

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 North Manchester Water Association, Inc. 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  
Frankfort, KY 40602

DATED           **OCT 07 2019**          

cc: Parties of Record



Transcript of the Testimony of **PSC Hearing**

**Date:** July 10, 2019

**Case:** In Re: North Manchester Water Association, Inc.

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COMMONWEALTH OF KENTUCKY  
KENTUCKY PUBLIC SERVICE COMMISSION

CASE NO. 2019-00041

IN RE:

NORTH MANCHESTER WATER ASSOCIATION, INC.

\* \* \* \* \*

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

Andrew Bowker, Esq.  
John Rogness

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ON BEHALF OF THE ATTORNEY GENERAL:

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Justin McNeil, Esq.

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ON BEHALF OF THE NORTH MANCHESTER  
WATER ASSOCIATION, INC.

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Raleigh Shepherd, Esq.

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EXHIBITS

(No exhibits were marked.)

1 COMMISSIONER SCHMITT: We are now on the  
2 record. This the Kentucky Public Service  
3 Commission. My name is Michael Schmitt,  
4 I'm Chairman of the Commission. Seated to  
5 my right is Vice Chairman Robert Cicero and  
6 to my left Dr. Talina Mathews. We are here  
7 this morning for the purpose of taking  
8 evidence in Case Number 2019-00041,  
9 Investigation into Excessive Water Loss by  
10 Kentucky's Jurisdictional Water Utilities.

11 The testimony this morning will  
12 concern North Manchester Water Association.  
13 This case is one of 11 contained in the  
14 above mentioned action. The others are  
15 Morgan County Water District, Cawood Water  
16 District, Estill County Water District,  
17 Farmdale Water District, the West Carroll  
18 Water District, Southern Water District,  
19 Hyden-Leslie Water District, Rattlesnake  
20 Ridge Water District, Big Sandy Water  
21 District and Milburn Water District.

22 Two other water districts are also a  
23 part of this group, but are not in this case  
24 because other cases were already pending,  
25 and those are Cannonsburg Water District and

1 Martin County Water District.

2 In order to deal with these 11  
3 combined cases, the Commission determined to  
4 basically hold two hearings per day. So  
5 this morning we're starting with North  
6 Manchester Water Association, and at 1:00 in  
7 Hearing Room 2 we will begin a hearing on  
8 Estill County Water District.

9 If this case has not completed by  
10 1:00, Vice Chairman Cicero will continue  
11 this case to its conclusion and I will begin  
12 the Estill County Water District case in the  
13 other hearing room.

14 We will plan to start this hearing  
15 momentarily, and we'll continue to noon and  
16 we'll break at noon for a one-hour lunch.  
17 Yesterday we had Morgan County Water  
18 District, and because their engineer was on  
19 the stand it was 12:30, so we took another  
20 hour.

21 So this case is being recorded by  
22 video, and normally we have a log prepared,  
23 and Ms. Warfield, who was with us a moment  
24 ago, is responsible for that. But in these  
25 cases we have instead employed court

1           reporters. So our court reporter is here  
2           this morning and will be taking a verbatim  
3           transcript, which together with the video  
4           will constitute the record, the official  
5           record in the case. And that transcript  
6           when completed will be available to the  
7           parties.

8                        Now, when we began this hearing, or  
9           when the hearings were scheduled, it was  
10          envisioned that all of the hearings in this  
11          room, Hearing Room 1, would be streamed live  
12          over the internet, which has always been our  
13          practice. At the end of May we completed a  
14          project which involved an entirely new video  
15          system with large screens and, of course, a  
16          lot of extra capacity. As happens sometimes  
17          when things are new, they don't work, so  
18          everything was fine Monday evening, and  
19          Tuesday morning when we got in here the  
20          video works, but there is no live  
21          streaming -- streaming, I'm sorry. However,  
22          later this afternoon this video will appear  
23          on our website.

24                       Hearings in the afternoon in the small  
25          hearing room are capable of being videoed

1 but not being streamed, so if anyone cared  
2 to look at anything -- any of the afternoon  
3 hearings, you'd have to go basically on our  
4 website late in the evening or the following  
5 day.

6 So that being said, the parties to  
7 this proceeding are North Manchester Water  
8 Association, and the only intervenor in the  
9 case is the Office of the Kentucky Attorney  
10 General.

11 At this time I would like to ask  
12 Mr. Shepherd to stand, identify himself, his  
13 client and the witnesses who will be with  
14 him here today.

15 MR. SHEPHERD: Yes, Your Honor, my name is  
16 Raleigh Shepherd and I represent North  
17 Manchester Water Association. We have with  
18 us today, Your Honor, Jerry Rice, the  
19 distribution manager; we have Ted Woods,  
20 the accountant and a board member; we have  
21 Steve Davis, chairman of the board; we also  
22 have Mike Maggard, our engineer.

23 There was a request, Your Honor, an  
24 order, I think it was No. 7 where the  
25 Commission asked for Josephine Gross.

1 Ms. Gross has cancer and could not be here  
2 today, but we have a substitute board member  
3 for her, and it's Mr. Bobby Wolfe. He's  
4 also here today.

5 COMMISSIONER SCHMITT: That will be fine.  
6 Thank you very much.

7 MR. SHEPHERD: Thank you, Your Honor.

8 COMMISSIONER SCHMITT: Mr. McNeil.

9 MR. McNEIL: Justin McNeil on behalf of the  
10 Kentucky Attorney General's Office.

11 COMMISSIONER SCHMITT: Thank you. And on  
12 the behalf of staff.

13 MR. BOWKER: Andrew Bowker and John Rogness  
14 for Commission staff. Thank you.

15 COMMISSIONER SCHMITT: Mr. Bowker, I think  
16 that notice -- I believe I checked on this  
17 the other day -- notice of this hearing was  
18 given and I think filed in the record. Is  
19 that correct?

20 MR. BOWKER: Yes, sir, that's correct.

21 COMMISSIONER SCHMITT: Now, is there any  
22 reason why we shouldn't go ahead and  
23 proceed with taking testimony at this time?

24 MR. BOWKER: No, sir.

25 COMMISSIONER SCHMITT: The order of the

1 testimony, because this is an investigatory  
2 hearing as opposed to a rate case or any  
3 kind of contested proceeding, would be that  
4 Mr. Bowker on behalf of staff will question  
5 first, followed by Commissioners, and then  
6 Mr. McNeil for the Attorney General.

7 And then, Mr. Shepherd, if you'd like  
8 to conduct a Direct Examination to fill in  
9 any gaps or explain anything, that would be  
10 fine, but it's not necessary, so it's up to  
11 you.

12 MR. SHEPHERD: That's fine, Your Honor.

13 COMMISSIONER SCHMITT: Whatever you feel  
14 like.

15 MR. SHEPHERD: I have no objection to that  
16 procedure. That's fine.

17 COMMISSIONER SCHMITT: The only other thing  
18 is, is that I guess Mr. Bowker has I assume  
19 made a decision as to what witnesses he'd  
20 like to hear from first, and if -- when he  
21 identifies them, if you would be kind  
22 enough to ask your witness to come to the  
23 stand, I will swear the witness in, and if  
24 you could ask the preliminary questions of  
25 name, what he does, that kind of thing, to

1 set up his examination would be  
2 appreciated.

3 MR. SHEPHERD: Yes, Your Honor.

4 COMMISSIONER SCHMITT: Mr. Bowker, are you  
5 ready?

6 MR. BOWKER: Yes, sir. We'd like Jerry  
7 Rice first, please.

8 COMMISSIONER SCHMITT: Mr. Rice, please  
9 raise your right hand.

10 \* \* \* \* \*

11 The witness, JERRY RICE, after first  
12 being duly sworn, was examined and testified as  
13 follows:

14 COMMISSIONER SCHMITT: You may be seated.  
15 Mr. Shepherd, you may ask.

16 EXAMINATION

17 BY MR. SHEPHERD:

18 Q Yes, Your Honor.

19 Mr. Rice, would you please state your full  
20 name for the record?

21 A Jerry Lee Rice.

22 Q And, Mr. Rice, what is your  
23 mailing address?

24 A P.O. Box 305, Hoskinston,  
25 Kentucky 40844.

1 Q And how are you employed, sir?

2 A I'm distribution manager, North  
3 Manchester Water.

4 Q How long have you been in that  
5 position?

6 A Since March 1st.

7 MR. SHEPHERD: Pass the witness, Your  
8 Honor.

9 COMMISSIONER SCHMITT: Mr. Bowker.

10 EXAMINATION

11 BY MR. BOWKER:

12 Q Mr. Rice, how are you today, this  
13 morning?

14 A Good. How are you?

15 Q I'm going to refer you to our  
16 first data request. That was in Appendix C of the  
17 March 12 order, and I'm just going to direct you to  
18 that data request. And it's Question 36 and  
19 Question 37 is what I'm looking at right now.

20 Question 36 and 37 are regarding the theft  
21 of water service. I'll give you a second to find  
22 that.

23 A Okay, yeah.

24 Q Okay. Can you explain, sir, the  
25 various ways theft of service would be detected?

1           A           Unless, you know, you have  
2 someone that has a pipe that's in the setter and  
3 it's flowing maybe 30 or 40 gallons a minute or so,  
4 probably the only way you could see it may be on  
5 the SCADA. But if -- most of the time we do a  
6 disconnect, we go back and check those regularly.  
7 And so that's how we deal with that.

8           Q           Okay. Is there a -- is there no  
9 written policy or written procedure for dealing  
10 with water theft?

11          A           Not that I'm aware of.

12          Q           Do you know if that's ever been  
13 discussed -- you've been there since March 1st --

14          A           March.

15          Q           -- of -- March 1st of --

16          A           Of this year.

17          Q           This year?

18          A           Yes.

19          Q           Are you aware of any discussion  
20 about creating a written policy or procedure for  
21 dealing with theft of water?

22          A           I don't know. I don't know what  
23 their policy was before in the past, so...

24          Q           Are you aware if there had been  
25 any discussion with the county attorney, either

1 previous county attorney or this county attorney,  
2 or Commonwealth attorney, regarding theft of water?

3 A No. I think they may have in the  
4 past, but I'm not, you know, familiar with that.

5 Q Do you know at all if they --

6 A Not 100 percent sure. That might  
7 be something that Mr. Davis could elaborate on.

8 Q Okay. I'll ask him that. Thank  
9 you.

10 MR. CICERO: So since you've been there,  
11 there's been no cases of theft?

12 THE WITNESS: Since I've been there we had  
13 one case of theft. We actually had to go  
14 out and we took the old system out of the  
15 ground. But that's the only one. And  
16 we -- we didn't refer it to the county  
17 attorney or anything.

18 MR. CICERO: You did not refer?

19 THE WITNESS: Huh?

20 MR. CICERO: You did not refer?

21 THE WITNESS: We did not.

22 MR. CICERO: And that was a decision that  
23 was based on?

24 THE WITNESS: Well, we felt like maybe, you  
25 know, if they ever wanted to hook back up,

1 we could charge them, you know, the full  
2 price of the bars and stuff they damaged,  
3 and plus -- and plus with -- we could run  
4 it by the board about maybe charging  
5 another tap fee, which is \$1,033.

6 MR. CICERO: But, again, there was no  
7 specific no plan? It was --

8 THE WITNESS: I mean, I don't think we  
9 have, that I have seen, like a written  
10 policy.

11 BY MR. BOWKER:

12 Q Who all --

13 COMMISSIONER SCHMITT: I assume there's no  
14 -- you have no policy of restitution; that  
15 is, taking action against the person who is  
16 found stealing water to get -- to get some  
17 money back for the period of time the theft  
18 occurred; correct?

19 THE WITNESS: Yeah.

20 COMMISSIONER SCHMITT: Okay. I will  
21 mention, apparently Commissioner Mathews  
22 has advised that we are streaming live, so  
23 somehow our system has been miraculously  
24 cured, at least for the time being.

25 DR. MATHEWS: We don't ask how Jim does it.

1 He just does it.

2 COMMISSIONER SCHMITT: Okay. All right.

3 Go ahead, Mr. Bowker. I'm sorry.

4 MR. BOWKER: No. Thank you.

5 Q Mr. Rice, do you know who all  
6 went out on that one call for theft? Do you know  
7 who else was with you?

8 A Myself, and there were two other  
9 employees.

10 Q Field personnel?

11 A Field personnel, yes.

12 Q Okay. And what did you do when  
13 you got there? Did you go try to knock on the door  
14 talk to her?

15 A Yeah, we -- we actually went to  
16 them one time and warned them, and they continued  
17 to steal water. So the next time we went, we  
18 actually tried to get up with them, and we actually  
19 did try to call the deputy sheriff, but they were  
20 unable to come out at that time, so then we made  
21 the decision just to go ahead and dig the whole  
22 service up.

23 Q So the deputy sheriff was busy  
24 doing something else?

25 A Yes. Yeah. They were on a

1 emergency call or something.

2 Q Oh, okay. So it wasn't that the  
3 sheriff said --

4 A Right.

5 Q -- we're not going to deal with  
6 that, that's water theft; they would have dealt  
7 with it --

8 A Right.

9 Q -- probably if they weren't doing  
10 something else?

11 A Yes.

12 Q And then did you -- you ceased  
13 water service at that location?

14 A Yes.

15 Q Turned off water?

16 A Yes.

17 Q And that's just as easy as  
18 what -- what's the process you do for turning off  
19 the water?

20 A Well, we actually dug the service  
21 up out of the ground and put a corp stop on the  
22 service line itself. So, I mean, if they did try  
23 to steal water again, you know, I don't think they  
24 would be able to do that.

25 Q Is this a topic that you would be

1 interested in bringing up at a future board  
2 member -- board meeting?

3 A Sure, it would be. I mean...

4 Q Have you been attending those?

5 A I've attended a couple.

6 Q Okay. So they -- do the board --  
7 do they ask for your input at any of the meetings?

8 A I don't recall that.

9 Q But you're not opposed to  
10 bringing that --

11 A No.

12 Q -- up?

13 A Not at all.

14 Q Okay. And you think you would be  
15 heard on that if you did?

16 A I assume, absolutely.

17 Q Okay. And I hate to jump around  
18 on you, but I'm going to direct you now to that  
19 same data request from the March 12th original  
20 order, Appendix C. I'm now going to direct you to  
21 Question 30.

22 Question 30 -- and I'll give you a second to  
23 get there. Question 30 requests that the Utility  
24 provide a list of management's five most critical  
25 projects. So we were asking that question of

1 management, not of -- we weren't asking the county  
2 judge executive, we weren't asking the board. That  
3 was in your opinion your five most critical  
4 projects.

5 And then you-all listed No. 1 was install  
6 control valves. No. 2, was replace all AC and  
7 galvanized lines. No. 3 was install AMR system.  
8 No. 4 was upgrade billing system. And No. 5 was  
9 install leak detection meters throughout the system.

10 Can you -- have you found it there?

11 A Yeah.

12 Q Okay. Can you discuss the  
13 purpose of and what is involved for each of these  
14 projects, if you don't mind, please?

15 A So the -- I'll start with No. 1  
16 here. The solenoid valve to isolate the tanks, as  
17 of right now we're having to come in in the middle  
18 of the night and to isolate the system off. We  
19 have three tanks, and they all kind of work  
20 together, you know. When the pump's running, all  
21 three tanks fill at the same time.

22 So that was something we discussed and come  
23 up with to add to the telemetry system where we  
24 could -- if we wanted to isolate them at any certain  
25 time, we wouldn't have to come in at nighttime. We

1 just get on the telemetry and just hit a button, you  
2 know, to isolate.

3 And, you know, of course, No. 2 will be  
4 replace all the AC and galvanized lines in the  
5 system, which is an issue.

6 Q I apologize for my ignorance, but  
7 what does AC stand for?

8 A Asbestos concrete, or asbestos  
9 cement pipe.

10 Q And do you know how much of that  
11 you got in the ground?

12 A Not right off the top of my head,  
13 but it's quite a bit.

14 Q Okay. I'm sorry, go ahead.

15 A And No. 3 was radio-read meters.  
16 That's, you know, something that will save us time.  
17 It would help us tremendously. We could spend more  
18 time doing other things, because as of right now it  
19 kind of takes us, you know, up to five, six days to  
20 read -- mainly read the meters.

21 And the system upgrade, we can take payments  
22 over the phone, credit card, things of that nature.  
23 And, of course, install leak detect meters  
24 throughout the system is very critical.

25 Q Have you discussed with the board

1 about trying to put like a business plan together  
2 for each of these projects?

3 A We've had discussions, we've  
4 had -- I think those are some of the projects  
5 that -- you know, when we get some funding those  
6 are some of the projects that are -- we're  
7 actually -- the billing system upgrade is getting  
8 ready to happen in the next, I don't know, couple  
9 weeks or so.

10 Q Which one, I'm sorry?

11 A No. 4, the billing system  
12 upgrade.

13 Q So you-all have discussed that  
14 one?

15 A Yeah.

16 Q Do you have a timeline for  
17 completing either No. 4, or has a timeline been  
18 discussed for any of these five projects as far as  
19 when it should be completed? Or first steps, even?

20 A Yeah, those are -- Mr. Maggard,  
21 of course, is working -- we're working with  
22 getting -- securing some funding, but I'm not sure  
23 about the timeline. I don't know that, you know,  
24 once we -- some of the things were held up because  
25 audits and so...

1 Q Well, since you brought up the  
2 audits, what is the status of the audits at this  
3 time, the 2017 audit?

4 A It has been completed.

5 Q It has been completed?

6 A The 2017 has, yeah.

7 Q And that was done just recently?

8 A Yeah.

9 Q Turn to my --

10 MR. CICERO: And when will it be filed?

11 BY MR. BOWKER:

12 Q Yes, sir, when will that be  
13 filed?

14 A I'm not sure. That might be  
15 something Mr. Woods could elaborate on.

16 Q Well, I -- we'll come back around  
17 to it.

18 Back up just a second, sir. I meant to ask  
19 you, what is your background in before coming to  
20 water?

21 A So I've been a licensed Class 2 D  
22 operator for roughly 12 years or so, something --  
23 something like that, along those lines, and worked  
24 with Hyden-Leslie Water for around 13 years.

25 Q Okay, thank you.

1           Sir, does the -- does the Utility currently  
2     have a water loss detection and repair plan in  
3     place?

4           A           Yeah, we -- there was one filed  
5     in this response, when I started, that I had  
6     implemented into the O&M manual.

7           Q           And are any of these five  
8     projects part of that water loss and detection  
9     plan? Do they coincide at all?

10          A           Maybe the AMR meter readers and  
11     the leak detect meters.

12          Q           Those would be part --

13          A           I think, off the top of my head.  
14     I'd have to look at it.

15          Q           Those would be part of that plan?

16          A           Yeah.

17          Q           Let's see, let me -- can you  
18     explain to us, to the Commission, in detail how the  
19     Utility is implementing the water loss and  
20     detection plan? What's the first step to do for  
21     that?

22          A           So basically right now we're kind  
23     of understaffed, and we started to come in at night  
24     a couple of times a month, that was the first --  
25     when I took over water loss was the biggest issue.

1 So that was one of the -- one of the things.

2 And we are actually changing out a lot of  
3 the meters. We're budgeting for \$2,000 a month  
4 right now. And that could change, because we  
5 think -- we think some of the meters that we're  
6 testing are registering zero on like low flow, and  
7 failing on meter tests. So that's a big part of  
8 that, too, is changing out some of the meters,  
9 coming in at nighttime and looking -- being  
10 proactive and looking for these leaks is the most  
11 critical thing right now.

