want to price
24 gouge people, but you can't run on nothing, you
25 know.

1 A Yeah.

2 Q You can't run your automobile on
3 a -- you know, on a gallon of rub alcohol. And
4 that's what -- that's what puts water districts
5 into harm's way and, you know, the verge of
6 insolvency. And it doesn't help the rate payers,
7 the customers. They pay more in the end for bad
8 management --

9 A Uh-huh (affirmative).

10 Q -- than they do if -- you know,
11 if you just go and -- I think you -- your group
12 ought to know that. And we have high hopes for
13 your -- your success and want to do what we can to
14 help you be successful.

15 A Thank you.

16 Q But the main, you know, thing is,
17 too, is -- and we talked about it I guess when we
18 made -- Commissioner Cicero and I -- the statement
19 about the different -- about management and what
20 the -- what the role of the commissioners is as
21 opposed to the role of the general manager.

22 You know, you're to the -- to this district
23 like the school board is to the -- to the
24 superintendent.

25 A Made that same equation several

1 times, yes.

2 Q It's important sometimes, you
3 know, for -- sometimes you can go to too many
4 seminars or too many things, but it's important
5 that the -- probably the general manager always
6 keep up to date on things.

7 Would the board be basically willing to see
8 that the general manager gets to go to training at
9 least once a year or something to various things
10 that the Kentucky Rural Water Association and other
11 people put on to basically keep current on what's
12 going on, and then be able to report to you-all
13 about what you found?

14 A Yes, sir. Well, obviously, too,
15 educators believe --

16 Q Professional development.

17 A -- professional development is a
18 big part of that, and we would be highly in favor
19 of that. And obviously there's a cost involved
20 with that, but we would be -- that would be a
21 priority with us, yes.

22 COMMISSIONER SCHMITT: I don't have
23 anything else. Once again, I appreciate
24 your coming and especially bringing all of
25 your other people, even though, you know,

1 we don't need them because, quite honestly,
2 Ms. Miller provided a lot more information
3 than sometimes we usually get from the --
4 from the general manager. So thank you.

5 Mr. Chandler?

6 MR. CHANDLER: I don't want to let anybody
7 down.

8 EXAMINATION

9 BY MR. CHANDLER:

10 Q Good evening.

11 A Good evening.

12 Q There was a discussion earlier
13 with Commissioner Mathews about losing field
14 employees recently.

15 A Yes.

16 Q Remember that?

17 A Yes.

18 Q Do you -- how many of the field
19 employees have you lost since you have arrived?

20 A Two.

21 Q Two. Do you -- do you know the
22 reason why they left? Let me withdraw the
23 question.

24 A That would be speculation.

25 Q Did they leave or were they

1 fired?

2 A No. They left.

3 Q Do you know why they left?

4 A I think it would be speculation.

5 I do know, and Ms. Miller, I think, went on the
6 record to say that the board had agreed that the
7 function -- the prior system was dysfunctional in
8 terms of how we had it set up with basically
9 co-managers. So we had officially made it known
10 that we were restructuring and going with one
11 general manager.

12 You know, it would be pure speculation if
13 that would be the reason Mr. Richardson chose to
14 leave, but it was near the same time period, but it
15 would be, again, speculation.

16 Q So Mr. Richardson was one of
17 those two that left, one of the two field
18 employees?

19 A Yes.

20 Q Who was the other field employee
21 that left?

22 A Do you want his name?

23 Q Yeah, just curious.

24 A Earl Embry was his name.

25 Q And was he an operator or --

1 A He was not an operator, no. He
2 was just an employee in the field.

3 Q And the reason I ask, I mean,
4 it's your understanding that as a general matter,
5 Estill County has quite a few seasoned employees;
6 right?

7 A I guess that would be a matter of
8 opinion. We've got two that are really seasoned in
9 the field, three that are really seasoned in the
10 office, and then we got two -- well, really three
11 that are unseasoned in the field now.

12 Q Let me -- let me do a little
13 testifying. That's much more seasoned than we see,
14 than I see, in a lot of other water districts.

15 A I'm assuming, based on what I --

16 Q Is there an expectation that
17 going forward, if the board does see any
18 significant amount of turnover, that policies or
19 procedures may need to be put in place to determine
20 why employees are leaving, or some sort of -- some
21 sort of conversation upon their exit as to maybe
22 the issues that led to their -- led to them
23 leaving?