12 Q Do you have specific personnel,  
13 specific leak detection crew, that are always going  
14 out, or is it different people?

15 A Well, it's just myself and three  
16 other guys right now. So we kind of take time out,  
17 maybe two come in, you know, this week and two the  
18 next time. But I'm always with them, too, so...

19 Q How many hours of the day do  
20 you -- of the workday do you think is spent in leak  
21 detection, prevention and repair?

22 A Well, it just depends. With only  
23 four of us there -- we got around 2,000 customers,  
24 you know. We got other duties, you know, meter  
25 taps and things like that. So -- we do have two

1 listening devices in each truck, or one per truck.  
2 I -- I don't know what would be the ballpark  
3 hour-wise per week, but we do it quite often.

4 Q Can you give us an approximation?

5 A Well, per week?

6 Q Yes.

7 A I don't know, maybe 20 hours or  
8 so, maybe. I don't -- just ballpark.

9 Q Can you walk us through a typical  
10 day that you spend with your field personnel, what  
11 a typical day is like for you all?

12 A Just --

13 Q An ordinary boring day, not one  
14 where something's, you know --

15 A Oh, okay. So, you know, we all  
16 get there in the morning, we arrive at 8:00.  
17 Usually we -- we check -- you know, because  
18 there's -- we close at 4:00. We usually check  
19 voicemails, see if we had any calls for, like,  
20 maybe low pressure, things like that, or -- then if  
21 we have, you know, any service orders that need to  
22 be completed we do those.

23 And we're actually -- we got -- usually if  
24 we don't got a whole lot going on, we'll have --  
25 actually do a -- go around to every single meter in

1 the system with our listening device and listening  
2 on each meter. But sometimes, you know, that gets  
3 interrupted, you know, the things that happen maybe.  
4 And so that's something we're doing right now,  
5 because most of our leaks that we've had has been on  
6 like service lines that I found since I've been  
7 there.

8 Q Did you --

9 COMMISSIONER SCHMITT: Mr. Rice, I'd like  
10 to ask a question. You indicated that  
11 you -- two things about meters, one, that  
12 if you had I guess had all the money  
13 available and could make a decision, one of  
14 the things that you would do would be to  
15 replace your current meters with AMR  
16 meters; correct?

17 THE WITNESS: Yeah.

18 COMMISSIONER SCHMITT: Does the system have  
19 any AMR meters now?

20 THE WITNESS: No.

21 COMMISSIONER SCHMITT: So they're all  
22 manual reads?

23 THE WITNESS: Manual reads.

24 COMMISSIONER SCHMITT: How often are the  
25 meters read, every month --

1 THE WITNESS: Monthly.

2 COMMISSIONER SCHMITT: -- or every other  
3 month or --

4 THE WITNESS: Monthly.

5 COMMISSIONER SCHMITT: And are the  
6 meters -- I assume some of the meters,  
7 maybe all the meters, have some age on  
8 them. Would that be with respect to, say,  
9 ten years old, are most of them over ten?

10 THE WITNESS: They got some age. I'm not  
11 sure about that, you know, without looking  
12 at some data, but we have changed -- I  
13 think they started this in maybe last year  
14 with the previous operator. I think we  
15 changed 390 up to that point in the order,  
16 and then we've changed maybe 60 since then,  
17 or so. So we have changed over 400.

18 And we're changing them to the Badger  
19 Model 25, and the reason why we're doing  
20 that is because if we do go to the AMR  
21 system, all we'd have to do is just change  
22 out, you know, the top of the meter and not  
23 the whole body. So that would maybe save  
24 some money.

25 COMMISSIONER SCHMITT: Are any of your

1 older meters being tested to see if --

2 usually, I mean, what we've seen here --

3 THE WITNESS: Yeah.

4 COMMISSIONER SCHMITT: -- I don't know a

5 lot about meters myself, other than when,

6 when it seems like they have been tested,

7 they all run slow, and so you're losing 10,

8 12 percent --

9 THE WITNESS: Absolutely.

10 COMMISSIONER SCHMITT: -- of water loss, in

11 effect, the customer gets the water, but

12 he's paying 10 or 12 percent less than the

13 bill would be, and it always -- people say,

14 well, we don't have money for the meters,

15 but that will pay for itself --

16 THE WITNESS: Absolutely.

17 COMMISSIONER SCHMITT: -- and then some, if

18 you can get the money to put them in.

19 THE WITNESS: Yeah. What I found, you

20 know, when we -- we get those meters

21 monthly, you know, through a vendor, he

22 brings them. When we changed out those

23 30 -- the 30 we bring in, you know, we test

24 them and, of course, if they're good we tag

25 them, put them back on the shelf.

1                   But there is a brand that I'm  
2                   actually -- even if it does test good,  
3                   because I've had so many that fail on low  
4                   flow that we're just -- we're just scrapping  
5                   those.

6                   COMMISSIONER SCHMITT: Do you have many  
7                   meters that basically don't read at all; it  
8                   always just reads zero or the minimum, and  
9                   so then you got to figure out a way to bill  
10                  the customer?

11                 THE WITNESS: Yeah, when I first started  
12                 that was one of the first things I did, was  
13                 I made, you know, office manager pull all  
14                 the zero accounts we had, and we actually  
15                 went out and checked those meters.

16                 What we have, we have a lot of people  
17                 who will just turn their meter off if they  
18                 go to Florida for the winter and things like  
19                 that. Renters who have, you know, several  
20                 rented houses that's not being used or  
21                 whatever, a lot of them are zero. But we  
22                 have actually went out and checked all those  
23                 meters to make sure that they are working.

24                 COMMISSIONER SCHMITT: Well, have you found  
25                 some that aren't?

1 THE WITNESS: Yes, we have changed them  
2 out.

3 COMMISSIONER SCHMITT: Sometimes we find --  
4 THE WITNESS: Yeah, we have changed quite a  
5 few that have been stuck that we change.

6 COMMISSIONER SCHMITT: What about  
7 inventory? A lot of districts, especially  
8 small water districts, have some difficulty  
9 keeping sufficient inventory in terms of  
10 meters and parts and pumps and things. Is  
11 that -- has that been a problem for North  
12 Manchester?

13 THE WITNESS: Not since I've been there.  
14 We -- you know, I've got Mr. Davis there,  
15 fully supportive. If we need anything, he  
16 tells me to get whatever I need as far as  
17 parts, and we always keep the shelves -- if  
18 we use, say, a high max, we order a high  
19 max bag. We're always keeping those things  
20 on the shelf. So anything we need, you  
21 know, we pretty much have.

22 COMMISSIONER SCHMITT: Okay, thank you.  
23 Sorry, Mr. Bowker.

24 MR. CICERO: I'm going to interrupt, too.

25 MR. BOWKER: Oh, I'm sorry.

1 MR. CICERO: So you do go out and you check  
2 every meter every month, or reading a meter  
3 and making certain that you're billing  
4 every customer?

5 THE WITNESS: Yeah, and we also -- we pull  
6 up inactive accounts. Some of the accounts  
7 that maybe somebody's moved and we put  
8 locks on them, we also check those, too.

9 MR. CICERO: So during that process you've  
10 only found one person that was actually  
11 stealing?

12 THE WITNESS: Since I've been there, yeah.  
13 It's actually pretty -- you know, when I  
14 worked for another -- the other water  
15 company, it was a lot worse than this. And  
16 so it's not been that bad.

17 MR. CICERO: But does your group, your  
18 group of four, actually do repairs or  
19 mostly meter reading and...

20 THE WITNESS: Yeah, we do everything.

21 MR. CICERO: So you do replacement of pipes  
22 and you have certain --

23 THE WITNESS: Yes.

24 MR. CICERO: -- days of the week that  
25 you're dedicated to that type of activity

1 or --

2 THE WITNESS: Yeah. I mean, those things  
3 come -- if we have leaks, of course, those  
4 are priority number one. You know, we put  
5 everything on the shelf until we get  
6 those -- those leaks fixed, because, you  
7 know, we have -- with the history of the  
8 water loss, you know, those are priority  
9 things that we do first.

10 MR. CICERO: So if you were to look at  
11 repairing leaks and doing normal, routine  
12 maintenance and meter checking, what would  
13 the time split be?

14 THE WITNESS: I'm not sure I understand.  
15 Could you repeat that?

16 MR. CICERO: Would you say you spend  
17 50/50 percent of your time, 50 percent out  
18 replacing and repairing leaks and 50  
19 percent doing normal maintenance type  
20 activities, like testing meters or  
21 replacing meters?

22 THE WITNESS: Yeah, I would say that's  
23 probably --

24 MR. CICERO: 50/50?

25 THE WITNESS: Probably. Maybe 60/40.

1 MR. CICERO: 60/40?

2 THE WITNESS: Maybe something like that.

3 MR. CICERO: Go ahead, Mr. Bowker.

4 BY MR. BOWKER:

5 Q Mr. Rice, do you have a -- I  
6 apologize if this was already asked. Is there a  
7 procedure in the schedule that the Utility has for  
8 testing its meters?

9 A I don't know if they have a  
10 specific meter testing program, but what we do is,  
11 like I said, whenever those -- any meters we pull  
12 out, like, you know, just closeouts or readouts,  
13 anything like that, we always bring them in and  
14 test them before they go back in.

15 Q Okay. And you responded -- the  
16 Utility responded on Question No. 19 of your second  
17 data request -- that's the May 3rd data request.  
18 Utility provided an answer for the schedule of  
19 testing of its meters and customer meters. Stated  
20 that, "NMWA master meters are certified annually.  
21 All PSC guidelines are followed for customer meter  
22 testing."

23 So other than that -- other than -- can you  
24 explain that a little bit to us, what that means?

25 A What question, what number was

1 that?

2 Q It was Question No. 19 of the  
3 second data request, the May 3rd data request. We  
4 requested Utility give us -- provide the procedure  
5 and schedule for testing its meters, its customer  
6 meters, and you-all answered that the, "Water  
7 Association master meters are certified annually.  
8 All PSC guidelines are followed for customer meter  
9 testing."

10 A Right. So one year the -- our  
11 master matters are -- one year the city of  
12 Manchester, who we buy -- we purchase the water  
13 from, it's my understanding that one year they --  
14 they pay for the meters to be tested and we do --  
15 you know, it's kind of biyearly. And I can't guess  
16 what they did as far as meter testing in the past,  
17 because, you know, I wasn't there, but the only  
18 thing I have to go on is what they did on their QMR  
19 reports and things like that, so...

20 Q Could you explain the steps,  
21 including the timing of when you read meters, of  
22 when you're trying to calculate water loss, trying  
23 to get the water loss percentage. Is the water  
24 loss calculated on the day your meter reading is  
25 completed?

1 A Yes, pretty much.

2 Q It is on that same day?

3 A (Witness nods head.)

4 Q Okay. Is there ever a time that  
5 it's not on the same day, that calculation?

6 A You mean like from the -- the  
7 master meters compared to the sales?

8 Q Yes, sir.

9 A I'm -- I'm not sure I follow.

10 Q So you -- you make a calculation  
11 regarding water lost on the same date when all the  
12 meters are read. Are -- all meters are read on one  
13 day per month?

14 A Are you talking about the master  
15 meters? We mainly read our meters, it takes --  
16 when -- when we get done with the meter readings  
17 per month, you know, we have to enter them into the  
18 billing software. And the office manager prints  
19 out a printout of the sales. And the master meters  
20 are read daily, on a daily -- every day. We have  
21 three. We keep a spreadsheet, and so that's how we  
22 get the number of the -- the total, you know, what  
23 we purchase for the month.

24 Q Okay, yeah, I apologize. I was  
25 actually talking about the customer meters, if you

1 read those all in the same day. Are those read  
2 monthly?

3 A Yeah.

4 Q Okay. And are they all done on  
5 one day, or how is that spread out?

6 A No. It takes us -- like I said,  
7 it could take up to four or five days to read -- to  
8 read the meters, to get them all completed.

9 Q Okay. And then as soon as you  
10 get them all completed at the end of that time,  
11 that's when you calculate the water loss?

12 A Yeah, that's when we get -- as  
13 soon as I get the printout of the -- of everything  
14 that's been in the -- billed out and we get -- the  
15 billing software spits out a printout of the total  
16 sales.

17 Q Okay. Thank you.

18 Can you -- I'm going to refer you now to the  
19 second data request, Question 8. We requested the  
20 Utility's closest approximate number of service  
21 lines and transmission and distribution lines that  
22 were made with Blue Max tubing within your  
23 distribution system, and the dates they were  
24 installed.

25 Have you found that one? It's second data

1 request, Question 8.

2 A Oh, okay, Question 8, yeah.

3 Q And your response.

4 A I gotcha.

5 Q Does the Utility's response mean  
6 that it cannot confirm if you have any Blue Max  
7 pipe in the ground?

8 A Yeah.

9 Q You don't know?

10 A I don't know.

11 Q How is it that you -- that you  
12 don't know whether or not you kept -- did the  
13 previous staff not keep any records of that or --

14 A Yeah. No, not that I found.

15 Q And would anybody else have an  
16 answer as far as Blue Max that's here today?

17 A I wouldn't think so. I've  
18 actually -- I have -- I did ask like the old  
19 operator some of the people that were there before  
20 if they knew of any that were in the system, and  
21 everybody I've talked to has said that there was  
22 none; that it was all, you know, just normal CTS or  
23 IPS.

24 Q Can you talk to us a little bit  
25 about your knowledge of the personnel turnover as

1 far as your take on what happened there and about  
2 the records not being presently available?

3 A Yes. So I'm -- I think I'm the  
4 fourth or fifth distribution manager in the last, I  
5 don't know, since probably -- I don't know, maybe  
6 one of these board members could tell you when. So  
7 I don't -- Mr. Burns, he was there for I think  
8 maybe two years or so.

9 DR. MATHEWS: I may have mis- -- may have  
10 not heard. How long have you been there?

11 THE WITNESS: I've been there since  
12 March 1st.

13 DR. MATHEWS: This year?

14 THE WITNESS: Yeah.

15 DR. MATHEWS: Okay.

16 BY MR. BOWKER:

17 Q So do you know what happened to  
18 the missing records?

19 A I do not.

20 Q Okay. And what -- can you  
21 explain what your -- can you give your opinion of  
22 why there's been so much personnel turnover as of  
23 late, why so many people have left, in your  
24 opinion, if you know?

25 A I wouldn't be comfortable

1       answering that, but I really don't know. I mean,  
2       you hear different things, so that might be  
3       something you would ask one of the board members.

4               Q               And how many new folks do you  
5       have out of your workforce?

6               A               Since I started, I started -- I  
7       can't remember how many had left. Like, two  
8       stayed, and it was me and those two when I first  
9       started. And since then those two have since found  
10      other jobs. And -- probably maybe monetary, you  
11      know, money -- found, you know, better-paying jobs,  
12      so -- but we have since hired two -- two other  
13      employees that had been there before, one who had  
14      been there for 13 years, we recently hired him  
15      back. And another one that had been there for two  
16      and a half years or three years or so, we recently  
17      hired him back probably about a week after I  
18      started.

19              Q              So when employees leave, if they  
20      tell you a reason, the reason they're giving is  
21      just the lack of pay, they want to be paid more?

22              A              Yeah, I mean, a couple of guys  
23      got better-paying jobs, so that -- you know, those  
24      two have quit on my -- since I've been there. I  
25      can't -- I don't know why the other ones had, you

1 know, before me.

2 MR. CICERO: So why did they come back?

3 THE WITNESS: I don't know. Just out of --

4 MR. CICERO: Did you increase their pay or  
5 did you --

6 THE WITNESS: One of them did get a raise,  
7 and the other one started back what he was  
8 making before. We just -- I just basically  
9 went to them, you know, and asked them if  
10 they would -- they would be a great asset  
11 to me, because, you know, their knowledge  
12 of the system.

13 MR. CICERO: Right. I was just curious.  
14 They left for greener grass and I wonder  
15 what made them come back.

16 THE WITNESS: Those two that were hired  
17 back, I don't think that was why they left.

18 BY MR. BOWKER:

19 Q Sir, I'm going to direct you to  
20 the first data request, the March 12 Order,  
21 Appendix C Data Request, Question No. 35. That  
22 question regarding the mapping of the Utility's  
23 entire distribution area in order to be able to  
24 determine parts of the system with repeated line  
25 breaks, do you see that?

1           A           Yeah.

2           Q           In your experience and to the  
3 extent you're familiar with the Utility's lines,  
4 what is the source of most of the leaks within the  
5 system? Are they service lines or mains?

6           A           Yes, since I've been there it's  
7 been -- we've -- only mains we have fixed are  
8 because of contractors. We had a couple -- the  
9 state actually busted one and we had another guy  
10 who didn't call us or call 811, he busted a 6-inch.  
11 Mostly leaks that we're finding by looking have  
12 been on service lines, service line leaks.

13          Q           Do you know where the  
14 Utility's -- where the biggest leaks are located?

15          A           Yes. Yeah, I'm pretty positive.  
16 I mean, I know the area. We just had recently  
17 fixed two leaks that we had been looking for. We  
18 isolated probably about three four weeks ago, we  
19 finally -- we had a valve that wasn't working  
20 properly. We were using a leak detection meter  
21 that we had. It's out of one of our tank kits. We  
22 thought we had it isolated to a certain area, but  
23 come to find out one of our valves that we had shut  
24 off to isolate -- to better isolate, was actually  
25 the -- was leaking through and pressurizing the

1 leak, so that kind of threw us off. We were  
2 looking in the wrong spot because of that valve  
3 wasn't properly shutting off.

4 And we actually was talking to a homeowner  
5 who said he had been having low pressure, and so we  
6 checked the pressure. He had approximately  
7 35 pounds at the meter. So we go across the road,  
8 and this is a side road off of our main 421, which  
9 has an 8-inch trunk line. And so we went to a meter  
10 across the road and checked it, and it was  
11 approximately 95 to 100, so we knew we had a problem  
12 in that area.

13 And actually, a guy bought a house, this  
14 house had been empty for quite some time. So when  
15 he bought the place, he had real low pressure. So  
16 we kind of put two and two together and started  
17 looking in that area. And actually when we fixed  
18 the leak, we actually put 50 extra pounds of  
19 pressure on that, on those lines. So it was -- it  
20 was really -- that was the leak we had -- we had  
21 identified that was approximately -- between the two  
22 of them -- there were actually two leaks on the  
23 line -- probably around 60 to 70 gallons per minute.

24 Q Any other -- besides those two,  
25 any other big leaks out there that you're aware of

1 where --

2 A Not that I'm aware of, but I do  
3 think we still have some problems on that one, what  
4 we call our Island Creek area, which is some of the  
5 original lines that was put in I think, what, in  
6 the '70s. So I think that's where the bulk of the  
7 problem is.

8 Because once we isolate our system, we can  
9 get on our SCADA and we kind of -- we got the  
10 customer breakdown for each tank when we isolate,  
11 and we have -- we got the demand that was pretty --  
12 where it's pretty accurate on the tank drawdown,  
13 so -- and those tanks are pretty much right on par  
14 with where they should be, according to the  
15 calculations that we have.

16 So we think we have it isolated down, you  
17 know, to where most of the problem lies with the  
18 water loss.

19 Q Thank you. Have you or has the  
20 Utility tried to seek outside help in detecting  
21 leaks, Kentucky Rural Water or --

22 A Kentucky Rural Water we  
23 actually -- I have worked several times with  
24 Commissioner Danny Stinson since I've been there,  
25 because he -- he had worked -- he had worked with

1       them before. He had a little bit of knowledge --  
2       quite a bit of knowledge of the system.

3                   Q           What kind of assistance did Rural  
4       Water provide to you? Did they either let you  
5       borrow some equipment or show you some procedures  
6       to do?

7                   A           Yeah, they came in, Danny came in  
8       and actually went out with us one night, and he has  
9       a couple listening devices. Of course, you know,  
10      he'll help us with procedures and all those things.  
11      But mostly stuff that we're -- we had been doing  
12      anyway, and -- you know, but he was just there  
13      for -- just to help mainly.

14                  Q           Anyone else from Kentucky Water  
15      come out, Rural Water, other than Mr. Stinson?

16                  A           We've had Mr. Jason Pennell, he's  
17      been out several times, but those are pretty much  
18      for just helping me with getting acclimated to the  
19      management side of things, like, you know, just  
20      regs and all those things that you might miss or  
21      whatever. So they have been -- they have been  
22      pretty good in helping us.

23                  Q           As far as the leak detection, how  
24      often has Mr. Stinson come down to help out? How  
25      often do you see him?

1           A           I seen him twice. I think he's  
2     been down three times, but twice when he was  
3     helping us with leak detection.

4           Q           Other than the Kentucky Rural  
5     Water Association, is there any other outside  
6     entity that you-all have hooked up with to try to  
7     fix the water loss issue?

8           A           Not since I've been there.

9           Q           Do you know of any prior before  
10    you got there?

11          A           No, not that I'm -- not to my  
12    knowledge I don't.

13          Q           Okay.

14          COMMISSIONER SCHMITT: Let me ask a  
15    question. I know your sole source of water  
16    is city of Manchester.

17          THE WITNESS: Yes.

18          COMMISSIONER SCHMITT: Do you have any kind  
19    of a working arrangement with the city of  
20    Manchester utilities in terms of, you know,  
21    maybe loaning equipment or helping out or  
22    giving you advice on how to -- you know, if  
23    you need assistance or need a truck or  
24    something?

25          THE WITNESS: Yeah, yeah. We do have a

1 relationship with those guys. If we  
2 need -- need a part or they -- I think they  
3 have helped before in the past if they need  
4 something. They've got an excavator I  
5 think they might have used before. We do  
6 work together with those guys. We have no  
7 problem with that. And they, you know,  
8 they've been helpful, too.

9 COMMISSIONER SCHMITT: Well, I mean, you  
10 got a good working relationship --

11 THE WITNESS: Yes, absolutely.

12 COMMISSIONER SCHMITT: -- with them;  
13 correct?

14 THE WITNESS: Yes.

15 BY MR. BOWKER:

16 Q I'm going to direct you now, sir,  
17 to the Utility's response to the second data  
18 request, the May 3rd data request. Question 7A  
19 states, "Provide the following system information  
20 in a formatted and tabulated Excel spreadsheet for  
21 each applicable asset." And we asked for  
22 transmission and distribution lines provide the  
23 diameter size, and then we asked for length in  
24 miles, type of material and average age of the  
25 lines. And then we say, "When PVC is used, provide

1 specific type of PVC used."

2 Water Association answered, "See Exhibit E,"  
3 but Exhibit E is missing the length in miles. Do  
4 you know what the length in miles is for the  
5 transmission and distribution lines?

6 A So I think maybe this -- the  
7 number -- I think this number, like where it says  
8 number, I think that may be miles. But I do have a  
9 sheet, I don't know, in my operator -- in my OM  
10 manual that shows the actual footage in miles.

11 Q If we ask you in a post hearing  
12 data request, this is just a data request after  
13 this hearing, could you -- could you provide that  
14 information to us?

15 A Yes.

16 Q And we're looking for the length  
17 in miles for the transmission and the distribution  
18 lines.

19 A Yeah, we may have it in here,  
20 actually. I think this -- this is not what I have  
21 on my OM manual. But I do think that is miles on  
22 that, where it says number. I think we just made a  
23 mistake.

24 Q Okay.

25 A But we can get that information.

1 Q Okay. Thank you.

2 All right. I'm going to direct you now to  
3 Question No. 12 of the first data request, March 12  
4 Order, Appendix C. We requested -- the PSC  
5 requested that the Utility provide copies of each  
6 work order generated to investigate leaks reported  
7 by customers of the Utility from September 1, 2018  
8 to the date of the issuance of the -- of that  
9 March 12 Order.

10 The Water Association answered, "Copies of  
11 each work order generated to investigate leaks  
12 reported by customers of the Utility from  
13 September 1, 2018 to the date of issuance of the  
14 order attached as Exhibit E." But then looking at  
15 Exhibit E there are only records for November 2018,  
16 January 2018 and February 2019.

17 Were those all the work orders generated by  
18 the Water Association to investigate leaks?

19 A Yes. So I went -- me and the  
20 office manager, we went through all the work orders  
21 that we had and, you know, that's just what we  
22 could come up with.

23 Q So is it -- is it possible that  
24 you're missing some records there, or do you think  
25 that's the full amount?

1           A           I mean, it's possible, but I  
2     don't know -- like I said, I don't know.

3           Q           Could those be part of the other  
4     missing records that aren't available?

5           A           Possibly.

6           Q           But to your knowledge --

7           A           And it could be that maybe a  
8     customer called in and they just didn't, you know,  
9     generate a work order.

10          Q           Can you tell us a little bit  
11     about the process of what you tell your field  
12     personnel as far as how they're supposed to do the  
13     work order, or how they're supposed to generate it?

14          A           So usually if they -- if we do  
15     get a call, it's -- that is required, you know, to  
16     generate a work order. And, of course, we proceed  
17     to find out where, you know, the work order is, and  
18     we'll send a service guy up to investigate. And  
19     then we'll fill out the necessary paperwork so --  
20     and then bring it back either to me or the office  
21     manager.

22          Q           Okay. So that's -- that's the  
23     procedure?

24          A           Yeah.

25          Q           Do your field personnel, do they

1 usually follow that?

2 A Yeah. Yes.

3 Q Have you ever had to get on  
4 anybody?

5 A No. These were done before I  
6 started, so I don't know what -- what their  
7 procedure was before me.

8 Q So you've never had to sort of  
9 get on somebody as far as not generating a work  
10 order?

11 A I'm not -- no, not really.

12 Q Not since you've been there?

13 A Maybe some -- maybe missing  
14 some -- they might forget every now and then to  
15 fill out -- because if we fix a leak or something,  
16 I have a specific work order that I have them fill  
17 out with the parts that they use and things like  
18 that, so we can kind of get a -- if we can go back  
19 and do like a dollar estimate or how much it may  
20 have cost, you know, the Utility to fix that leak.  
21 So that's what I have for them.

22 Plus, they do get a generated work order  
23 from the billing software, too, from our -- our  
24 billing system.

25 MR. BOWKER: Okay. If I may have just a

1 moment, Your Honor, I'm going to ask my  
2 colleague here what questions I missed.

3 I have no further questions, Your  
4 Honor.

5 COMMISSIONER SCHMITT: Commissioner Cicero,  
6 questions?

7 EXAMINATION

8 BY MR. CICERO:

9 Q Have you been there since March?

10 A Yes.

11 Q Did you approach the water  
12 district or did they approach you about the  
13 position that you're in?

14 A Yes, I was contacted.

15 Q When they contacted you, what did  
16 they say your responsibilities would be?

17 A To oversee the field and the  
18 day-to-day operations, as far -- and MR reports,  
19 you know, everything that's required for the PSC,  
20 plus the Division of Water.

21 Q So you have all outside  
22 operations?

23 A Yes.

24 Q Who handles the inside?

25 A His name is Lonnie Hensley. He's

1 the office manager.

2 Q When they approached you did they  
3 say we need you to do certain responsibilities, but  
4 we have a problem with water loss and want to see  
5 what you can do to improve it, or did they just say  
6 these are going to be your responsibilities and...

7 A Yes. When I went to the  
8 interview, that was one of the biggest things we  
9 discussed was to try to help them get the water  
10 loss down, and to be, you know, over -- to oversee  
11 the operations from day-to-day and be kind of  
12 supervisor for the guys.

13 Q So when they said the water loss  
14 is one of the biggest problems they have, did they  
15 ask you what you were going to do to -- what you  
16 could do or what your ideas were to improve the  
17 water loss?

18 A Yeah, we discussed all those  
19 claims that were stated in here, like one of the  
20 main things that I -- when I come in was, you know,  
21 if they had any plans for, like, replacing, you  
22 know, lines and things like that.

23 Plus I'm -- this system is kind of -- it's  
24 different from what I'm used to. There's a lot of  
25 loops in the system, which is a good thing, you

1 know, in certain cases. But I'm used to doing like  
2 tank drawdowns every single night where I used to  
3 work, and we did a lot of -- we could look at a tank  
4 drawdown and could tell right away where most of our  
5 problem lies.

6 So in this system you kind of have to --  
7 like I said, you have to come in at night and  
8 isolate it that way when the pumps are not running.

9 Q So when -- did they ask you to  
10 come up with some kind of a plan that says here's  
11 how I'm going to address it, or did they give you a  
12 period of time --

13 A Not specific -- not specifically.  
14 We just kind of conjointly (verbatim) discussed  
15 what -- what needs to be done. They understand  
16 what needed to be done. I mean, they're -- they  
17 know, you know, they're -- they're completely, you  
18 know, on board with everything that we need to do.

19 Q When you say they're on board  
20 with what needs to be done, I mean, the water loss  
21 problem has been going on for a long time so --

22 A Well --

23 Q -- I'm wondering if it's --

24 A -- that's true.

25 Q -- something new.

1           A           That's true, but a lot of these  
2 board members they are new, too, so, you know, they  
3 understand the problem.

4           Q           Who do you report to?

5           A           Usually the chairman, Mr. Davis.

6           Q           That's who your line in the  
7 organization goes to is Mr. Davis?

8           A           Yeah.

9           Q           Do you attend all the board  
10 meetings?

11          A           I haven't attended all of them.

12          Q           Did they say that would be part  
13 of your responsibility to attend board meetings?

14          A           No, but -- I mean, they didn't  
15 say that, you know, I had to be there, but, you  
16 know, I'm -- if something -- something that they  
17 needed me there for, they will tell me and I will  
18 go. But, you know, it's kind of left up to me if I  
19 go or not.

20          Q           When you go to the board meetings  
21 do you have a specific, I'm going to report on  
22 operations for the month, operations for the week,  
23 some -- something specific? What exactly when you  
24 go to a board meeting do they expect to hear from  
25 you?

1           A           Just mostly what the water loss  
2     is, maybe for the month, or the leaks that, you  
3     know, we fix, you know, things of that nature.

4           Q           In the improvement of water loss,  
5     have they directed you to come up with your plan  
6     and report on it on a monthly basis, or is it just  
7     kind of this is what we all know needs to be done  
8     and there's nothing specific?

9           A           Basically, yeah.

10          Q           So doesn't that kind of seem to  
11     be like a -- kind of being in quicksand where  
12     you're never going to go forward or backwards  
13     because nobody really knows which direction you're  
14     going?

15          A           I don't really look at it that  
16     way. I mean, we -- they had a lot of financial  
17     problems in the past. We're working with Mr. --  
18     with Mr. Maggard, with the engineering firm, trying  
19     to get the funding. And so, I mean, a lot of these  
20     things, you know, they can't afford to do right  
21     now. So, I mean, until they secure some of those  
22     funds, I don't think -- you know, a lot of those  
23     things won't be able to be going through.

24          Q           So how do you measure progress?  
25     How do you know if you're making progress?

1           A           Well, all the leaks we've been  
2     fixing -- you know, we haven't seen much progress  
3     yet, honestly, but...

4           Q           Okay. I know it's kind of early  
5     for you because --

6           A           Yeah, I mean, it takes time.  
7     It's going to take some time. And that was one of  
8     the things that I told them, you know, when I took  
9     over, it wouldn't be -- and they understand it  
10    would take some time.

11          Q           Well, there is no money in the  
12    budget right now, so how do you implement any plan  
13    that you might come up with if there is -- I mean,  
14    I've heard many times it will be addressed when the  
15    funds become available.

16          A           Yeah, sure.

17          Q           That's a very common saying that  
18    the Commission has heard many times. The  
19    intentions are good, but the money is lacking. How  
20    do you -- how do you address a long-term problem  
21    without the financial wherewithal to do it? How do  
22    you address it?

23          A           It's tough. That would be tough.  
24    I'm not sure.

25          Q           What does the board tell you in

1 order to convince you that progress can be made if  
2 there's never any money available?

3 A I don't even know how to answer  
4 that.

5 Q Does the board have a plan in  
6 order to raise additional capital through debt,  
7 through rate increase? Has any of those plans been  
8 discussed?

9 A I mean, yeah, they -- they are  
10 discussing a rate increase. I think they filed an  
11 application for a rate increase.

12 Q And they are preparing one or you  
13 said that they...

14 A Yeah, they have filed an  
15 application for a rate increase.

16 Q Do you know how much the district  
17 loses annually because of water loss above  
18 15 percent?

19 A We actually -- actually did the  
20 numbers, and it was -- I'm going to say it was like  
21 80 -- \$80,000.

22 Q Yeah, about \$90,000.

23 A Yeah.

24 Q That was per the last annual  
25 report that was --

1 A Yeah, I think I calculated it --

2 Q -- 2017.

3 A -- like 85,000, maybe, or  
4 something like that.

5 COMMISSIONER SCHMITT: \$88,894.

6 BY MR. CICERO:

7 Q That would be the exact number,  
8 yeah, per the -- per our calculation. But \$90,000  
9 would I think go a long way towards improving -- at  
10 least funding some type of projects.

11 A Absolutely.

12 Q Now, I understand that that's  
13 kind of the cart before the horse, because you  
14 can't realize the savings until the improvements  
15 are made; but on other hand, the Commission is  
16 trying to -- we're holding these hearings so people  
17 realize it can't be a kick-the-can-down-the-road.  
18 It can't be -- the excuse always can't be we'll  
19 address it when the funds become available.

20 Because the funds on the current progress  
21 that's being made will never become available.  
22 There's no plan to obtain additional funds. I know  
23 you've talked about a rate increase. Usually you  
24 come in for a purchase water adjustment --

25 A Yeah.

1 Q -- and that's a capacitor.

2 That's not a --

3 A Right.

4 Q -- that's not a true rate  
5 increase.

6 A Yeah.

7 MR. CICERO: I'll save my questions for  
8 board members and the accountant, I guess.

9 COMMISSIONER SCHMITT: Ms. Mathews.

10 EXAMINATION

11 BY DR. MATHEWS:

12 Q You do have an alternative rate  
13 filing case at the Commission currently; correct?

14 A Yes.

15 Q That's in the process. In that  
16 did you -- was there any discussion of a surcharge  
17 to look at the leaks? I don't remember the  
18 specific.

19 A I don't think so. That might be  
20 something somebody else -- one of the other ones  
21 could answer better.

22 Q I mean, when you talk about, you  
23 know, how you isolate a section and you know the  
24 pressure here, sounds like you know how to find  
25 them --

1 A Yeah.

2 Q -- if you had the time to spend  
3 to find them.

4 A Right.

5 Q So it sounds like you've got  
6 maybe person -- you might need another person. The  
7 radio-read meters would free up your folks --

8 A Yes.

9 Q -- from going out and manually  
10 reading meters every month.

11 A Yes. Because, you know, if you  
12 have like, you know, this month when we were  
13 reading meters, you know -- I don't know if you  
14 seen all the flooding we've had in Eastern  
15 Kentucky, but we had a -- you know, quite a bit of  
16 lines that were washed away and things like that.  
17 So it took us, you know, probably four or five  
18 extra days, you know, to read meters.

19 So that's the kind of thing you deal with  
20 when you have manual read meters. You know, it just  
21 takes you so -- if you have any kind of leak or  
22 anything like that, you know, it just takes that  
23 much more time, so...

24 DR. MATHEWS: That's all I have.

25 \* \* \* \* \*

1 EXAMINATION

2 BY COMMISSIONER SCHMITT:

3 Q Mr. Rice, how many outside  
4 employees are there? There's you and three others;  
5 is that correct?

6 A At the moment, yes. And we  
7 actually have -- I forgot to mention, we did hire a  
8 part-time meter reader, too, just to help during  
9 meter reading.

10 Q How many inside employees are  
11 there?

12 A There's two.

13 Q Two. So you got basically five  
14 full-time employees all together; right?

15 A (Witness nods head.)

16 Q And I think I saw somewhere here  
17 where maybe you had 117 miles of line?

18 A Yeah, it's somewhere in that  
19 neighborhood.

20 Q Basically four --

21 A Four of us.

22 Q -- four of you to work on.

23 Tell me something about your job duties. As  
24 far as you know, is there a written list or paper  
25 that has your job duties on it, what your authority

1 and responsibility is?

2 A So, yeah, I think -- excuse me.  
3 I think I responded there was an attachment that --  
4 but they're actually redoing -- in the process of  
5 doing the -- redoing the employee handbook.

6 Basically my job is just to, you know, do  
7 all the MR reports and see to the day-to-day  
8 operations of the distribution system; so everything  
9 that come -- that's involved with that.

10 Q I know you've only been there  
11 like three months, but do you have authority to  
12 hire and fire outside employees, or is that with  
13 the board or somebody else or?

14 A Kind of -- we -- I do have the  
15 ability to hire. I guess you would say I could  
16 fire someone, but I would have to, you know, kind  
17 of go through the board for that, too, you know.  
18 We would have to do that, you know.

19 Q In terms of -- I know you talk  
20 about what the salaries of employees were, somebody  
21 quit for more money. Do you have the authority to  
22 give raises?

23 A No.

24 Q Is that a board --

25 A That would be a board decision.

1 Q -- basically a board function?

2 A Yes.

3 Q As far as you know -- I know you  
4 may not know -- but the office manager, the inside  
5 person, does that person have authority to hire,  
6 fire, to give raises or to do employee evaluations?

7 A No, I wouldn't think so. No.

8 Q I think you indicated you had  
9 worked a long time at Hyden-Leslie County; is that  
10 right?

11 A Yes.

12 Q How long had you worked there?

13 A Probably about 13 years.

14 Q And what -- when you left  
15 Hyden-Leslie, that's when you came --

16 A Actually, no. I had been -- left  
17 Hyden-Leslie for almost -- probably six or seven  
18 months.

19 Q Okay. And what did you do in  
20 between?

21 A Basically nothing.

22 Q Well, when you left -- when you  
23 left -- at the time you left Hyden-Leslie, what  
24 were you doing for Hyden-Leslie?

25 A I was just an operator, you know,

1 just meter reader. We -- basically same -- same  
2 thing, you know, fix leaks. I just didn't have,  
3 you know, the -- I wasn't the -- in a supervisor  
4 role, so basically just, you know, just the  
5 operator duties.

6 Q Who was the -- did Hyden-Leslie  
7 have a general manager?

8 A Yes.

9 Q Who was that?

10 A For the longest time it was  
11 Leeman Howard. He was there for somewhere around  
12 40 years. And then probably the last couple of  
13 years I worked there, it was L.J. Turner who was --  
14 he was the general manager at Knott County before  
15 he came.

16 Q Before he came there?

17 A Yeah. And he's actually from  
18 Leslie County. He had worked there as a plant  
19 operator, treatment plant operator, and he moved on  
20 to Knott County where he became the general manager  
21 over there.