24 A As far as -- I don't know about
25 policies that would be in place. I think that

1 having those conversations are vital. I think, you
2 know, we -- I took -- again, Ms. Miller's assigned
3 to the run the district and we're not -- she's
4 assigned to hire. Our job is to hold her
5 accountable and to evaluate her, the hiring...

6 But we also do some investigative where we,
7 you know, we ask the employees why they chose to
8 leave at the time they did. I took it upon myself
9 to ask that question. I'm not sure I got a straight
10 answer, but I think it's important to know the
11 culture of the office, and if there's something
12 that's causing a problem, we need to know about it.

13 Q As chairman of the board, are you
14 content with the board's current accountant?

15 A Yes, but we've only had him for a
16 year. We really haven't gone through enough of an
17 evaluation process. As far as I know they're fine,
18 but this will be the first experience we have had
19 with them.

20 Q And so you mentioned something
21 about an auditor. So has the district recently
22 gotten a new accountant or a new auditor or both?

23 A Both.

24 Q Both?

25 A Well, I don't know the answer to

1 that. The auditor is new. The accountant position
2 I assume goes along with that. We don't have an
3 accountant on anything other than a retainer. Are
4 you asking do we have an accountant working for us?

5 Q Well, no. I'm asking -- well,
6 you mentioned earlier an accountant, and then
7 separately you mentioned an auditor. So I was
8 curious if you have an outside accountant that
9 after maybe the office manager does the books if
10 they are sent outside to be reconciled, or if it's
11 just a year-end audit, or you go outside to get a
12 CPA to help, you know, do taxes or to do an audit
13 or to compile the annual report?

14 A To my knowledge we have an
15 auditor, and that auditor has accountants in the
16 firm that we have consultation with. That's my
17 understanding of the agreement.

18 Q But the person that "does the
19 books," that's an internal function?

20 A That does the audit?

21 Q Payroll?

22 A Payroll is internal.

23 Q Payroll is internal, okay.

24 And determining depreciation schedules --

25 A That's --

1 Q -- is that an internal function?

2 A -- up to the accountant and/or
3 auditor, and we've had a lot of discussion about
4 depreciation schedules.

5 Q What have those discussions been?

6 A Well, it's been advised that we
7 should be depreciating over 62 and a half years,
8 and the former auditor/accountant, I'm not sure if
9 I -- I am putting those two together, and you
10 seem --

11 Q That's okay.

12 A -- to not maybe think that should
13 be -- maybe some of the districts are using a
14 separate auditor and accountant, but we were --

15 COMMISSIONER SCHMITT: They don't use them
16 very well, I can tell you that.

17 A Okay. Well, the advice that --
18 or the former auditor/accountant had set up a
19 schedule, I believe it was on 40 years. I'm just
20 guessing.

21 BY MR. CHANDLER:

22 Q That's for mains or distribution
23 pipes?

24 A All.

25 Q And do you know if your -- do you

1 know if the utility is depreciating meters?

2 A You know, I don't know what's
3 included in that depreciation schedule for sure. I
4 should, but I don't know that. I mean, it's the
5 entire system, anything that has depreciation as a
6 part of the infrastructure.

7 MR. CHANDLER: I'll finish there, Chairman.
8 I appreciate it. Thank you. Thank you. I
9 appreciate it.

10 EXAMINATION

11 BY COMMISSIONER SCHMITT:

12 Q Let me -- I think what
13 Mr. Chandler was probably referring to, apparently
14 a number of water districts that in my judgment
15 aren't very well-managed, they farm out all of
16 their bookkeeping to an outside accounting firm who
17 doesn't -- they don't -- I don't know what they
18 pretend to be, but they don't act as accountants,
19 they simply just do the same functions that your
20 people do in your own office, but charge a lot more
21 money for it.

22 A I understand, okay.

23 Q And somebody else is the auditor.
24 But I understand what your organization does, is
25 you use an auditor just like the school district

1 would use --

2 A Yes.

3 Q -- an accounting firm as an
4 auditing firm?

5 A Yes.

6 Q Who is your auditor?

7 A I wrote this down. They're out
8 of London. I'm sorry, I should know them. I even
9 wrote it down last night to remind myself, because
10 I don't -- and she can answer it.

11 MS. MILLER: Robert Abner and Christian
12 Sturgeon out of London.

13 A We reviewed them, evaluated them,
14 I just can't remember the name.

15 BY COMMISSIONER SCHMITT:

16 Q Sometimes -- I know it's -- a lot
17 of times school districts do this, they get
18 comfortable with an auditor and keep the same one,
19 but the Department of Education always recommends
20 that about every three years you rotate; so
21 somebody new might pick up a problem that somebody
22 else is used to. Nothing wrong with the one you
23 leave, but it's just not -- get a fresh look.

24 A And that's exactly why we chose
25 to make a change, just to get a fresh look and make

1 sure some of our practices were good, and there
2 were a few things that we felt like we'd just try
3 to clean up, tidy up and to get some new vision,
4 new look.

5 MR. CHANDLER: Chairman, I do have one just
6 quick -- sorry. And I was going with it,
7 and I apologize.

8 EXAMINATION

9 BY MR. CHANDLER:

10 Q In terms of inquiring
11 about whether AMI meters versus AMR meters
12 versus -- just throwing it out there, you know,
13 electromechanical meters, when looking at whether
14 something is cost beneficial, a large capital
15 project, it would be multi millions of dollars, who
16 does the board anticipate will lead those
17 discussions and who do they anticipate will be the
18 one that determines what is the most cost
19 beneficial? Who will be conducting those analyses?

20 A Well, I mean, the engineer that
21 you have on -- the consultant engineer would be one
22 of the primary people that we would go to.
23 Ms. Millier, in collaboration with the board, would
24 discuss benefit-cost analysis. I mean, that's --
25 sort of listening to that line of questioning

1 earlier about the cost of the meters and whether
2 they're beneficial, that could be a pretty in-depth
3 analysis or study.

4 I will say that the current board, as a
5 theme, believes that we can use technology to our
6 advantage, and that real-time data and analysis is
7 important for locating the water loss; that the more
8 real-time data we have, better chance we have of
9 finding the water we're losing. And it's a benefit
10 to the customer because, you know, we know
11 immediately if somebody has a service line leak.

12 We have examined a bunch of different prices
13 and meter setups, including one real obscure meter,
14 maybe Switzerland or Sweden, that has an AMI chem
15 stroke, or com stroke, that is significantly
16 cheaper. We have listened, as Ms. Millier has done
17 most of that investigation. We've done our own
18 analysis as well.

19 As far as who we would consult to know
20 whether that was beneficial, the first person we
21 would go to would be our engineer and probably
22 Mr. Wuetcher and whatever experience that he would
23 have.

24 As far as I know, there's no consultant can
25 do that analysis. And if there were, I'm assuming

1 they would charge us pretty good amount, because
2 that would be a significant amount of data that
3 would need to be collected in order to make that
4 benefit-cost ratio.

5 MR. CHANDLER: Thank you, Chairman.

6 COMMISSIONER SCHMITT: Mr. Wuetcher?

7 MR. WUETCHER: No questions.

8 COMMISSIONER SCHMITT: Anything else?

9 MR. CICERO: Two questions.

10 EXAMINATION

11 BY MR. CICERO:

12 Q I asked Ms. Miller about mergers
13 or sale or any type of process like that that was
14 considered, and I know she was a little defensive
15 about that and didn't seem to like the idea. And
16 I'm wondering if the board has had any
17 consideration given to that prospect or --

18 A We have both formally and
19 informally discussed that, obviously. And I maybe
20 equate the water district too much to schools, but,
21 you know, there was obviously a time period where
22 school mergers were -- and I see a lot of
23 similarities, maybe I shouldn't. But duplication
24 of services is a waste of money and we're aware of
25 that.

1 And I do think that Ms. Miller's answer I
2 100 percent agree with in terms of we don't know the
3 condition -- if Irvine was the first utility that we
4 approached with a merger, we don't know their
5 condition in terms of water loss. Our informal
6 conversations have mostly been with Irvine, we have
7 discussed them. We have discussed possible terms,
8 all informally. Those discussions actually have
9 been -- they go way back, even in the '90s, maybe.
10 It wasn't a new topic for those two utilities to
11 merge.