22 Q Of course, you know, Hyden-Leslie  
23 is one of the --

24 A Yeah.

25 Q -- one of this group. I ask just

1 as a moment -- I guess this isn't really levity.  
2 But as far as we can tell, Hyden-Leslie hasn't had  
3 a rate increase since sometime before 1985, and we  
4 don't have a record to go back --

5 A Yeah.

6 Q -- before that.

7 A It's been a while for those guys.

8 COMMISSIONER SCHMITT: I have no further  
9 questions.

10 Anything, Mr. McNeil?

11 MR. McNEIL: Yeah, Chairman, just a few.  
12 Thank you.

13 EXAMINATION

14 BY MR. McNEIL:

15 Q Mr. Rice, good morning.

16 A Morning.

17 Q So in response to Question 5,  
18 there's Appendix C in PSC's March Order, the first  
19 data request, North Manchester answered about  
20 certain -- certain steps taken for water loss  
21 prevention. Valves have been installed in  
22 strategic areas to help with leak protection; also  
23 certain elements are being added to future projects  
24 to help with water loss control.

25 Could you just tell me if -- first of all,

1 what certain elements are being added to future  
2 projects? Do you know the answer to that?

3 A Just what we talked about  
4 earlier, like the leak detection meters, things  
5 like that, and the solenoid control valves. That's  
6 what I was referring to.

7 Q Have you seen any reduction so  
8 far that you can measure from the valves, from  
9 those...

10 A You talking -- with what now?

11 Q Have you seen any measurable  
12 reduction in water loss from the installation of  
13 the valves or from the --

14 A The valves were just -- what I  
15 mean by that, those valves, when you have -- the  
16 more valves you have in your distribution system  
17 the better off you can isolate and find, you know,  
18 where your flows are. So, you know, that's --  
19 that's the only thing that I could find, you know,  
20 that they had done maybe to help try to find more  
21 leaks.

22 Q Was adding extra --

23 A Yes.

24 Q -- replacing, or both?

25 A Yeah, more adding than replacing.

1 Q Adding to?

2 A Yes.

3 Q Also in that Appendix C there was  
4 a, as part of Exhibit C, the capital improvement  
5 plan. The second page had short-term capital  
6 improvements, and some of the things you just  
7 talked about, the solenoid control valves, leak  
8 detection meters, change out water meters, install  
9 gate valves, blow-offs, are those -- can you tell  
10 me if those are all in process or are those  
11 partially implemented, or what the timeline is  
12 for --

13 A Yes, this was just the -- none of  
14 this is -- other than the change-out of the water  
15 meters, we're budgeting, you know, like I said,  
16 we're -- we're getting \$2,000 worth a month in  
17 meters. That's the only thing right now that is  
18 being implemented.

19 Q Okay. And how do you -- how are  
20 you prioritizing where to install those meters?

21 A Yes, so that, we just basically  
22 go find out which ones are -- go to a meter book  
23 and we just -- kind of just starting from scratch  
24 and just starting in one area, and just -- you  
25 know, just that's how they were doing it before.

1           I kind of spread them out a little more now,  
2           so -- which we're actually trying to target the ones  
3           that I spoke about earlier, the Elster brand, those  
4           are kind of the ones we're kind of targeted. When  
5           we read meters, we kind of make a mark if's that's  
6           the brand of the meter. I tell the guys, you know,  
7           hey, if you see an Elster meter here, just make a  
8           little mark that I can -- that we know, because  
9           those are the ones that are mostly failing when we  
10          test the meters.

11           Q           Right.

12           A           So that's what we're kind of  
13          targeting right now.

14           Q           And you're -- do you have  
15          adequate records for all that for the meters?

16           A           As far as I can tell, they do  
17          have the records. They're just -- they're not on a  
18          spreadsheet or anything. They're just in a big  
19          filing, and it's -- it's a headache.

20                        We're actually -- we've come up with kind of  
21          a solution for that. We -- what I'm wanting to do  
22          is make a meter database for each customer and put  
23          their -- hopefully, maybe when we upgrade our  
24          billing software, it will have spots for that where  
25          we can put that in their customer profile when their

1 meter's been tested and the year and all that.

2 So -- but that's one of the things we --  
3 like I said, I just have these big files with meter  
4 test cards that they had done. So it's -- you know,  
5 you kind of have to just -- it's like I said, it's  
6 kind of a headache.

7 Q Working your way through that?  
8 So you said you were understaffed. How many more  
9 employees would you need in operations to feel  
10 sufficiently staffed?

11 A I mean, we could always use  
12 someone, but we are -- we're managing right now.  
13 But, I mean, if we did have some more employ- --  
14 you know, one or two more employees, that would --  
15 that would help us, you know. As far as time we  
16 could, you know, have certain crews do this or, you  
17 know, have a crew to do -- you know, maybe take  
18 care of -- if you had a leak, maybe send these two  
19 here while three, you know, look for leaks or  
20 whatever.

21 You know, of course, most water companies  
22 I'm sure could say the same thing, that they could  
23 use the extra help, especially the ones in Eastern  
24 Kentucky.

25 Q It was mentioned in the records.

1 Do you know if the engineering company you hired  
2 has provided you with a revised distribution map by  
3 June?

4 A We haven't gotten it yet.

5 Q But that's still --

6 A It's -- that's still ongoing,  
7 yeah.

8 I will say our -- Cumberland Valley does --  
9 sends us maps, and they're pretty accurate, so --  
10 with the distribution mains, so those -- those are,  
11 you know, pretty accurate. Only thing that we don't  
12 have is just the map of service lines, service  
13 connections.

14 Q Do you go by as-built drawings,  
15 or how do you find those?

16 A Yeah, that's the only thing we  
17 have, so, you know, just -- but it's not -- it  
18 don't have the -- like the service lines actually  
19 mapped that I have seen.

20 Q Do you -- I know you just got  
21 there in March. Can you tell me about annual  
22 inspections, though? Do you know if the North  
23 Manchester performs annual inspections for certain  
24 equipment as required per regulation?

25 A You mean like -- we do monthly

1 inspections of our facilities.

2 Q What do you inspect?

3 A Tanks, pumps, vehicles,  
4 equipment.

5 Q Do you keep -- have you been  
6 keeping records --

7 A Yes.

8 Q -- adequate records and all that?

9 A Yes.

10 Q Okay. Well, I was referring  
11 specifically in 807 KAR 5:006, Section 26. There's  
12 a list of certain things that Utility shall inspect  
13 annually and then some monthly.

14 A Yeah.

15 Q Monthly was, like, equipment,  
16 vehicles, defects --

17 A Yes.

18 Q -- and annual --

19 A I think tanks are maybe annually.

20 Q Right.

21 A But we do -- we do them monthly,  
22 because you just never know what -- you know, you  
23 might have something going on. So I think once a  
24 year, you know, would be too far of a span, so we  
25 do them -- I was used to doing them monthly when I

1 worked at Hyden, so I just implemented that here so  
2 we could keep, you know...

3 Q Are there records of it -- of  
4 those inspections before you got there?

5 A I don't think they -- they didn't  
6 do them monthly. They were doing them annually.  
7 But they were keeping, you know, vehicle  
8 maintenance monthly, or inspections monthly, you  
9 know. But the tanks, I think they were doing those  
10 annually.

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

12 COMMISSIONER SCHMITT: I just have one  
13 question, Mr. Shepherd.

14 EXAMINATION

15 BY COMMISSIONER SCHMITT:

16 Q You indicated I think that  
17 you-all are replacing like meters to the extent of  
18 \$2,000 a month, and what does -- do you think a  
19 meter costs?

20 A I think our price right now we  
21 have, it's locked in with Badger, it's \$62.50. I  
22 think that's what it is.

23 Q So how much is it?

24 A 62 --

25 Q \$62 a meter?

1 A -- and 50 -- yes.

2 Q So whatever \$2,000 will buy in a  
3 month?

4 A Yeah. I think it's roughly  
5 around 32 to 33 meters.

6 Q 33 meters per month?

7 A Yeah. And that may go up. We  
8 were doing -- one month they would buy \$2,000 worth  
9 of the residential, 3/4 by 5/8, and then the next  
10 month they would buy 1-inch, but we had -- we don't  
11 have that many 1-inch. So, you know, from here on  
12 out, I think we're just going to buy the  
13 residential ones, yes.

14 COMMISSIONER SCHMITT: Okay.

15 Mr. Shepherd, questions?

16 MR. SHEPHERD: I don't have any questions,  
17 Your Honor.

18 COMMISSIONER SCHMITT: Anything else from  
19 anybody?

20 MR. BOWKER: Just a quick follow-up, Your  
21 Honor.

22 EXAMINATION

23 BY MR. BOWKER:

24 Q Do you have any records backed up  
25 on computer, or is it all just written down?

1           A           What kind of records?

2           Q           Any records that are kept, as far  
3 as whether they're work orders or anything. Are  
4 they -- any of it backed up on a computer or is it  
5 just all written down?

6           A           It's all written on a -- you  
7 know, just on a work order, and I keep it in a file  
8 in my desk.

9           Q           Okay. And has the Utility  
10 thought about trying to back up some of these  
11 records on a computer?

12          A           That may be something that the  
13 new billing upgrade, billing system upgrade --  
14 system may have. I'm not sure, but, I mean, that  
15 will probably be something that will -- that they  
16 will probably, you know, be for.

17          Q           That way if somebody makes off  
18 with your records you have a backup.

19          A           Yes. Yes.

20          Q           I guess they can steal a  
21 computer, too, but -- and I do want to follow up  
22 just briefly. Utility provided to us in the  
23 Question 3 of the second data request that its top  
24 three obstacles for preventing its progress toward  
25 reducing water loss, and the Utility stated number

1 one was funding for line replacement, number two  
2 was aging infrastructure, and number three was  
3 personnel turnover. Do you agree with all of  
4 those?

5 A Yes.

6 Q Do you have any suggestions as to  
7 how to overcome any of those three obstacles?

8 A I mean, not right off.

9 Q Okay. My last question, I  
10 promise, is when you install service lines are  
11 there any guidelines to where you place -- is it  
12 close to the tap or closer to the -- closer to the  
13 road, or is it closer to the person to the --  
14 closest to the meter?

15 A So what we do is we'll go -- 50  
16 foot is the max we'll go when we make a tap. You  
17 know, that's -- that's what we will do, 50 foot of  
18 service. But maybe if it's a -- if we have to bore  
19 under the road or something, it may be a little  
20 more than that, but, you know, usually the  
21 guideline is 50 foot.

22 Q So that's depending on the  
23 terrain and where the --

24 A Right.

25 Q -- house is located and

1 everything?

2 A Right.

3 Q You make that determination?

4 A I mean, we won't -- we won't, you  
5 know, lay a line up and put it in behind somebody's  
6 house or anything. I think they did that before,  
7 and that's -- you know, costs you -- cause you some  
8 issues later on.

9 Q So that procedure has changed?

10 A Yes.

11 Q And you said the 50 feet comes  
12 from a guideline?

13 A Yeah, that's -- that's what we go  
14 by when we make a new tap. 50 foot is the max that  
15 we will go from that, you know, main line when we  
16 make the tap.

17 Q Could it be any closer than  
18 50 feet?

19 A It could be, but, I mean, I'm  
20 saying 50 foot is the max. But it could be closer,  
21 depending on where the, you know -- if, say, you  
22 got a house next to a road here, you got just a  
23 little bank here and the line's in the ditch line,  
24 we may only go 5 foot or 10 foot.

25 MR. BOWKER: All right. I have no further

1 questions.

2 COMMISSIONER SCHMITT: Commissioner Cicero?

3 MR. CICERO: Just one last comment.

4 On the records that are kept in the  
5 file drawer, the one of all the meters that  
6 you said they're just kept on written  
7 documents, is there a plan for office  
8 personnel to enter that or is there just no  
9 plan at all at this point?

10 THE WITNESS: Yeah, that -- we -- me and  
11 the office manager, we come up with a thing  
12 where we make a spreadsheet for each  
13 customer for -- for that, but it's -- it  
14 will take some time.

15 MR. CICERO: I would suggest that you go  
16 out and hire a summer high school  
17 student --

18 THE WITNESS: Yes.

19 MR. CICERO: -- or a college student,  
20 looking to make ten bucks an hour, and have  
21 them enter, and you'd be all done within a  
22 matter of a couple of months.

23 THE WITNESS: Absolutely. It will take  
24 some time. You know, if we do it in house  
25 it will take some time. But that's

1 something that needs to be done because  
2 it's -- like I said, it's just -- it's  
3 almost more than you can handle.

4 MR. CICERO: I just know if you hire a high  
5 school or college student that's looking  
6 for something to do, they will be really  
7 good on a computer --

8 THE WITNESS: Right.

9 MR. CICERO: -- and can probably enter it  
10 about ten times faster --

11 THE WITNESS: That's a good recommendation.

12 COMMISSIONER SCHMITT: Mr. Shepherd?

13 MR. SHEPHERD: May I, Your Honor?

14 COMMISSIONER SCHMITT: Yes, you may.

15 EXAMINATION

16 BY MR. SHEPHERD:

17 Q Mr. Rice, on Question 30 on our  
18 first set of answers, the five most critical  
19 projects?

20 A Yes.

21 Q No. 1, solenoid control valves to  
22 isolate tanks, do you know how much that would  
23 cost?

24 A Not right off, but probably  
25 ballpark probably somewhere around -- the valve is

1 probably somewhere around \$10,000. It would cost  
2 you probably somewhere around that same amount, and  
3 maybe even a little more to have it implemented  
4 into your telemetry. So you would have to have a  
5 -- you know, you would have to have an antenna, all  
6 that stuff. It would be have to be --

7 Q What about --

8 A -- upgraded.

9 Q I'm sorry.

10 What about to replace all the AC and the  
11 galvanized lines, how much would that cost?

12 A I'm not sure. It may be on  
13 that -- the capital improvement sheet. It may be  
14 on there. You know, I wouldn't know about that.  
15 It just depends on what kind of...

16 Q I mean, do you have a ballpark  
17 figure on how much that would cost? Would that be  
18 10,000, will that be hundreds of thousands? What  
19 would that...

20 A Yes, hundreds of thousands,  
21 probably.

22 Q What about to update to the AMR  
23 system for reading meters, do you know how much  
24 that would cost?

25 A Hundreds of thousands.

1 Q The billing system upgrade, I  
2 take it that probably wouldn't be --

3 A That is -- I think we got a quote  
4 for somewhere around -- I'm going to say \$2,000, is  
5 that what it was, somewhere around that. And that  
6 is getting ready to be done in the next probably  
7 week or so, couple weeks.

8 Q What about installing the 2-inch  
9 leak detect meters throughout the system, do you  
10 know what that would cost?

11 A Probably upwards in the tens --  
12 10,000s, probably, somewhere in the neighborhood,  
13 because 2-inch meters usually cost you about 600  
14 bucks.

15 Q And I know Mr. Cicero asked you,  
16 and he said that, you know, budget is not an excuse  
17 for these things, but basically that's the  
18 problem --

19 A Basically.

20 Q -- is funding.

21 A Basically.

22 MR. SHEPHERD: Okay. That's all, Your  
23 Honor.

24 COMMISSIONER SCHMITT: Well, really, of  
25 course, I know you're not a board member,

1 but the money is here if somebody asks for  
2 it.

3 THE WITNESS: Yeah.

4 COMMISSIONER SCHMITT: No further  
5 questions.

6 May this witness be excused?

7 MR. BOWKER: Yes, sir, unless -- I guess  
8 there could be some question that it comes  
9 up that he may be able to answer, but so  
10 I --

11 COMMISSIONER SCHMITT: Did Mr. Rice come  
12 with everybody else?

13 MR. SHEPHERD: Yes, he did. You can stay,  
14 Mr. Rice.

15 COMMISSIONER SCHMITT: Oh, okay. Well, you  
16 may -- thank you, Mr. Rice.

17 THE WITNESS: Thank you.

18 MR. SHEPHERD: Thank you, Your Honor.

19 COMMISSIONER SCHMITT: Do you have another  
20 witness to call?

21 MR. BOWKER: Yes, sir. Call Steve Davis,  
22 Chairman of the board.

23 COMMISSIONER SCHMITT: Once we swear in  
24 Mr. Davis, why don't we take a ten-minute  
25 break or so.

1 MR. SHEPHERD: That's fine. Thank you,  
2 Your Honor.

3 COMMISSIONER SCHMITT: Let me swear you in,  
4 then we'll take a ten-minute break.

5 \* \* \* \* \*

6 The witness, STEVE DAVIS, after first  
7 being duly sworn, was examined and testified as  
8 follows:

9 COMMISSIONER SCHMITT: Thank you. We will  
10 now be in recess until 20 minutes until  
11 11:00.

12 (THEREUPON, A BREAK WAS TAKEN.)

13 COMMISSIONER SCHMITT: Please be seated.  
14 We are now back on the record and Mr. Davis  
15 is on the stand. Please move forward, if  
16 you would, and call your witness.

17 EXAMINATION

18 BY MR. SHEPHERD:

19 Q Mr. Davis, would you please state  
20 your full name for the record.

21 A My full name is Oakley Steven  
22 Davis.

23 Q And, Mr. Davis, what is your  
24 mailing address?

25 A 193 Isaiah Seth Lane, Manchester,

1 Kentucky.

2 Q And what is your position with  
3 North Manchester Water Association?

4 A Chairman of the board.

5 Q And how long have you held that  
6 position?

7 A Right at a year and a half.

8 Q Okay. And prior to that position  
9 were you also employed by North Manchester Water  
10 Association?

11 A 1999 to 2004 I worked there, but  
12 I'm -- I don't --

13 Q What were your job duties at that  
14 point?

15 A Just labor, field worker, I  
16 wasn't an operator, just a field worker.

17 MR. SHEPHERD: Okay. Pass the witness,  
18 Your Honor.

19 COMMISSIONER SCHMITT: Mr. Bowker.

20 EXAMINATION

21 BY MR. BOWKER:

22 Q How are you this morning?

23 A How are you?

24 Q Doing well. I want to ask you  
25 first, you got your data request responses up

1       there?

2                   A               Yes, sir.

3                   Q               Okay, I appreciate that. You-all  
4       have been right on top of that.

5                   If you could please refer to the -- refer to  
6       the -- our first data request, Question 19, we  
7       request the Utility's procedure and schedule for  
8       testing its meters and customer meters, and request  
9       the number of meters that the Utility has that are  
10      over ten years old, and the results of any tests for  
11      those meters.

12                  The Utility stated that 43 meters are over  
13      ten years old and that there are no records of these  
14      meters having been tested; is that accurate?

15                  A               This is No. 19, you say?

16                  Q               Yes, sir. The Utility responded  
17      that it had 43 meters that are over ten years old.  
18      Do you know if those meters have been tested since  
19      the Utility's response, or do they still need to be  
20      tested?

21                  A               They still need to be -- they  
22      still need to be tested.

23                  Q               Does the Utility have any record  
24      of those 43 meters as far as if they were ever  
25      tested?

1           A           No, sir, we don't.

2           Q           Okay. How long has present  
3 management been managing the Utility?

4           A           I've been there about a year and  
5 a half as board chairman.

6           Q           Okay.

7           A           It's all new management. All new  
8 board, all new employees.

9           Q           Can you explain what records that  
10 you-all are missing and give us some background  
11 about why the records are missing?

12          A           The best answer I can give you,  
13 sir, would be where we've got our audit back, you  
14 know, we -- our -- our CPA, he's got the audit, or  
15 our lawyer has a copy of the audit.