12 In our opinion, we -- I don't want to say
13 pride takes over. You know, we hope -- we don't
14 know that we've been on there long enough to show
15 whether we are capable of running the district. And
16 the only advantage that I would see to a merger
17 would be avoidance of those duplication of services,
18 if we can do it efficiently ourselves. And I'm not
19 sure that we feel like -- this board feels like they
20 have been on there long enough to seek a merger
21 right off the bat; obviously, if we get in bad
22 enough financial shape.

23 The other aspect of that was, if we approach
24 a utility to merge and we hadn't had some leverage,
25 and if we felt like that we were way in debt and had

1 no leverage, then we have no protection of our
2 customers or employees, which are our two
3 priorities, in that order.

4 Q So the short answer is --

5 A Sorry about the long answer.

6 Q -- you're not necessarily opposed
7 to it, but it is something that would have to be
8 evaluated more thoroughly?

9 A Yes. Done quite a bit of
10 research on some of the assoc- -- or the
11 conglomerations, North Shelby, some of those, Wood
12 Creek Water. They have put more than one county
13 water district, not a municipality, together. But
14 that's --

15 Q But as far as a sale, which there
16 could be, were you there when Kentucky American
17 Water was --

18 A I did not speak with Kentucky
19 American Water. Ms. Miller made us aware that they
20 had contacted her, and we agreed that we should
21 listen to whatever they had to say.

22 Since they had made that contact -- which I
23 don't remember exactly the time frame, it's not been
24 that long, it's been this year -- you know, we've
25 had a lot of other stuff we're trying to get cleaned

1 up. I don't want to say we got to get cleaned up to
2 take a bath, but we felt like we needed to shape
3 some things up before we made that -- entered into
4 that conversation. But we're not opposed to it.

5 Q I was going to say the only thing
6 the Commission, I think, is interested in is that
7 everybody keeps an open mind. Not necessarily that
8 it's the best thing, just that it's not discarded
9 out of hand.

10 A Yes, sir. We have an open mind
11 to that. Obviously, the biggest hindrance is
12 the -- you know, our loyalty to the employees who
13 would lose their retirement benefits in that case.

14 MR. CICERO: I don't have anything else.
15 Thank you.

16 COMMISSIONER SCHMITT: Commissioner
17 Mathews?

18 EXAMINATION

19 BY DR. MATHEWS:

20 Q Sometimes in school systems when
21 there's a principal that leaves mid year or
22 something, or a new school, they will hire an
23 interim principal, and part of the deal with that
24 person may be that, well, this is a person who is
25 not going to apply for the full-time position.

1 That's not the case with Ms. Miller?

2 A I think I can speak on behalf of
3 the board to answer that question without it just
4 being my opinion. No. We consider Ms. Miller a
5 very viable candidate for that position.

6 Q Because sometimes those are the
7 cases where you have an interim, and the deal with
8 the interim is you're not looking for this
9 full-time.

10 A That's correct. And particularly
11 with superintendents that's been the case, they
12 don't want it to be somebody that's a candidate.
13 We kindly got off guard. Mr. Richardson resigned
14 the day he left.

15 Q No two weeks' notice?

16 A No, ma'am. So he signed out and
17 left. So we did have to make some abrupt
18 decisions.

19 DR. MATHEWS: Okay.

20 EXAMINATION

21 BY COMMISSIONER SCHMITT:

22 Q Let me say, you know, if
23 you're -- where I'm from Paintsville, where the
24 system took over the Johnson County water system,
25 gosh, back probably in the early -- maybe mid

1 1970s, because the county judge appointed his
2 daughter and a bunch of other people on the board,
3 and they proceeded to ruin it in short order. And
4 they couldn't pay the bills because of the leaks.

5 So Paintsville had to take it over. And
6 they provide ultimately the oil fields out in the
7 Martha, Kentucky area. Ashland Oil had some
8 environmental problems, and so they paid for
9 Paintsville to run their lines into Lawrence County.
10 And so they go into Lawrence County and parts
11 sometimes into Morgan and others, run sewer into
12 Martin County, through Floyd.