16                 As we took over this, we looked for certain  
17 paperwork and things that we knew should be done,  
18 and it wasn't there. I mean, we can't find it. So  
19 we're in the process -- we've been at it a year and  
20 a half. We're in the process of managing it the way  
21 it needs to be managed. We're trying to get it  
22 straightened up from previous management.

23                 So, I mean, there's a lot of missing things,  
24 missing documents, there's miss -- it's -- it never  
25 was done correctly, is what I'm trying to say. They

1 never did keep track, records, paper records or  
2 nothing. They never did. It was just mismanaged  
3 all down the line over the years.

4 Q Well, I thank you for that.  
5 There's mismanagement, but then there's also just  
6 the absolute absence, missing records; right?  
7 Aren't there just records that are just not there?

8 A Yes, sir.

9 Q And do you know why they're not  
10 there?

11 A Yes, sir. We -- back in 2017,  
12 November of 2017, I was on the board, and I started  
13 asking questions, financial questions, things like  
14 that. The CPA we had, he would never present those  
15 documents at the board meetings, never would give  
16 me an answer why.

17 So we ended up asking for an audit for  
18 finances. Mr. Maggard was working on for a grant  
19 for us, and after -- after that word was mentioned,  
20 "audit," all the board members quit, except me. And  
21 I was just a board member. I wasn't president. I  
22 just got put in this position.

23 And I started from there getting me a good  
24 board put together and trying to figure out what the  
25 problems was, finding the problems, trying to find

1 the solutions, and we're still in that process right  
2 now.

3 But back to your question, we fired him, the  
4 CPA, and he had all our documents. He done all of  
5 our billing, he done all of our -- everything. He  
6 done payroll, billing, out of his office in  
7 Manchester.

8 So we sent to get our records, and he had  
9 thrown them in bins, unprofessional, threw them  
10 in bins, and you said come get your junk. So we  
11 sent men in there, company water trucks up there to  
12 pack that stuff and bring it down to the office, and  
13 it's sitting in bins down there.

14 I had to call the Board of Accountancy on  
15 him to get our hard drive, to get our -- our billing  
16 schedule, that put us three months behind. So it's  
17 been a headache, the whole deal, with that guy.

18 But anyway, yes, I agree with you, there's  
19 all kinds of things that's missing that should be  
20 there, but now we're in the process of trying to get  
21 this place straightened out, I mean.

22 Q Did the person you're talking  
23 about, did they have any other position at the  
24 utility, or was it just accountant?

25 A Oh, he was president, he was --

1 he was CPA, he sent the bills out. He done it all.

2 Q He was the president?

3 A Yeah.

4 COMMISSIONER SCHMITT: Can I ask a question  
5 or two?

6 EXAMINATION

7 BY COMMISSIONER SCHMITT:

8 Q Mr. Davis, the person who was --  
9 who are we talking about? Can you put a name to  
10 the person who was the former president?

11 A Charles Stivers.

12 Q And he was also a CPA?

13 A (Witness nods head.)

14 Q And he was -- did he have any  
15 other employment with North Manchester?

16 A No, sir. He was just president  
17 over the board like I am.

18 Q Yeah.

19 A And he was the accountant, CPA.

20 Q Right.

21 A He done all the payroll, all the  
22 billing.

23 Q Well, he got paid for that --

24 A Oh, yeah.

25 Q -- in his capacity --

1 A Oh, yeah, he got paid.

2 Q -- as a CPA?

3 A He got paid.

4 Q And I -- you know, I guess  
5 when --

6 A He was on payroll.

7 Q Yeah. It would seem to me, at  
8 least, that's probably a conflict of interest,  
9 but -- so he basically -- how many years did he  
10 work there? He was the president and also  
11 apparently ran the association?

12 A Estimated -- estimate working --  
13 not the president part, but CPA, probably 25 years.  
14 The president, maybe 15 or 20, I mean, just  
15 ballpark. I don't really know.

16 Q Now, did he manage the employees,  
17 too, or did somebody else?

18 A No, he didn't manage the  
19 employees. He was just -- he didn't manage the  
20 employees. Office manager and the field manager,  
21 just like we got now, does the day-to-day  
22 operations. You had a office manager took care of  
23 the money coming in the office and getting it to  
24 the bank, and you had your field supervisor took  
25 care of the outside, from setting meters, fixing

1 leaks, and things like that.

2 Q Okay. When Mr. Stivers -- I  
3 guess he quit or resigned and so did other --

4 A We fired Mr. Stivers.

5 Q You fired him?

6 A Yeah.

7 Q Okay. Well, he was -- was he  
8 still the president when he was fired as the CPA?

9 A Yeah, I -- we had -- we have an  
10 annual meeting every year, and I won that seat and  
11 he wasn't very happy about it. But anyway, we  
12 fired him. We fired him after that.

13 Q Is he still in Manchester?

14 A Yeah, as far as I know.

15 Q Well, so basically, then, when  
16 you try to get your records, that was the problem,  
17 because he didn't --

18 A Put us behind three months, sir.

19 Q Yeah. And apparently, from what  
20 we understood, and this is hearsay, I guess, from  
21 some of our people, all of the records maybe  
22 that -- when you got records, there might have been  
23 some question as to whether all the records were  
24 there?

25 A It wasn't all there. I mean, it

1 was just -- just be like just dumping it out in  
2 bins, and say come and get it. And we probably  
3 didn't get all the records from 25 years he's done  
4 the accountant business. I mean, there's no way it  
5 was in them four or five bins. I mean, you got  
6 personnel -- employees, all your employees' stuff,  
7 you got your customer -- all your customer service  
8 and billing and all that thing. All that stuff, we  
9 didn't -- we didn't get none of that.

10 Q So you indicated that other  
11 employees were let go, too, not just Mr. Stivers,  
12 but there was the office staff?

13 A Well, our board doesn't get paid.  
14 So they -- you know, when we mentioned audit, they  
15 decided they just wanted to quit. Their board  
16 members don't get paid. They -- all the board  
17 members except for one, me, stayed.

18 Q Okay.

19 A And the office people, they --  
20 they decided to leave, and we've had several  
21 employees leave and we had several come -- we hired  
22 them back because they left on good terms. They  
23 give their two weeks -- you know, they give their  
24 two weeks, forward it, and then they come asking  
25 for their job back. And actually we needed them,

1 sir. They -- one of them's got 14 years'  
2 experience and he didn't get let go for his work  
3 ethic or nothing. He just decided to give his two  
4 weeks and decided to seek employment elsewhere, and  
5 I guess he couldn't find no other work.

6 Q But the office manager quit?

7 A Yeah.

8 Q The inside office person?

9 A Yeah, yeah.

10 Q And that probably put you in a  
11 hard place?

12 A Yes, sir. Yes, sir. It's been  
13 hard.

14 Q Because not only did you have a  
15 lack of records, but you didn't have anybody in the  
16 office who had any historical knowledge of what had  
17 happened?

18 A She put us on short notice. We  
19 got a guy in there, got Lonnie, Lonnie Hensley, the  
20 guy we got now, he got eight days with her. Eight  
21 days. Eight days he got to sit with her and try to  
22 learn all of it. We're still --

23 Q Had to be -- that's a quick --

24 A We're still --

25 Q -- quick lesson.

1           A           We're still learning. We're  
2 still learning.

3           Q           So at the time that the new group  
4 took over, do you know now about what the financial  
5 condition of North Manchester Water District was --  
6 or Water Association? Was it financially viable,  
7 was it in financial difficulty at the time when the  
8 new group took over?

9           A           When the new group took over,  
10 yes, sir, it was bad financial difficulty. There  
11 was no -- there was no parts for the men to work  
12 with. I had to go and ask a friend of mine that  
13 runs a gas station and puts tires on trucks, when  
14 he put the tires on the trucks, that I was staying  
15 good for the money until the water company got the  
16 money.

17          Q           You had to guarantee them  
18 yourself --

19          A           I guaranteed it.

20          Q           -- the payment?

21          A           Martin Bowling's his name, 421  
22 Service Station.

23                 But anyway, we had \$4,500 in the bank, and  
24 we had seven bank accounts. There was \$7 in one, \$5  
25 in one. Was supposed to have been \$91,000 in one.

1 It wasn't there.

2 So I start looking at all this stuff, and  
3 I'm starting to put two and two together, and I get  
4 our board together and we realize something's bad  
5 wrong. And we've been working on it since and we  
6 have been making progress.

7 Q I guess without records was it  
8 hard to determine where the money went?

9 A Yes, sir. Yes, sir.

10 Q Have you been able to find out to  
11 this day what happened?

12 A They got some things going on in  
13 Manchester in court over it, but as far as me  
14 knowing exactly what's going on, I mean, I've been  
15 up there, I've been subpoenaed twice to testify, so  
16 I don't know what's going on on that neither.

17 Q Like a grand jury?

18 A Yeah. Yeah.

19 Q Have there been any indictments?

20 A No, sir.

21 Q What's the -- skipping forward to  
22 now, what's the present status in terms of  
23 financial for North Manchester Water District?

24 A Last month's board meeting we  
25 had, I think it was \$203,000 in the bank.

1 Q That's a lot better than \$7.  
2 A Yes, sir.  
3 Q Okay. So you're doing better.  
4 A Yes, sir.  
5 Q You're pulling out.  
6 A Yes, sir.  
7 Q And the reason I ask is, and I  
8 don't know what the result of it was, but a couple  
9 of weeks ago we had a meeting with one of our  
10 financial analysts, and a part of the problems was  
11 that you-all didn't have records for the 2017 year,  
12 and they couldn't -- the staff, under the  
13 alternative rate filing procedure, couldn't put  
14 together a package of money that we could give you  
15 because we didn't have records.  
16 A Yes, sir.  
17 Q And I think he told us some time  
18 after that that maybe he had spoken, if not maybe  
19 to you or your accountant or something, and maybe  
20 you were going to withdraw it and refile or do  
21 something --  
22 A He advised --  
23 Q -- because you didn't have the  
24 audit done --  
25 A Right.

1 Q -- and couldn't get --

2 A Exactly. He called us, spoke  
3 specifically to me and Mr. Woods, and we decided --  
4 he said it would be in their best interest, where  
5 they didn't have the, you know, financial  
6 statements and things that needed before we had an  
7 audit, we already -- we starting the 2018 audit, to  
8 maybe take our rate increase and go with 2000- --  
9 you know, the new audit, 2018. So that's what he  
10 advised us.

11 Q Is that what you-all are going to  
12 do?

13 A We're going to have a board  
14 meeting -- see, we just meet once a month, and  
15 we're going to try to discuss it when we -- that's  
16 probably right where we'll be going.

17 Q Well, if you do that, you need to  
18 get the things and refile --

19 A Yes, sir.

20 Q -- and we'll work on it as  
21 quickly as we possibly can.

22 A Yes, sir. We're going to do  
23 that. We'll do that at our next board meeting.

24 COMMISSIONER SCHMITT: Thank you.

25 Mr. Bowker?

1 MR. BOWKER: Thank you, sir.

2 EXAMINATION

3 BY MR. BOWKER:

4 Q So this gentleman we're talking  
5 about, Mr. Stivers, did he -- do you know if he had  
6 a computer? Did he back up any of these files  
7 himself on a -- did you ever see him type them on a  
8 computer, a laptop computer or anything?

9 A No, sir. I never had no  
10 relationship with him other than the board meeting  
11 that night and a couple of board meetings that he  
12 attended before -- before he was gone.

13 Q But as far as your knowledge, he  
14 just kept paper records of --

15 A I'm sure -- I'm sure he had,  
16 because after I was on there, I had to call the  
17 Board of Accountancy on him. They -- he brought a  
18 thumb drive down and turned it over to us, but  
19 that's like three months after we've been fighting  
20 over it, and we're three months behind on our  
21 bills, and it just -- it was a mess.

22 Q So you were able to get some of  
23 those records back?

24 A Yeah.

25 Q But not all?

1 A There's still missing records.

2 Q There's still some records --

3 A Yeah, there's still missing  
4 records.

5 Q And besides the court case that  
6 was mentioned, is there anything else that's being  
7 done to try to recover the records other than that  
8 case, or have you-all just let that court case do  
9 its own thing?

10 A As a board, we -- we're not --  
11 we've not got no input in it. We're letting the  
12 city, the county -- they're dealing with it in  
13 court; not all -- probably not to get our paperwork  
14 and things like that. I don't know -- I really  
15 don't know what they're -- I think they're looking  
16 at it as funding, as a monetary issue, instead of  
17 missing paperwork.

18 Q Instead of trying to get your  
19 records back?

20 A Yeah.

21 Q So other than that, you-all are  
22 not attempting to get the records back any further?

23 A Well, he's -- I've not had no  
24 contact with him. It's -- it's probably useless to  
25 try to get it from him.

1 Q Okay.

2 MR. CICERO: Do you have any idea how much  
3 he might have embezzled?

4 THE WITNESS: I don't want to sit here and  
5 insinuate nothing like that. I don't  
6 really -- couldn't put a -- I don't -- I'm  
7 not saying the man embezzled.

8 MR. CICERO: Is he being prosecuted for --

9 THE WITNESS: I'm just -- no. He's been  
10 subpoenaed up there. I don't know what  
11 they're going to do -- got going on up  
12 there. I've not talked to the Commonwealth  
13 attorney. We don't have no dealings. I'm  
14 just -- I know what -- small town, I know  
15 what's happening, but...

16 MR. CICERO: He's not being prosecuted  
17 because money was missing from --

18 THE WITNESS: No, sir.

19 MR. CICERO: All right.

20 COMMISSIONER SCHMITT: Hasn't been  
21 indicted.

22 MR. CICERO: Hasn't been indicted, okay.

23 THE WITNESS: They're just -- they're  
24 talking to several people, but nobody's  
25 been indicted. I mean, it's just

1 questions.

2 MR. CICERO: Okay, go ahead.

3 COMMISSIONER SCHMITT: What about your --  
4 we were told maybe there was a loan or  
5 something.

6 THE WITNESS: Yes, sir.

7 COMMISSIONER SCHMITT: And that there was  
8 an issue about the county was on the KIA  
9 loan or something, and not North  
10 Manchester, but you hadn't -- since January  
11 of 2018 you hadn't been able to make a  
12 payment. Can you describe that for us or  
13 tell us something about it?

14 THE WITNESS: Yes, sir. As an association  
15 you're not -- you cannot have that money.  
16 You cannot fight for it. So somewhere or  
17 other back in 1994 the county and the  
18 administration at that time, somehow or  
19 other, the county signed for the money,  
20 North Manchester Water got some of it, and  
21 they would pay the payment on it. There's  
22 a lease agreement been signed, and when we  
23 finally got -- when we finally got  
24 situated, got all of our paperwork back, we  
25 got to looking, we couldn't pay the loan.

1                   So I called KIA personally and I  
2                   talked to Donna McNeil, is who I talked to.  
3                   I just told her, we got parts we need to  
4                   buy, we got tires for trucks. I said, we  
5                   got to have all this stuff. We ain't going  
6                   to be able to pay this loan this month. She  
7                   said, How long is it going to be before you  
8                   can pay it? I said, I don't really know, to  
9                   be honest with you.

10                   So she come in, we went to fiscal  
11                   court meeting, then we set up paying \$3,000  
12                   a month. They made the county open an  
13                   account, fiscal court open an account in  
14                   their name, and we write a certified check.  
15                   They have to sign it before it goes in the  
16                   bank. And KIA physically they get it out  
17                   theirselves. That's how it's being paid now.

18                   But we've upped it from then, to now  
19                   we're paying 5,000 a month, and we're  
20                   putting the rest to make the 13,000 up in  
21                   the reserve that was supposed to be there.  
22                   So we're -- actually, we are financially  
23                   able to do it now, but what the KIA has  
24                   advised us to put 5,000 in the bank they can  
25                   draw out, and put the other into reserve,

1           because we're supposed to have a reserve.  
2           The 91,000 wasn't there at the time.

3                        So they want us to build that reserve  
4           back up. And my last record, I think we've  
5           got it built up to 35,000, I think. I'm not  
6           for sure.

7           COMMISSIONER SCHMITT: So you're making  
8           your payments now? You're able to make the  
9           payments?

10          THE WITNESS: Yes, sir. We're doing what  
11          KIA has asked us to do.

12          COMMISSIONER SCHMITT: Is the fiscal court  
13          satisfied with that?

14          THE WITNESS: Not really.

15          COMMISSIONER SCHMITT: What's their issue,  
16          then?

17          THE WITNESS: Their issue is, the guys  
18          that's over it now, they got an issue with  
19          how it was done in the past, and the  
20          county's -- if we decide we don't want to  
21          pay it, even though we've got that lease --  
22          and we're not going to do that; we're going  
23          to pay it -- they're on the hook for it.  
24          They're responsible for it. See, that's  
25          what brought all of it up. They had an

1           audit done at the city and county, and that  
2           showed up, that KIA loan showed up on the  
3           city on their annual budget. And that's  
4           when -- that's when it all started.

5           COMMISSIONER SCHMITT: Okay. Is it the  
6           city --

7           THE WITNESS: County.

8           COMMISSIONER SCHMITT: -- of Manchester, is  
9           that --

10          THE WITNESS: County, yes.

11          COMMISSIONER SCHMITT: The county. Okay,  
12          the county. All right.

13          BY MR. BOWKER:

14                 Q           I'm going to direct you to  
15           something, first data request, if you have the  
16           first one up there, the March 12 Order one,  
17           Question No. 30. I believe you were in the  
18           courtroom when I was asking similar questions about  
19           Question 30 of the first data request to Mr. Rice.  
20           I wanted to ask you as well regarding the five most  
21           critical projects. Did you hear us talking about  
22           that earlier?

23                 A           Uh-huh (affirmative).

24                 Q           I just wanted to get your input  
25           as chairman of the board. Can you describe what

1 you believe to be the purpose of each of these  
2 projects and what you think would be the timeline  
3 for getting them done? Those projects were to --  
4 number one was to install control valves;  
5 number two is replace all AC and galvanized lines;  
6 number three was install AMR system; number four  
7 was upgrade the billing system; number five was  
8 install leak detection meters throughout the  
9 system.

10 Do you have any input as far as those --  
11 well, first of all, do you agree with those?

12 A Yes, sir. As far as billing  
13 system, we voted -- voted, we paid -- sent the  
14 check in. They're coming in. We're going to do  
15 the -- we're going over that. We're installing  
16 that. The solenoid control valves is a lot of  
17 money. We've already talked about -- we've talked  
18 about all these things he talked to you about.

19 They're all very important issues we're  
20 going to have to address, but the monetary value on  
21 them is what the deal is right now. And I know I  
22 said we had 200-some thousand dollars in the bank,  
23 but we got to get these valves, asbestos lines now.  
24 See, those things should have been done done.

25 See, that's my problem when I started

1 researching North Manchester Water, is books and  
2 things and grants and line replacement and all that.  
3 This stuff should have done been done. This stuff  
4 should have done been gone. It should have been  
5 replaced. It already should have been done by now.  
6 But here we are, we're going to have to do it.

7           So we've got to either apply for some county  
8 funding to help us, because, I mean, you know, we  
9 can take that \$200,000 and spend it in just a few  
10 minutes, order some parts, put you in a few feet of  
11 line.

12           But anyway, the solenoid valves, that's a  
13 big thing, because just like he explained to you, we  
14 got three tanks in isolated areas. It's just  
15 like -- them three tanks is just like having one big  
16 tank you're working off of. You can't isolate this  
17 part of the system because the way they got it  
18 spider-webbed in all together. It was -- it was put  
19 in wrong. They should have had a way to isolate  
20 you -- isolate your tanks in your area to detect  
21 leaks. But when you got a leak, you got to cover  
22 your whole area. All that miles of line, you got to  
23 cover that. But if you could isolate it, you could  
24 just generally adapt it down to one little area  
25 here, and it might be easier to find your leak.

1 We're discussing all these things that --

2 COMMISSIONER SCHMITT: Is that what -- I  
3 guess when you're -- Mr. Rice talked about  
4 they had to go in at night. What, did you  
5 shut the water off or something --

6 THE WITNESS: No, sir. No, sir. They'll  
7 go in at -- they'll go in late at night,  
8 because most of the time -- you know,  
9 you're still going to have people working  
10 night shift coming home. But generally at  
11 night you can get a better -- ain't much  
12 traffic on the road. Most of our valves is  
13 on the road, and you can hear -- you can  
14 take -- close your valve off, and let it  
15 stay off for just a few seconds. Then  
16 crank it, and if that valves takes more  
17 excess water than what you -- you kind of  
18 learn over the years fooling with it, if it  
19 takes more water than it should, you know,  
20 and you can hear -- a lot of times you can  
21 hear it, too, rushing, and you can kind  
22 of -- that's how you have to do it. You  
23 have to go all over the system and do that,  
24 when you could eliminate that. It could be  
25 eliminated.

1 COMMISSIONER SCHMITT: And that's what he  
2 was talking about --

3 THE WITNESS: Yes, sir.

4 COMMISSIONER SCHMITT: -- going at night  
5 and look for leaks, is when they have to go  
6 different parts of the county and turn the  
7 valves and so forth --

8 THE WITNESS: Yeah.

9 COMMISSIONER SCHMITT: -- when there was no  
10 traffic and things were quiet.

11 THE WITNESS: Yes, sir.

12 COMMISSIONER SCHMITT: Okay, I understand.

13 THE WITNESS: They be out all night doing  
14 it, trying to find leaks. We're in the  
15 process of -- we're getting at it. We're  
16 on it.

17 COMMISSIONER SCHMITT: At some point on  
18 these various projects that you have, if  
19 it's -- you know, when you come back and  
20 have another rate case, file something  
21 here, in the process of doing that, if you  
22 could get some kind of an estimate, it  
23 might be nice to have, we might be able to  
24 help you with some kind of mechanism,  
25 either to raise the money or to help pay a

1 loan, you know, if you could get -- or, you  
2 know, get some kind of a loan, you know, we  
3 could maybe guarantee the payment or some  
4 amount of the rate that would go to it.

5 THE WITNESS: Yes, sir.

6 COMMISSIONER SCHMITT: We've done that for  
7 some people in the past. And it may or may  
8 not be of interest to you, but if you -- if  
9 it is, then providing some of that  
10 information on what the probable cost would  
11 be, or have an engineer submit something,  
12 would probably be helpful to you.

13 THE WITNESS: We're in the process of doing  
14 that with Mr. Maggard right now when he  
15 comes to our -- he comes to our board  
16 meetings and we discuss those things. It's  
17 just like a process we're having to go  
18 through because of money. We're  
19 prioritizing what we need to get done.  
20 Those valves there is one of those, so we  
21 can isolate an area and find the leak  
22 quicker; where you could be out two nights  
23 in a row and spend manhours after manhours,  
24 and if you can be out two hours and isolate  
25 it, and find it in two hours. I mean, it's

1 just...

2 COMMISSIONER SCHMITT: How many valves are  
3 you talking about?

4 THE WITNESS: Oh, that we're going to put  
5 in?

6 COMMISSIONER SCHMITT: Yeah.

7 THE WITNESS: There are three tanks, there  
8 would be three solenoid valves. There  
9 would be three -- a valve for each tank.  
10 And we got valves out in the field that  
11 just needs changed. We just got  
12 infrastructure failing. There's just a lot  
13 of work to do out in the field that we got  
14 to get done.

15 COMMISSIONER SCHMITT: Okay. Thank you.

16 BY MR. BOWKER:

17 Q Of the five projects listed, has  
18 the board formally approved any of those project?

19 A Yes, sir. We've already approved  
20 the software system, upgrade the software system.

21 Q And do you know when those other  
22 projects will be brought before the board?

23 A We will probably -- the radio  
24 meters will probably be the last. We're going to  
25 have to address these valves. These valves will

1 probably be addressed next, because we've already  
2 done the billing system.

3 Now, I said the valves. Probably the two  
4 leak detect meters, probably. Those probably be the  
5 next thing we discuss, the 2-inch leak detect meters  
6 throughout the system. That's really a must, too,  
7 because we got failing valves that don't work. That  
8 means if you've got 15, 20 houses down through here  
9 and you got a leak, instead of having a valve here  
10 where you can shut off ten of them, they will have  
11 water and you just lose five, right now the way it  
12 is you have to cut the whole system down, and nobody  
13 got not water until you get the leak fixed. Then  
14 you got to put that whole system on boil-water  
15 advisory, when if you can isolate it to five  
16 households, you wouldn't even have to have a  
17 boil-water advisory, and the water wouldn't be down  
18 there.

19 Q I'm going to move on, and I  
20 promise to not just ask you the questions I asked  
21 Mr. Rice, but there are a few things that I  
22 discussed with Mr. Rice that I would like your  
23 input on as well, please.

24 I'm going to refer you to the second data  
25 request, Question No. 3. Utility provided its top

1 three obstacles preventing progress toward  
2 prevention of water loss. One was funding for line  
3 replacement, two was aging infrastructure, and three  
4 was personnel turnover.

5 Do you agree with those three obstacles?

6 A Yes, sir.

7 Q And do you have any more input as  
8 far as what you believe is necessary to overcome  
9 those obstacles?

10 A Well, the funding for the line  
11 replacement we're in the process with Mr. Maggard  
12 on. That would cover the line replacements and  
13 aging of the system's infrastructure.

14 And the turnover of personnel, I'll just go  
15 over that just for a second with you. An employee  
16 starts out there at \$9 an hour. They can go to  
17 McDonald's and make that. And this is hard work,  
18 this is hard labor work. You get out here digging  
19 with a shovel and mud and water and staying out all  
20 hours of a night, wintertime. We're just not at  
21 this time able to afford to pay employees the funds  
22 that they're needed to be paid.

23 And we need -- we're going to address that  
24 down the road, but it's hard to get men to stay at a  
25 job making 9 to \$10 an hour. We got a man that runs

1 a backhoe, can go somewhere else and make 18 to \$20  
2 an hour. You know what he makes down there where we  
3 work? \$10 an hour to run a piece of equipment.

4 So he might stay -- we've got to get -- we  
5 have got to get this straightened out to where we  
6 can keep good men at skilled positions. You can get  
7 anybody to read a meter. You can't get just anybody  
8 to operate the field; you can't just get anybody to  
9 run a backhoe. You have to pay these people. And  
10 we've just not been able to do it right now.

11 Q Thank you. And, of course, the  
12 aging infrastructure, that's just anything --

13 A Yeah, that's stuff that should  
14 have been done years ago, should have already been  
15 updated. But the lack of valves that work, I was  
16 explaining that to you; I was telling you a little  
17 about the valves. You go to a valve, you need to  
18 shut it off and it's already been -- it's been  
19 sitting there so long it's never been used, you  
20 can't open it or close it. So you need to close  
21 it. You can't close it because it's been stripped  
22 out or it's just sat there so long it never been  
23 turned. It's just -- those things need to be got  
24 on and turned regularly. Just every so often go  
25 down there and turn them on, crank them, keep them

1 moving, because they seize up.

2 We've got -- I couldn't put a number on  
3 them, really. I don't know if Jerry can. I  
4 couldn't put a number on the valves that we need  
5 replaced right now. Those are not cheap.

6 Q We -- well, just one moment,  
7 please.

8 I'm going to refer you to the first data  
9 request, Question 35, and then also, maybe more  
10 importantly, also the second data request, Question  
11 No. 21.

12 The Utility's response states that the  
13 Utility -- the Utility will be done mapping your  
14 entire system, including service lines, by June 28,  
15 2019. Has that been accomplished?

16 A The complete mapping system?

17 Q Yes, sir.

18 A No. We're still waiting on -- we  
19 haven't got all that yet. It's not come in yet.  
20 They're working on it. They're supposed to have it  
21 done by now. I can get back to you on that -- I  
22 can get back with you on that and tell you that it  
23 has been done.

24 Q What -- has anything been  
25 accomplished regarding that, or does it still just

1 need to be done?

2 A It's just -- he's in the process  
3 of it. It's not done, though.

4 Q In the process meaning it's  
5 started or it's --

6 A Yeah, it's been -- it's been  
7 started. I don't know exactly how long it's been  
8 going on, started, but it -- he give us deadline of  
9 20 days.

10 Q And who's in charge of that?

11 A That would be -- I don't have the  
12 name.

13 DR. MATHEWS: Is it Cumberland Valley ADD?

14 THE WITNESS: I think so. I think that's  
15 who it is. I can't think of the name of  
16 the guy...

17 BY MR. BOWKER:

18 Q I'm sorry, I didn't hear you,  
19 sir.

20 A I said, yeah, he's in the  
21 process. I think it's Cumberland Valley. I'm  
22 pretty sure that's who it was.

23 Q Cumberland Valley, okay. But you  
24 don't know how much of the system he's --

25 A I don't know how much he's got

1 done. He's not been to one of our board meetings  
2 lately. I've not talked to him personally on the  
3 phone. That's kind of him and the field operator  
4 do that, take care of that, because Jerry's got to  
5 tell him where stuff's at and things like that.

6 Q Okay. And that will be a big  
7 improvement --

8 A Oh, yeah.

9 Q -- to have system --

10 A Yes, sir.

11 Q But he hasn't given you -- they  
12 haven't given you a timeline when they would be  
13 done?

14 A Not exactly. We figured by  
15 June 28th he'd have it done. We haven't got it  
16 yet.

17 Q The Utility stated in the  
18 response that it has not conducted a comprehensive  
19 water audit. Are there plans to do so, to conduct  
20 a comprehensive water audit, or do you need outside  
21 assistance for that?

22 A We will probably need outside  
23 assistance, because this -- this is going to be  
24 done down the road. Like I said, I've been there a  
25 year now, and we've got all new management. We

1 have -- we meet once a month and we got to  
2 prioritize everything. And water loss is a  
3 priority, I know, but there was all so many other  
4 issues that had to be took care of, too, addressed,  
5 people getting their bills and things.

6 But anyway, yeah, we're going to address  
7 that, and we will probably have to seek outside help  
8 on that. We're understaffed. We just got four men  
9 working.

10 Q Do you have any idea of who you  
11 might try to get help from as far as outside?

12 A No, sir. I work with Rural -- we  
13 will probably work with Rural Water and see if they  
14 can kind of maybe guide us the right way, send  
15 us -- talk to somebody they know or something.  
16 That's kind of -- that's --

17 Q A start?

18 A -- basically what we're doing  
19 right now. We're fly by night, if you want to say  
20 it. We're just trying to figure out the best way  
21 to fix this place and, you know, we've had to ask  
22 about -- him to help us. We've had to have outside  
23 help all around.

24 Q So you'd probably start with  
25 Kentucky Rural Water --

1 A Probably, yes, sir.

2 Q -- and go from there? Okay.

3 Well, that brings up a question that -- how  
4 many -- how much more personnel do you think you  
5 need to get running full steam?

6 A Well, with the four men we got  
7 right now, if they're reading meters, somebody  
8 calls the office, we got to leave, that takes them  
9 off and they have to stop. That leaves two of  
10 them. Majority of the time, it's on the side of  
11 the road, you have to take all of them because you  
12 have to have flaggers and things. But we're not  
13 financially able to hire them right now.

14 And another thing is, when you take  
15 applications in and you start looking at these type  
16 of cases, especially where we live, you look on the  
17 back of that resume, they ain't got no work history.  
18 I mean, it's hard to find. We got him out of Leslie  
19 County. We live in Clay County. He drives from  
20 Leslie County. And it's just -- workers are hard to  
21 find in Clay County.

22 Q And you've got -- I apologize --

23 A We could probably use, to answer  
24 your question -- I don't mean to interrupt.

25 Q Go ahead.

1           A           We could probably use at least  
2   two more men, at least two. And you can say -- you  
3   can say, well, we need two men to go out and do  
4   nothing but leak detect. Us four are going to do  
5   this, or switch them out. Like I said earlier, you  
6   can switch them out. You two do it this time, you  
7   two do it next time, and that keeps them on their  
8   meter reading. Another leaks and fixing leaks and  
9   other projects they have to do, cut-offs, you know,  
10   cut-offs, turn-ons. That's constant. That's  
11   constant, the cut-offs and turn-ons. The  
12   turn-ons -- pay rent on all the rental places.  
13   They rent them out and go turn them off, turn them  
14   on, turn them off, turn them on. You can tie one  
15   man up all week doing that.

16           Q           And how many -- I apologize if  
17   this has before already been asked, but how many  
18   folks are left over from the last administration as  
19   far as personnel, work -- field personnel?

20           A           Field personnel?

21           Q           Yeah.

22           A           They was all gone, but two came  
23   back. Got two men.

24           Q           And then as far as the board  
25   members, how many were left over and how many new

1 ones?

2 A Two, two out of the seven.  
3 That's me and Mr. Wolfe.

4 Q You-all did say that, I  
5 apologize. I got you.

6 I'm going to now direct you to the first  
7 data request, Question No. 42, Exhibit K. The first  
8 data request, Question 42, Exhibit K.

9 All those attachments on Exhibit K are for  
10 November 2018, yet the dates in the body of each  
11 report is for a different month. July 2018 appears  
12 to be missing. Does that mean the fire department  
13 used no water for that month?

14 A That means they probably didn't  
15 report it.

16 Q And can you explain the process  
17 that you-all have for getting that information from  
18 the fire --

19 A Well, the past -- the past  
20 process -- before this management, the past process  
21 was to take -- fight a fire, they come in and tell  
22 you how much water they used. But now we're fixing  
23 to put them a meter down there. We done ordered  
24 it. We'll put them a 2-inch meter down there where  
25 they get the water, and we're going to do it that

1 way. That way we know. We don't have to sit back  
2 and wait on them to come. We read the meter each  
3 month, we know what they use.

4 Q So the old way of doing it --

5 A Gone.

6 Q -- with the old management was --

7 A The old way is gone.

8 Q -- trust us, right, we'll --

9 A I don't trust.

10 Q And you kind of have to just wait  
11 until they -- if they came by and told you in the  
12 old days, but now you're actually going to put a  
13 meter there?

14 A We're going to put a meter down  
15 there.

16 Q And are you going to make them  
17 provide information on the -- on a form as well,  
18 make them fill out a form, the fire department?

19 A Well, we'll be able to meter  
20 every drop of water that goes through it. I mean,  
21 we can. We just talked about putting a meter in.  
22 We've not discussed it any further than that. We  
23 can do that.

24 Q And you say the -- the meter is  
25 going to be put in -- you say ballpark time?

1           A           I would say within the next  
2           month.

3           Q           Other than fighting fires, does  
4           fire department use water for anything else as far  
5           as --

6           A           We have caught them -- we have  
7           caught them filling their trucks up. And I say  
8           caught them, didn't really caught them. They told  
9           me that filled swimming pools up.

10           See, that's another thing about our water  
11           loss down there. We -- we billed Delta Gas, we  
12           caught them getting -- we ain't got fire hydrants.  
13           We got flushing hydrants. And we caught them  
14           getting water, so we billed them for the water. I  
15           don't know how long they have been getting water  
16           there. And there's another guy supposed to have  
17           been getting water there, and we talked to him about  
18           it and he said he didn't get it. So if we can catch  
19           him in the act, you know, we can get them, but if we  
20           don't -- and all I do to them, I say, listen, what  
21           we're looking at it as water loss, you know. If we  
22           knew you was getting it, we wouldn't look at it as a  
23           loss, but it goes for a loss for us because we don't  
24           know where it went. We didn't know you got it.

25           DR. MATHEWS: It's money.

1           A           Once you report it to us, you  
2 know -- well, the reason they don't report it, they  
3 don't pay for it. But I'm just saying, report it  
4 to us anyway.

5           COMMISSIONER SCHMITT: The one thing I've  
6 seen -- of course, I'm from a rural area,  
7 Johnson County -- sometimes you see fire  
8 trucks filling up people's swimming pools.

9           THE WITNESS: Yeah, that's happened. They  
10 do that. I got a problem with that, yeah.

11 BY MR. BOWKER:

12           Q           And the Utility doesn't have any  
13 zone meters presently; is that correct?

14           A           Excuse me?

15           Q           Do you have any zone meters?

16           A           No, we don't have no zone meters.

17           Q           Any future plans of trying to  
18 obtain zone meters? Would that help with  
19 calculating water loss?

20           A           I really don't know, to be honest  
21 with you. I really don't know.

22           Q           Who is in charge of implementing  
23 the comprehensive water loss prevention plan that  
24 the Utility did provide to us? Who is in charge of  
25 making sure that gets implemented?

1           A           Who done the last one that was  
2     sent in?

3           Q           Yes, and who would be in charge  
4     to make sure you-all follow through with the  
5     comprehensive water loss prevention plan that  
6     you --

7           A           The board would be responsible  
8     for making sure it gets done, but it would be done  
9     through the office, the office manager.

10          Q           And was that -- did you get that  
11     plan, do you know if it came from a form adopted by  
12     the Kentucky Rural Water or AWWA or somebody like  
13     that?

14          A           I really don't know.

15          Q           And the Utility has not developed  
16     a comprehensive water loss reduction plan; is that  
17     correct?

18          A           We just do -- as Mr. Rice  
19     explained to you, we try to do it of a month, read  
20     our meters and things like that. That's the way  
21     we -- we're going to -- we're going to work on all  
22     these things.

23          Q           Are there any -- is there a  
24     policy and procedures manual that North Manchester  
25     has? Are the employees given a -- like an employee

1 handbook?

2 A Yes, sir. We're -- we're going  
3 through our old handbook and we're -- the new board  
4 is going through the whole handbook when we can at  
5 meetings and -- that's kind of a last priority,  
6 because we got so much going on with water loss and  
7 other things, but we're redoing our handbook.

8 Because the last administration wrote it and  
9 they had it approved by Public Service, of course,  
10 but we've had some issues with the former employees  
11 when we took it -- when we got ahold of it,  
12 everybody left, the other board members left. When  
13 we started, they left. And that old handbook, when  
14 they start they get two weeks' vacation pay the day  
15 they start. If I only work three months, I could  
16 leave and, hey, you owe me two weeks' vacation.

17 So we're -- you know, that's just one  
18 instance in it. So we're going through there,  
19 looking at the gray in it, and marking -- making  
20 quotations, and we're going to adopt a new handbook.

21 Q How does the Utility train new  
22 personnel as far as if there's no policies and  
23 procedures handbook for them to go from right now  
24 because you're updating it? Is there -- what do  
25 you-all do to train new people?

1           A           Right now, okay, this last guy we  
2           hired, he comes in, he has to pass a drug test, of  
3           course, he's on 90 days' probation. We send him  
4           out with a man and it's on-the-job training.  
5           That's basically it.

6           Q           Learn on the fly, on the job?

7           A           On-the-job training. Start off  
8           running.

9           Q           If you know, what is the -- what  
10          is the policy or procedure governing the  
11          appropriate use of company vehicles and company  
12          equipment? Do you-all have a policy for that?