13 But I say that because I wasn't a very good
14 board member, but I was on the Paintsville Utility
15 Commission for three years. And after all that was
16 done, and there wasn't anybody felt that the people
17 in Martin County or Floyd or people out in Johnson
18 County were any different. It was just all our
19 system. You know what I'm saying?

20 A Right.

21 Q And although it wasn't done in
22 the beginning, Paintsville basically, by ordinance,
23 changed its ordinance to put Johnson County always
24 on the board.

25 So I'm -- all I'm saying is, is that if you

1 did consider it, you could negotiate a deal where
2 you had the same number -- now, I don't know if
3 that -- they may or may not want to go along with
4 that, but where you could have members where the
5 rates could be the same, you could -- all I'm saying
6 is you don't -- merger doesn't necessarily mean you
7 just give them your system and you don't have
8 anybody that's any representation on it.

9 A And I think if I understand
10 correctly from the past, when those merger talks
11 were discussed, that the sticking point was about
12 representation on the board, actually. So in our
13 informal conversations we have tried to ask the
14 supervisor of IMU, you know, what the thoughts were
15 to get an idea whether we needed to go, because
16 obviously we needed to make sure we had some sort
17 of representation.

18 We feel a whole lot more stable now and
19 probably are in a better position to ask for some of
20 those things if a merger were to be the direction we
21 went. I don't know if they knew our condition when
22 we first started those talks and they may have
23 investigated it and said --

24 DR. MATHEWS: It's pretty much public
25 record.

1 THE WITNESS: Yeah, that's a good point.

2 BY COMMISSIONER SCHMITT:

3 Q I think everybody feels like
4 that, you know, probably because of declining
5 population or increased costs there are fewer
6 customers to spread higher costs over. So there is
7 an economy of scale and, you know, paying
8 management, buying things at a lower cost. It's
9 just like schools, you know. If a small school
10 district can survive and be run well, people ought
11 to have what they want, as long as they can provide
12 a good service and pay for it.

13 A Yes.

14 Q Now, you agree with that; right?

15 A Yes, absolutely.

16 Q When you can't, then it comes
17 time to do something else.

18 A Yes.

19 COMMISSIONER SCHMITT: But we wish you
20 luck.

21 THE WITNESS: Thank you.

22 COMMISSIONER SCHMITT: Anything?

23 MS. KOENIG: No further questions.

24 COMMISSIONER SCHMITT: All right. If
25 there's nothing else, may this witness be

1 excused?

2 MS. KOENIG: Yes.

3 COMMISSIONER SCHMITT: Okay. If there's
4 nothing more, this -- you got something?

5 MS. KOENIG: We -- we would like to call
6 Mr. Murphy for just a few follow-up
7 questions.

8 COMMISSIONER SCHMITT: Okay. All right.

9 Mr. Murphy, please raise your right
10 hand.

11 * * * * *

12 The witness, WILLIAM MURPHY, after first
13 being duly sworn, was examined and testified as
14 follows:

15 COMMISSIONER SCHMITT: Please be seated.

16 Mr. Wuetcher?

17 EXAMINATION

18 BY MR. WUETCHER:

19 Q Good afternoon, Mr. Murphy.
20 Would you please state your name and business
21 address for the Commission?

22 A William Murphy, Estill County
23 Water District, 76 Cedar Grove, Irvine, Kentucky
24 40336.

25 Q And are you an employee of Estill

1 County Water District?

2 A Yes.

3 Q What's your position?

4 A Operations manager.

5 Q How long have you been an
6 employee of Estill County Water District?

7 A Little over 12 years.

8 Q And how long have you been
9 operations manager?

10 A Since mid to end of February.

11 Q And what is the -- let me step
12 back a second.

13 Are you a certified operator?

14 A Yes.

15 Q Okay. And how long have you been
16 a certified operator?

17 A Ten (10) years.

18 Q And can you just briefly describe
19 for the Commission what your duties are as
20 operational manager?

21 A Take care of any daily activity
22 that goes on outside of the office. That's hard to
23 explain everything we do. Anything -- any outside
24 activity, yeah.

25 Q So you're responsible for

1 operating the distribution system?