13          A           Well, right -- there's a policy  
14          on it, right now these guys are on call 24/7, seven  
15          days a week, 365 days a year, and they all kind of  
16          live in that general area. So they drive -- we got  
17          three trucks, we got four men. Boss has got one --  
18          we got a utility truck and another truck, and they  
19          drive them home, leave them. If they get called  
20          out -- okay, just say there's a leak three mile  
21          down the office, we got a guy lives down there.  
22          Instead of him driving three miles while water is  
23          shooting, gushing up in the air, instead of driving  
24          three miles back to the water company and getting a  
25          truck, he's already got the truck and equipment

1 with him at the house. Just get in it, go over  
2 there and fix it.

3 You know, that's basically what we got right  
4 now. They drive company trucks home, three men --  
5 we got four men. Three of them's got the trucks.

6 Q Is there a safety manual that the  
7 Water Association has right now that you give to  
8 new employees?

9 A Yeah, I think it's in with the  
10 handbook.

11 Q Does the Utility have any minimum  
12 requirements for who can sit on the board? Do you  
13 have any minimum requirements?

14 A You have to have a meter in your  
15 name, you have to be on that system. Your bill has  
16 got to be current, and that's basically about it, I  
17 mean.

18 Q How are new members selected on  
19 the board?

20 A Okay, say -- say he wanted to  
21 run, get a seat on the board. There's a seat come  
22 up. Of course, he would have to have a meter in  
23 his name, his bill current. He'd get out here and  
24 find him a few people come up and vote for him, you  
25 know, and they come up to the annual meeting in

1 January -- what is it, March, March meeting, annual  
2 meeting in March when our board -- if there's a  
3 seat up, is electing a new board member, they would  
4 come up, bring their people. Everybody that comes  
5 with him has to have a meter in their name and bill  
6 current so they're eligible to vote, and ever who  
7 gets the most votes gets that seat.

8 COMMISSIONER SCHMITT: Is this kind of a  
9 stand-up vote?

10 THE WITNESS: Yes, sir. Well, actually,  
11 they write it down.

12 COMMISSIONER SCHMITT: Do they?

13 THE WITNESS: We have somebody count them.

14 MR. BOWKER: Just a minute.

15 THE WITNESS: That's the way we done it  
16 last time. I don't know how they done it  
17 previous times.

18 BY MR. BOWKER:

19 Q Are you aware of any state,  
20 regional ADD district, area development district,  
21 or county official or representative, any efforts  
22 to promote economic development to bring in new  
23 business for industry in your-all's service area?

24 A No, sir.

25 Q Do you have an industrial park in

1 your service area?

2 A No, sir.

3 Q Has any state, regional, ADD  
4 district or county economic development official or  
5 representative, have any of them come to you to  
6 discuss economic development?

7 A No, sir.

8 Q Would you know who you would --  
9 who would you first contact about such things, or  
10 would you know who to talk to?

11 A I'm a pretty straightforward guy.  
12 I don't trust nobody in Manchester.

13 MR. BOWKER: I got no further questions,  
14 Your Honor.

15 COMMISSIONER SCHMITT: Commissioner Cicero?

16 EXAMINATION

17 BY MR. CICERO:

18 Q Give me an idea of your  
19 background. You said you worked for North  
20 Manchester from '99 to '04; right? And then for  
21 the last year and a half you have been the chairman  
22 of the board. And somewhere in between there you  
23 have done a lot of other things, I think. So  
24 between '04 and '18, what did you do?

25 A I farmed, oil wells, gas wells.

1 Q When did you come back on the  
2 board at North Manchester?

3 A Matter of fact, I come back once  
4 before and stayed a total of two weeks.

5 Q What else do you have besides --  
6 when did you come back before you became chairman  
7 of the board?

8 A Why did I leave in two weeks?

9 Q No. You've been chairman of the  
10 board for a year and a half; right?

11 A Yes, sir.

12 Q But you were a commissioner  
13 before you became chairman of the board, weren't  
14 you?

15 A Yeah. No. I was on the -- no.  
16 I was on -- they came to me and asked me to run,  
17 because they found out those seats was up, the  
18 community did, said, listen, we want somebody to  
19 straighten that place up, and said, why don't you  
20 run for that seat. So I did and I got on, and here  
21 I am.

22 Q So it's a year and a half that  
23 you have been chairman of the board, and that was  
24 your beginning back at North Manchester?

25 A Yeah.

1           Q           And it sounds like you have a lot  
2 more of a problem than just water loss because of  
3 the situation you were left with.

4           A           Yes, sir.

5           Q           It also sounds like, from what  
6 I've been able to tell here, that there wasn't a  
7 water loss problem of significance until 2017.  
8 Before that it was 23 percent and -- let's see,  
9 23 percent in 2013, 16 percent in 2014, 17 percent  
10 in 2015, 18 percent in 2016, and then in 2017 it  
11 balloons up, it doubles to 36. I'm not sure what  
12 it was in '18, but in '19 it's 49 percent January,  
13 9 (verbatim) percent February and 45 percent in  
14 March.

15                   What all of a sudden caused water loss to  
16 double or more than double?

17           A           I wish I could answer it for you.

18           Q           So there's no problem with the  
19 system --

20           A           I looked back -- I looked back  
21 into some records back in -- let's see, in the  
22 early 2000s. We got almost 2,000 customers, and  
23 they had -- early 2000 it was a little bit over  
24 1,000. And we was selling the same amount of  
25 water. It was just -- I believe over the years the

1 water has been manipulated, the things I look at.

2 Q So in other words, maybe it  
3 wasn't so good in those earlier years, that it's  
4 always had this issue with --

5 A Yeah.

6 Q Now it appears it's come to  
7 light --

8 A Because we're trying to do the  
9 right thing.

10 Q That's all right.

11 A Do it the way you're supposed to  
12 do it.

13 Q And we understand that there's  
14 been issues with how the water loss or non-revenue  
15 water has been calculated, so that's very possible.

16 So being the chairman of the board, are you  
17 the one responsible that's going to implement all of  
18 these changes that have to occur? Now that you have  
19 got all this new personnel and you have lost all the  
20 documents, all the records, and you're having  
21 trouble obtaining them back -- I mean, how are you  
22 going about this?

23 A Well, I pray a lot.

24 Q Okay.

25 A And these men, these men right

1 here are on board. They're on it for the right  
2 reasons. We don't get paid and we want to  
3 straighten this place out because we want good  
4 water. I got grandchildren and children that maybe  
5 one of these days might want to work for this  
6 company. I want to get it straightened out, and  
7 I'm a pretty hard person and I'm going to see to it  
8 that it works out. I'm going to stay on it.

9 Yes, I'm going to -- I got some good men on  
10 this board that -- they're not yes-men neither. If  
11 they got a opinion, they'll tell you, and we're  
12 going to get on this and we're going to get it  
13 straightened out one way or the other.

14 Q What about in the office?

15 A Hard decisions we have to make,  
16 we're going to make them.

17 Q What about in the office?

18 A We're going to have to make some  
19 decisions in the office right now. We really are.  
20 We talked about it on the way up this morning.  
21 We're going to have to make some decisions in the  
22 office.

23 Q Because I think a lot of the  
24 water loss problems with many of these utilities is  
25 because of a management issue, and not necessarily

1 an intentional management issue in some cases, but  
2 good business practices that help an office be  
3 managed better, which we talked about that policy  
4 earlier; right?

5 A Yes, sir.

6 Q At this point I know a decision  
7 was made -- it doesn't sound like it's a big issue.  
8 I don't think that's really been established. But  
9 a policy that when you do find theft, whether  
10 you're going to pursue or not, which we believe you  
11 should --

12 A We have -- before we hired him we  
13 put a guy in jail for stealing water. I mean, we  
14 had the sheriff go down there and we showed him,  
15 took pictures of it. This was before he was on.

16 Q Is it a consistent -- is it a  
17 written policy, a consistent policy, or one time  
18 you decided to pursue it and one time you didn't?

19 A Basically.

20 Q It's just --

21 A Needs to be consistent, I  
22 understand. If you're going to do it once, do it  
23 every time.

24 Q If anything, I would say, knowing  
25 your circumstances, where you have had this

1 turnover, many people quit, you lost most of your  
2 board members, you lost a lot of the office  
3 personnel, if anything were to be learned out of  
4 that, that would be that if you don't have written  
5 policies and procedures, when you have that kind of  
6 a loss of personnel you find out there's no real  
7 map to follow because nobody had anything written  
8 down.

9 And I would suggest that as part of your  
10 restructuring, which is what you're going through  
11 right now, that there be some kind of an effort to  
12 be made -- I know there's priorities that have to  
13 occur because of the situation you're in, but that  
14 can't be left off of the list.

15 A No, sir.

16 Q That has to be included. And I  
17 mean, we're talking, you know, taking vehicles  
18 some. Yeah, you got a reason for it, but I bet you  
19 there's no policy that says what the reason is or  
20 what they're allowed to do. Are they allowed to  
21 drive it for personal use? There's probably  
22 nothing like that.

23 Intentions are good, but people change over  
24 time. And unless you leave a road map, it's hard  
25 for people to understand what might have been the

1 intentions that occurred three years ago or five  
2 years ago versus what currently happened.

3 Same with procurement, you got a purchasing  
4 policy, a written procurement policy?

5 A Like invoices when you purchase  
6 something?

7 Q Yeah, you issue a purchase order?

8 A Yeah, we're doing invoices now.

9 Q And who approves it and who  
10 matches it up?

11 A Yes, sir.

12 Q I'm just saying --

13 A Yeah.

14 Q -- developing policies and  
15 procedures --

16 A We're working on all that. We  
17 had Rural Water come and we had a special meeting  
18 with some training because we're new. They come  
19 trained us on, okay, just say complaints, customer  
20 complaints, that's what we went over that night.  
21 We just get one board meeting a month, and they  
22 come to that special meeting with us and told us  
23 what we need to do on logging every customer  
24 complaint, however big it may be, log it down, the  
25 date, time, who it was, address, and we're doing

1 that.

2 And, you know, it's just -- we're just  
3 getting started and we're trying to get all this  
4 stuff, and there's just so much of it, and we're  
5 working on it.

6 Q You mentioned that again, meeting  
7 once a month, and then you mentioned a special  
8 meeting. During this time of transition is  
9 there -- is the board meeting more than once a  
10 month? I mean, it sounds like it's something --

11 A It's first Monday of every month.

12 Q But you don't schedule anything  
13 in between to handle --

14 A We got some of them that works.  
15 Some of them got different things they have to do,  
16 and that's -- when we took over, that's what was in  
17 the -- how they had it wrote up, once a month. I  
18 mean, we can redo it and have three a month.

19 Q It's not a matter of us telling  
20 you how to do it, but maybe do subcommittees where  
21 a board member is responsible for certain pieces of  
22 the transition, and then when you meet at the  
23 monthly meeting, each of the subcommittees meets  
24 and says, this is what we did, we met a couple  
25 times at our convenience with whoever is doing it,

1 and the other subcommittee member meets and says I  
2 met outside with so-and-so about whatever.

3 I'm just saying once a month makes it more  
4 difficult to make progress. And I understand  
5 schedules conflict and you're not being paid. That  
6 goes with the territory that you're doing a service  
7 to your community.

8 A Exactly.

9 Q Exactly. But there might be a  
10 way to get more time in on getting this turnaround  
11 to occur that just once a month --

12 A I discussed this with a couple of  
13 the members, we need to start meeting more often  
14 because we got so much to do.

15 Q You talked about trying to  
16 maintain a stable workforce, and \$10 an hour was  
17 all that you're paying right now; is that right?

18 A Except for our field operator.

19 Q And they make 11?

20 A 11.15.

21 Q 11.15. You're in here right now  
22 for an ARF, right, a rate increase?

23 A (Witness nods head.)

24 Q And you realize that if you  
25 actually show that you're underpaying your people

1 and you give them a raise, and then you come in for  
2 your rate increase as a noted measurable change,  
3 that that could go into your rate increase?

4 A Uh-huh (affirmative).

5 Q And you could actually -- how  
6 often do you give a raise? When was the last time  
7 you gave a raise to your people?

8 A We give one man a raise a couple  
9 months ago.

10 Q Was that a performance raise?

11 A Yeah. It's -- they evaluate them  
12 yearly.

13 Q And based on that yearly  
14 evaluation do they receive an annual increase?

15 A Yeah.

16 Q So you're giving annual  
17 increases?

18 DR. MATHEWS: There's nobody there that's  
19 been there a year.

20 COMMISSIONER SCHMITT: I know.

21 A What I'm saying is that's what we  
22 want to do. We want to be able -- I want to be  
23 able to call, hey, come in here, Mr. So-and-so, sit  
24 down in front of the board, we've talked to your  
25 supervisor, we see you work performance this year,

1 you know, you're -- we're going to give you a  
2 raise. And I -- you know, I've already had one ask  
3 me for a raise and I told him no. His evaluation  
4 wasn't good, and he ain't been there three months,  
5 already wanting a raise.

6 Q Okay. That's good. Again,  
7 that's a -- something that would go into some kind  
8 of a policy that says this is how we do appraisals  
9 and how we're going to get raises.

10 My comment is directed more to if you  
11 believe that you're below the market in your area,  
12 and you wanted to give a general increase to your  
13 employees of a dollar an hour, I calculate that out  
14 for four people you're -- probably cost you \$12,000  
15 with benefits or something like that. If you had  
16 that established before you come in for the rate  
17 increase, \$12,000 could be in the rate increase and  
18 you could be able to afford to give that general  
19 increase of a dollar an hour.

20 A I understand.

21 Q If there is that much of an issue  
22 with trying to maintain staff because you are  
23 paying the same as McDonald's, then you're probably  
24 underpaying your staff. That would be a problem, I  
25 would think.

1 A Yeah.

2 Q So you got 2,000 customers,  
3 right, approximately?

4 A Well, that's what they estimate  
5 it at. It's like -- it runs anywhere from 16, 17,  
6 1,800. They just throw that round number in there,  
7 2,000. So, I mean...

8 Q Has anybody ever approached you  
9 about buying the Water Association?

10 A No, sir.

11 Q There's never been any  
12 consideration as to --

13 A Oh, we got -- they threatened to  
14 take it from us.

15 Q Who threatened?

16 A County.

17 Q Well, that's a different type of  
18 issue. There's been no other water district or  
19 water --

20 A We've not approached no one about  
21 buying it.

22 Q But they haven't approached you  
23 either?

24 A Huh-uh (negative). We have  
25 approached Jackson County Association and asked

1       them if we could kind of -- like, where we buy our  
2       water from the city of Manchester, we get a bill  
3       every month, and we have to pay. Then if we buy 35  
4       million gallon of water off the city and we just  
5       bill out \$25 million in monthly -- you know, it's  
6       just -- if we can -- that should have done been  
7       tied in. We're going to loop into them for, like,  
8       emergency; we're going to try to loop in Woods  
9       Creek. But as far as selling out, nobody has  
10      approached us and we've not approached nobody.

11               Q               Just curious. So you have  
12      200,000 in the bank?

13               A               (Witness nods head.)

14               Q               How long did it take to  
15      accumulate the 200,000?

16               A               Year and a half. We had \$4,500  
17      when I sat down in the chairman's seat. Year and a  
18      half we got \$200,000, bills paid.

19               Q               So your accounts payable is  
20      current?

21               A               Yes, sir.

22               Q               Who actually prepares the annual  
23      budget? Do you? Are you participating in that or  
24      who?

25               A               No, sir. Our accountant, our

1 office manager, they all work together.

2 Q When they prepare it, do they  
3 come to the board and they say here's the budget  
4 and --

5 A At the board meeting we've got --  
6 we've got us a report, what check's been wrote,  
7 what they been for, and all that, yeah. They're  
8 all --

9 Q But the annual budget, they come  
10 to the board, your financial person, and says,  
11 here's the annual budget, do you agree and do you  
12 approve?

13 A We've not got that far yet.

14 Q So there have -- there wasn't one  
15 in the past? Would Mr. Woods know more about it?

16 A (Witness nods head.)

17 MR. CICERO: Okay, I'll ask Mr. Woods. I  
18 don't have anything else. Thank you.

19 COMMISSIONER SCHMITT: Ms. Mathews?

20 DR. MATHEWS: I don't have anything.

21 COMMISSIONER SCHMITT: I just have two  
22 questions.

23 EXAMINATION

24 BY COMMISSIONER SCHMITT:

25 Q One, none of your commissioners

1 are being paid?

2 A Huh-uh (negative).

3 Q And I know that you're probably  
4 in a position to withdraw your present rate case  
5 until you get your 2018 audit. Do you know -- I  
6 would imagine somebody helped you-all prepare for  
7 this rate case. Was it Kentucky Rural Water  
8 Association or somebody?

9 A We have had help from them, we've  
10 had help from Brother Woods over there, he helped  
11 file it. Yes.

12 COMMISSIONER SCHMITT: Okay. All right.  
13 Thank you.

14 MR. McNEIL: Just a couple of follow-ups.  
15 Thank you, Chairman.

16 EXAMINATION

17 BY MR. McNEIL:

18 Q Good afternoon, Mr. Davis. In  
19 the minutes of the special board meeting  
20 February 15th of 2018, there was mention of some  
21 customers not being charged while on vacation, and  
22 possibly their meters were turned off. Could you  
23 tell me if the board discussed that further and if  
24 you took any action on what to do?

25 A Yes, sir, we did. Apparently the

1 past administrations that -- they would hold their  
2 bill up or whatever when they was gone from  
3 summer to -- if they was going to stay gone all  
4 winter, they wouldn't get no bill or anything. And  
5 we decided that we was going to at least give them  
6 a minimum bill, you know, because the meter is  
7 still there. If you leave the meter in there, the  
8 meter -- bottom bust on it in the wintertime. You  
9 still got to service it and whatever, send a man  
10 out. So we're going to institute that to where if  
11 you're on vacation, they're still going to have to  
12 pay at least a minimum bill.

13 Q Can you ballpark it, how many you  
14 think were doing that?

15 A I don't know right off. Probably  
16 four, five, six, I mean...

17 Q In the same meeting there was  
18 also mention of -- I think it was several accounts  
19 have been read but not billed, and we were looking  
20 for the reason why. Do you know what the board did  
21 with that?

22 A Now, I have to go back. When I  
23 say go back, I'm going back previous  
24 administrations. When we get this paperwork and  
25 things, we found -- we found where people would

1       come in -- we found -- first, let me say this.

2               When we took over, there was \$30,000 worth  
3       of money out there that -- bills that hadn't been  
4       paid. So we just started cutting them off and got  
5       that revenue back in. But also we found paperwork  
6       where you'd have names wrote on it, and ever who's  
7       running the office, they -- I've seen bills as high  
8       as \$700. Now if it's over -- if you got a bill for  
9       \$35 and it's past due, you cut. That's still -- got  
10      a bill for \$700, they was letting these people make  
11      payments on it, \$20 here. Well, \$20 a month, well  
12      it would take you two years to get it paid off, and  
13      they're still using water. So we just took and cut  
14      it.

15              But the bills -- it was just mismanagement  
16      all throughout before. And it's -- it's caused  
17      problems. It's caused problems we have to fix now,  
18      but we address those.

19              Q            So those are tied to the prior  
20      administration and this is a totally different  
21      administration?

22              A            We don't do that. We don't do  
23      that now. We cut them off.

24              Q            Have you heard or know of anybody  
25      getting free water?

1           A           Not -- we're not giving nobody no  
2 free water. I don't know what past administration  
3 done. We're not give nobody nothing.