2 A Yes.

3 Q And I take it anything dealing
4 with meters, you're ultimately responsible for
5 that?

6 A Yes.

7 Q Same thing in terms of handling
8 any outside equipment?

9 A Yes.

10 Q Or any -- any customer complaints
11 related to the operation of the system?

12 A Uh-huh (affirmative).

13 MR. WUETCHER: That's all the questions I
14 have, Your Honor. I tender the witness for
15 examination.

16 COMMISSIONER SCHMITT: Ms. Koenig?

17 MS. KOENIG: Thank you.

18 EXAMINATION

19 BY MS. KOENIG:

20 Q I just have a couple questions.

21 Just to clarify, there's been some testimony
22 about meter testing. And can you -- does Estill
23 County test their meters?

24 A There's no --

25 Q There's no testing?

1 A (Witness shakes head.)

2 Q That's what the Department of
3 Inspections had. So you're just replacing meters?

4 A Yeah.

5 Q Okay. Do you have a meter
6 testing bench?

7 A Uh-huh (affirmative).

8 Q Is it certified?

9 A I'm not sure if it's up to date
10 right now, but it has been.

11 Q But you're not using it to test
12 and --

13 A No. Just occasional taking it on
14 ourself to check a couple.

15 Q And I think Ms. Miller has
16 verified that it was not really testing, it was
17 just comparing --

18 A Yeah, right.

19 Q -- the new ones?

20 A Right.

21 Q So I think that's clarified.

22 Okay.

23 And then question DR 1, 8, it says there's
24 no preventive maintenance program. Do you have a
25 schedule or a maintenance schedule?

1 A Not at this time, no.

2 Q Would you agree that that would
3 be important --

4 A Oh, yes.

5 Q -- to the district?

6 Okay. Was that anything that you operated
7 under with Mr. Richardson?

8 A No. As far as I know we've never
9 had anything.

10 Q Was his fractured relationship
11 with the board, is that anything that's going to
12 impact you going forward --

13 A Huh-uh (negative).

14 Q -- in this position?

15 You have a good relationship with all the
16 people at the district?

17 A Oh, yeah.

18 Q Okay. So my last question is
19 about -- do you fill out the water loss reports?

20 A Uh-huh (affirmative).

21 Q Do you -- can you explain the
22 process and include the timing of when you read the
23 meters about when you get your water loss
24 information and when you calculate your water loss?

25 A I get it after -- we start

1 reading meters around the 10th. It takes us three,
2 three and a half days, and then -- that's all with
3 the computer reads, and then we have to go out and
4 manually read a few that the computer misses or
5 miss -- and then it usually gets put all on the
6 computer around the 16th or 17th or something.

7 Then I get a printout of all that, and then
8 we get the -- all our readings from our master meter
9 at the purchase points, get the usages on those. So
10 it's all within a couple days' variances, about a
11 month or...

12 Q So it's just separated by a
13 couple days?

14 A Yeah. It's pretty close, yes.

15 Q Do you think that affects your
16 water loss calculations at all?

17 A Not -- might vary a little bit
18 through the month, but the yearly total, it's all
19 going to catch up at the end of the year anyway.

20 Q Is there a standard procedure for
21 that, or does Kentucky Rural Water Association --

22 A I've never seen --

23 Q -- have an opinion on that?

24 A Huh-uh (negative). It's whatever
25 best suits the districts, I guess.

1 Q Okay. And then the water loss
2 prevention and leak detection program, it was filed
3 in response to DR 1, Question 3, and I'm not sure
4 if you're familiar with that. If you're not, you
5 can look it up.

6 A Yes.

7 Q But you're familiar?

8 A Uh-huh (affirmative).

9 Q So is that followed?

10 A I didn't know it existed until a
11 month before this hearing.

12 Q Okay. And so where did you find
13 that?

14 A In the filing cabinet.

15 Q And that was found with the maps
16 that you said -- or Ms. Miller testified that
17 you-all dug out maps that Mr. Richardson --

18 A It was in a different spot, but
19 yeah.

20 Q But it was part of that effort
21 to --

22 A Uh-huh (affirmative).

23 Q Okay.

24 A Uh-huh (affirmative).

25 Q It talked about -- I'm sorry, in

1 some of your responses to this case in DR 2, 19 it
2 talked about establishing master meter zones.

3 A Uh-huh (affirmative).

4 Q And in that detection plan it
5 talks about master monitor meters or something
6 similar.

7 A Right.

8 Q But have any -- have any master
9 meter zones been established?

10 A The zones have been established,
11 but --

12 Q Okay, the zones are there, but
13 there's no zone meters?

14 A Right. Right.

15 MS. KOENIG: Okay. Okay, thank you. I
16 have no further questions. I appreciate
17 it.

18 MR. CICERO: No questions from me.

19 DR. MATHEWS: None from me.

20 EXAMINATION

21 BY COMMISSIONER SCHMITT:

22 Q The zones are shown on a map?

23 A Right.

24 Q I mean, they exist because they
25 exist only on this map --

1 A Right.

2 Q -- that you found sometime a
3 month or so before this hearing?

4 A Not the map part, but we just
5 come up with the other blue zones a month ago --

6 Q Oh, you, then. Okay, all right.

7 A Right.

8 Q You and Ms. Miller, and the
9 engineer or somebody --

10 A Right. Right.

11 Q -- working on the zone?

12 But Mr. Richardson had a map that
13 apparently --

14 A It was similar to what we come
15 out with. We just kind of fine tuned it and made
16 it more --

17 Q But you didn't know about -- you
18 worked with Mr. Richardson for years; correct?

19 A Right.

20 Q And he was your supervisor?

21 A Uh-huh (affirmative).

22 Q And he allegedly had made this
23 map and put zones on it --

24 A Uh-huh (affirmative).

25 Q -- for leak detection purposes?

1 A Right.

2 Q But he never told you about it?

3 A I -- just hearsay or, you know,
4 or brief...

5 Q Hearsay. You didn't know about
6 the map until you found it --

7 A Right.

8 Q -- right?

9 A I heard -- I know he was working
10 on some kind of something, you know, but that
11 was...

12 Q It was a secret project?

13 A I guess.

14 COMMISSIONER SCHMITT: Mr. Chandler?

15 * * * * *

16 EXAMINATION

17 BY MR. CHANDLER:

18 Q Yeah, you were in the room
19 earlier. You heard the discussion about pulling
20 the 30 meters and then putting the new meters on
21 it. Do you-all still have those 30 meters?

22 A Still have them, but I have no
23 paperwork on them, which ones was actually pulled
24 and all.

25 Q So there's no way to decide

1 whether those 30 meters were actually testing
2 accurately on the bench?

3 A (Witness shakes head.)

4 Q You just had the water usage
5 compared to what the new meters produce?

6 A Right.

7 MR. CHANDLER: That's all I have, Judge.

8 COMMISSIONER SCHMITT: Mr. Wuetcher?

9 MR. WUETCHER: Just a couple questions.

10 EXAMINATION

11 BY MR. WUETCHER:

12 Q The zone maps, that's part of the
13 Corrective Action Plan, the new map?

14 A Yeah, uh-huh (affirmative).

15 MR. WUETCHER: I hate to ask this, so --
16 I'll tell what, I'm not going to ask it.
17 I'm finished, Your Honor. Thank you.

18 COMMISSIONER SCHMITT: Okay. May this
19 witness be excused?

20 MS. KOENIG: Yes, sir. Thank you.

21 COMMISSIONER SCHMITT: You may step down.

22 Is there anything else?

23 MS. KOENIG: No.

24 COMMISSIONER SCHMITT: If not, then this
25 hearing is adjourned. Thank you, all.

PSC Hearing
In Re: Estill County Water District

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THEREUPON, the Hearing was concluded at
5:19 p.m.

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STATE OF KENTUCKY)
COUNTY OF FAYETTE)

I, JOLINDA S. TODD, Registered Professional Reporter and Notary Public in and for the State of Kentucky at Large, certify that the facts stated in the caption hereto are true; that at the time and place stated in said caption the witnesses named personally appeared before me, and that, after being duly sworn, were examined by counsel for the parties; that said Hearing was taken in stenotype by me and later reduced to computer-aided transcription and the foregoing is a true record of the testimony given by said witnesses.

My commission expires: August 24, 2019.

IN TESTIMONY WHEREOF, I have hereunto set my hand and seal of office on this the 11th day of August 2019.

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