4           Q           Is that something you have put in  
5 writing?

6           A           We'll -- like I said, I talked to  
7 her a few minutes ago. We got to institute all  
8 this stuff, we got to get a handbook. We've got to  
9 get all this stuff together. All this is new.

10          MR. McNEIL: Understood. No further  
11 questions, Chairman.

12          COMMISSIONER SCHMITT: Mr. Shepherd?

13          MR. SHEPHERD: I don't have any questions,  
14 Your Honor.

15          COMMISSIONER SCHMITT: Anything else?

16          MR. BOWKER: No.

17          COMMISSIONER SCHMITT: May Mr. Davis be  
18 excused, at least -- you may want  
19 something -- he will be here the rest of  
20 the day?

21          MR. SHEPHERD: Yes, sir.

22          COMMISSIONER SCHMITT: You may step down.  
23 Thank you.

24                        This might be a good time just to take  
25 a break and come back at 1:00, and let

1 Mr. Cicero finish up.

2 Anything else anyone wants to raise or  
3 any problem or anything?

4 MR. SHEPHERD: No, Your Honor.

5 COMMISSIONER SCHMITT: All right. Then  
6 we'll be in recess until 1:00 p.m.

7 (THEREUPON, A BREAK WAS TAKEN.)

8 MR. CICERO: We are now back in session.  
9 So do you have another witness you'd like  
10 called?

11 MR. BOWKER: Yes, if we can call Ted Woods,  
12 please.

13 Just one second, Mr. Vice Chairman.

14 MR. CICERO: We are or are not  
15 broadcasting?

16 MR. BOWKER: We are not, sir.

17 MR. CICERO: Hold up on one second. We  
18 have to have it officially on the record.

19 MR. BOWKER: We're on, sir.

20 MR. CICERO: Raise your right hand.

21 \* \* \* \* \*

22 The witness, TED WOODS, after first  
23 being duly sworn, was examined and testified as  
24 follows:

25 MR. CICERO: Would you go ahead,

1 Mr. Shepherd, and do the introduction.

2 MR. SHEPHERD: Thank you, Mr. Vice  
3 Chairman.

4 \* \* \* \* \*

5 EXAMINATION

6 BY MR. SHEPHERD:

7 Q Mr. Woods, would you please state  
8 your full name for the record.

9 A Teddy Glenn Woods.

10 Q And, Mr. Woods, what is your  
11 mailing address?

12 A 3605 Highway 638, Manchester,  
13 Kentucky.

14 Q And, Mr. Woods, how are you  
15 employed?

16 A I am a self-employed certified  
17 public accountant.

18 Q And what is your position with  
19 North Manchester Water Association?

20 A I'm just a board member, sir.

21 Q Okay. Are you also the  
22 accountant for North Manchester Water Association?

23 A I am at this time.

24 Q And how long have you held the  
25 position as board member?

1 A Just a little over a year.

2 Q And have you also been the  
3 accountant for that period of time?

4 A No, sir.

5 Q When did you become the  
6 accountant?

7 A Late November, early December of  
8 2018.

9 MR. SHEPHERD: Pass the witness, Mr. Vice  
10 Chairman.

11 MR. CICERO: Mr. Bowker.

12 EXAMINATION

13 BY MR. BOWKER:

14 Q Mr. Woods, how are you?

15 A Better than I deserve.

16 Q Well, good.

17 Got a few questions for you here. Do you  
18 have any responsibility in deciding what projects  
19 North Manchester needs to -- needs to do?

20 A Just as a board member, just have  
21 a vote.

22 Q Who decides that, to take them to  
23 the board for approval? How is that decision made?

24 A I guess that would be made as --  
25 the board as a whole, to look at what projects we

1 need to do.

2 Q Do you have a say in how they  
3 will be funded, just as a board member or?

4 A I have a vote.

5 Q You've got one vote?

6 A Yeah.

7 Q Okay. Can you explain how the  
8 assembling of -- the putting together of the loan  
9 packages that will fund the projects? Do you have  
10 a role in that?

11 A I haven't been part of that.

12 Q You have not been a part of that?

13 A (Witness shakes head.)

14 MR. CICERO: Has the board considered any  
15 projects to date since you've been there?

16 THE WITNESS: No, sir.

17 MR. CICERO: So you haven't been a part of  
18 it, but you don't know if you're going to  
19 be a part of it, is that what you're  
20 saying?

21 THE WITNESS: That's right.

22 MR. CICERO: At this point you are the  
23 accountant; right?

24 THE WITNESS: I am.

25 MR. CICERO: And absent your expertise, I'm

1           guessing the board doesn't have anybody  
2           else to go through that process?

3           THE WITNESS: That's probably correct.

4           MR. CICERO: Okay.

5           BY MR. BOWKER:

6           Q           Once it's been decided what  
7           construction projects will be undertaken, can you  
8           explain how the Utility procures the construction  
9           loans? Do you go shopping for a lending agency?

10          A           I'm sure we would.

11          Q           Or does the lending agency come  
12          to you?

13          A           I'm not sure about that. I  
14          don't...

15          Q           Can you explain how the rates  
16          that will cover the construction loans are set?

17          MR. CICERO: Let me jump in. I'm guessing  
18          that this whole process is -- for you is an  
19          unknown at this point.

20          THE WITNESS: That's correct.

21          MR. CICERO: I guess the suggestion and  
22          what Mr. Bowker is trying to determine is  
23          what the process is going to be going  
24          forward. So this may be a post hearing  
25          data request where North Manchester puts

1 together some kind of program on how  
2 they're going to go forward with a  
3 procedure that says that when we have our  
4 construction projects and we need financing  
5 or we're going to determine how to fund it,  
6 that this is what we will do in order to  
7 proceed; is that --

8 MR. BOWKER: Yes, sir.

9 MR. CICERO: So rather than going down that  
10 line of questioning, you probably just need  
11 to ask him to provide that procedure after  
12 the hearing.

13 BY MR. BOWKER:

14 Q We will ask that in a post  
15 hearing data request, and we'll send that to you  
16 sometime shortly after the hearing, either today or  
17 tomorrow, send you a post hearing data request  
18 asking for that information. Would that be okay?

19 A That's fine.

20 MR. CICERO: Put it in writing.

21 MR. SHEPHERD: No objection, that's fine.

22 BY MR. BOWKER:

23 Q You were in the room and  
24 listening when I brought up the five different  
25 critical projects that you-all listed. Did you

1 hear that testimony?

2 A Yes, sir.

3 Q Do you have any idea, ballpark,  
4 as far as how much each one of those projects would  
5 cost?

6 A No, sir, I...

7 Q You haven't broken any of those  
8 down yet for cost?

9 A No. I'm still trying to  
10 straighten up the mess.

11 Q Still trying to straighten out  
12 the mess?

13 A Uh-huh (affirmative).

14 Q Do you have the first data  
15 request there in front of you?

16 A Yes, I do.

17 Q If you'll turn to Question 16 of  
18 the first data request, and then it's actually  
19 Question 13 of the second data request as a  
20 follow-up question to it.

21 In the first data request, Question 16,  
22 Utility states that when errors or underbillings are  
23 found, work orders are made up to investigate and  
24 errors are corrected as soon as possible.

25 Can you explain the process from start to

1 finish of how you would find errors, how they are  
2 investigated and then corrected?

3 A That would be the responsibility  
4 of our office manager.

5 Q And what's his name?

6 A Lonnie Hensley.

7 Q So that would be his job?

8 A Uh-huh (affirmative).

9 Q Does he discuss that with you at  
10 all?

11 A No, sir.

12 Q Utility states that there's no  
13 written policy for these processes, and in the  
14 second data request, Question 13, the Utility says  
15 that written policies are not being considered.

16 Utility goes on to say that errors are  
17 identified by other means. Can you explain what  
18 "other means" means, what you mean by "other means"?

19 A I'm not sure.

20 MR. CICERO: Did you respond -- did you  
21 provide the responses, or who provided the  
22 responses, do you know?

23 THE WITNESS: I'm not sure.

24 MR. CICERO: Did Mr. Woods provide --

25 THE WITNESS: I'm Mr. Woods.

1 MR. CICERO: Did Lonnie provide the  
2 responses or --

3 THE WITNESS: I'm -- I'm not sure. That  
4 would be --

5 MR. SHEPHERD: Mr. --

6 THE WITNESS: -- it would be Lonnie.

7 MR. RICE: Me and him.

8 MR. SHEPHERD: Lonnie and Mr. Rice.

9 MR. CICERO: So if you were needed to be  
10 called back can you answer these questions,  
11 or is this going to be outside your --

12 MR. RICE: I could probably.

13 MR. CICERO: All right. So we'll give him  
14 an opportunity to come back --

15 MR. BOWKER: Sure.

16 MR. CICERO: -- and let him respond since  
17 he was part of the -- part of the data  
18 request response.

19 MR. BOWKER: Okay. That will be fine.

20 Q Does the Utility have a capital  
21 spending plan for 2019 or for 2020?

22 A Not at this time.

23 Q When do you expect to complete a  
24 capital spending plan?

25 A We don't have any plans to do

1 that at this time, I don't think.

2 Q Has a capital spending plan been  
3 discussed at all by the board?

4 A We're just trying to take care of  
5 our water losses and maintain our equipment and get  
6 what equipment that we need to be -- purchase new,  
7 to replace the equipment that's wore out.

8 Q Do you think having a capital  
9 spending plan would be something to do in the near  
10 future, be a good idea?

11 A Sure.

12 MR. CICERO: I mean, wouldn't your  
13 replacement of equipment be part of a  
14 capital spending plan?

15 THE WITNESS: Yeah, it would. We're just  
16 doing what we can do as we go right now.

17 MR. CICERO: I understand you got chaos and  
18 there's obviously fires that have to be put  
19 out.

20 THE WITNESS: Uh-huh (affirmative). We got  
21 to put out the fires before we can  
22 construct.

23 MR. CICERO: Going forward you should look  
24 for those types of business smart  
25 activities where you're doing a capital

1 plan, you're doing a budget, you're  
2 implementing procedures, policies, those  
3 kinds of things. They'll have to be  
4 somewhere on your to-do list. They can't  
5 be on the, I thought about it but I don't  
6 have time to ever address that.

7 THE WITNESS: Right.

8 BY MR. BOWKER:

9 Q You were in the room when we were  
10 discussing the lack of records, and we went into a  
11 little bit about how there's been some missing  
12 records. At this point today do you personally  
13 have any trust in the Utility's ability to  
14 accurately bill its customers?

15 A Do I have any trust in --

16 Q Yes. Do you believe that --

17 A Currently?

18 Q Yes.

19 A Yes.

20 Q And how can you have -- how can  
21 you accurately bill customers without proper  
22 recordkeeping, I guess is what I'm asking?

23 A I think that we're trying to keep  
24 accurate records currently.

25 Q And how were you -- how are you

1 doing that?

2 A We're reading each individual  
3 meter every month. We're -- I don't know what  
4 you're trying to get at.

5 DR. MATHEWS: You got the new billing  
6 software that will be going --

7 THE WITNESS: Yes, ma'am, we updated our  
8 billing software.

9 BY MR. BOWKER:

10 Q I'll move on.

11 If you could refer to the second data  
12 request, Question 9 and Question 10. The Utility  
13 stated that it is not -- it has not considered  
14 hiring a consultant for leak detection, but that the  
15 Utility thinks this would be a good investment.

16 How much would a person dedicated to leak  
17 detection cost the Utility?

18 A I'm not sure.

19 Q Would it also be a good  
20 investment to dedicate resources to leak repair as  
21 well as leak detection?

22 A Would it be a good investment?  
23 Yes, it would.

24 Q Would it -- how much extra do you  
25 believe it would cost to have a crew dedicated to

1 leak detection and repair?

2 A I've not calculated that yet.

3 Q If we were to ask you in a post  
4 hearing data request to make that calculation, is  
5 that something you could provide after the -- after  
6 the hearing? We would provide the question to you.

7 A Sure.

8 Q Okay. But as of now do you  
9 believe the Utility has the current necessary  
10 financial resources to pursue hiring a crew for  
11 leak detection and repair?

12 A I didn't hear the first part.

13 Q Do you believe that the Utility  
14 has the current resources right now financially to  
15 hire a leak detection crew?

16 A At this time, at the -- with the  
17 uncertain things that we're -- that we need to  
18 replace and things, no, I don't.

19 Q Okay. Do you know what it costs  
20 to produce and distribute water, what your cost is?

21 A I haven't calculated that yet,  
22 no, I don't.

23 Q Okay. In your -- excuse me. In  
24 your tariff, Page 40 of 44, the hidden underground  
25 leak adjustment form, Utility provides \$2.90 per

1 1,000 gallons as an adjustment.

2 If you could refer to North Manchester's  
3 Tariff Sheet 35, Section AA, it states, "To justify  
4 the adjustment amount \$2.90 per thousand, we buy  
5 water from our supplier at a rate of \$2 per  
6 thousand, plus we must consider pumping and  
7 electrical costs, as well as manpower and paperwork  
8 required to adjust a customer's bill."

9 Does the \$2.90 rate sufficiently recover the  
10 expenses stated in the tariff?

11 A I'm not sure, but I'm -- I would  
12 say that sounds reasonable.

13 Q Are these expenses -- are these  
14 expenses reflective of current costs?

15 A The water rate hasn't changed.

16 Q And would you agree that higher  
17 water loss lessens the recovery of the expenses?  
18 Would you agree with that?

19 A Sure.

20 Q You-all did provide a capital  
21 spending plan as an exhibit. It states the Utility  
22 is spending 525,000 plus additional costs for line  
23 extension with booster off of Lackey Branch Road.  
24 Out of a total project cost of \$890,000, the  
25 Utility is borrowing -- borrowing \$373,500. It

1 also shows under short-term capital improvements  
2 that \$53,750 will be spent on various meters and  
3 valves.

4 Explain whether any of this equipment goes  
5 with the capital projects on the previous page.

6 Do you see what I'm asking there? That's in  
7 data request -- the first data request, Question 6  
8 and Question 7 of the first data request, and the  
9 Utility's response. Have you found that?

10 MR. SHEPHERD: Are you referring to  
11 Exhibit C?

12 MR. BOWKER: Yes. You can help him, if  
13 you --

14 A Yes, I found it.

15 Q Can you explain whether any of  
16 the equipment that goes with capital projects,  
17 whether it goes with the capital projects on the  
18 previous page?

19 A I don't know.

20 Q If you know, the plan shows that  
21 1,933 new customers will be added to the system.  
22 Are these potential new customers or are they  
23 already out there waiting to be connected?

24 MR. CICERO: Mr. Woods, if you're  
25 unfamiliar with it --

1 THE WITNESS: I don't see that.

2 MR. CICERO: Is this something that you  
3 prepared that you can answer, or is it  
4 better for someone else to answer it?

5 THE WITNESS: I did not prepare this.

6 MR. SHEPHERD: Mr. Woods did not  
7 participate in any of these answers.

8 MR. CICERO: So, again, is this something  
9 that can be --

10 MR. SHEPHERD: I'm sure -- engineer, maybe,  
11 Mr. Maggard.

12 MR. BOWKER: We're going to call the  
13 engineer next.

14 MR. CICERO: So I would reserve your  
15 questions --

16 MR. BOWKER: Sure.

17 MR. CICERO: -- because I sympathize with  
18 Mr. Woods. He's searching for answers. I  
19 still get to ask you some questions, but  
20 I --

21 MR. BOWKER: I'm through, Mr. Vice  
22 Chairman. I have no further questions.

23 EXAMINATION

24 BY MR. CICERO:

25 Q So you have been the accountant

1 for the Utility for how long?

2 A Since first part of December of  
3 '18.

4 Q And what is your fee?

5 A Right now they are paying me \$700  
6 a month.

7 Q So a minimal amount of money,  
8 basically, to retain you, I'm guessing, for your  
9 accounting expertise?

10 A That's correct.

11 Q Are you doing anything as far as  
12 the routine accounting functions, or is this a kind  
13 of helping manage the business?

14 A I'm just basically trying to  
15 straighten up the accounting mess that has been  
16 left there.

17 Q Well, I understand that you were  
18 left with a pile of records that were "come and get  
19 them if you want them." I don't know what you're  
20 going through to sort it out, but going forward,  
21 will you be participating in developing a capital  
22 budget for a -- a budget, a fiscal budget, for the  
23 Utility?

24 A I'm sure I will, yes.

25 Q And at this point is anyone doing

1 a comparison of what's being spent compared to any  
2 type of a map that says this is what we thought we  
3 were going to spend and this is what we're actually  
4 spending and this is the variance, or does that not  
5 exist?

6 A That does not exist at this time,  
7 no.

8 Q So while you've done a pretty  
9 good job over the last year and a half of  
10 increasing the balance in the bank from 4,500 to  
11 200,000 --

12 A It was not 4,500. It was 400.

13 Q 400, even better. But it's been  
14 because -- not because you've had a good  
15 measurement stick, you just know that you need to  
16 put money in the bank and that's what you're doing,  
17 and you're doing it by the --

18 A Not necessarily, no. We're  
19 trying to -- we're taking care of the day-to-day  
20 operations, we're --

21 Q And I didn't mean it that there's  
22 no at least intuitive plan to go forward. My  
23 comment is more that there's no -- if you weren't  
24 participating on the board of commissioners and be  
25 intimate with the details of what you discussed,

1 someone from the outside could not determine what  
2 your road plan is; is that a fair statement?

3 A That's probably a fair statement.

4 Q Yeah. I mean, I can't -- I can't  
5 ask you for a document right now and find out what  
6 the plan is going forward, because you don't have a  
7 budget, you don't have a capital budget; is that  
8 correct?

9 A Yeah. We're flying by the seat  
10 of our pants.

11 Q The engineer, did he develop this  
12 Exhibit C that has the capital spending of the  
13 Lackey Branch Road project? Is that where this  
14 came from?

15 MR. MAGGARD: (Nods head.)

16 BY MR. CICERO:

17 Q Has he presented that to the  
18 board thus far?

19 MR. MAGGARD: (Nods head.)

20 BY MR. CICERO:

21 Q Have you seen this capital plan?

22 A I can't remember. Yeah, you did.

23 MR. MAGGARD: (Nods head.)

24 A Yeah. Yeah, I was there.

25 Q So you're --

1           A           I can't remember when it was,  
2     but...

3           Q           I'm a little concerned because  
4     the project cost is almost 900,000, and the Utility  
5     is going to borrow 375,000. And you're saying that  
6     you don't remember very well what was going on, and  
7     this had to happen in the last seven months because  
8     that's how long you have been there; is that  
9     correct?

10          A           It was revised 12/12/18, and  
11     that's probably about the time that I began as  
12     accountant, so...

13          Q           But I would think it would be  
14     something you're aware of, especially when if this  
15     is correct, you're going to add 1,933 new  
16     customers, which basically doubles the system. Is  
17     that 1,933 --

18           MR. MAGGARD: No, that was just -- can I  
19     interject? Or just wait?

20           MR. CICERO: I'll ask you the question when  
21     you come up.

22           MR. MAGGARD: There's no new customers.

23           MR. CICERO: Okay. That makes a big deal.  
24     That's a big difference here.

25                        Okay. We'll just scratch this out of

1           the notes that I have. That sounds more  
2           reasonable. I didn't know how you were  
3           going to double your customer base when I  
4           heard that there really was no new volume to  
5           be added to the system, but I wasn't certain  
6           what this project was.

7           Q           At any rate, I guess that the  
8           Commission would expect that you're going to be  
9           helpful with the office manager, Lonnie, in  
10          developing policies and procedures; would that be  
11          accurate?

12          A           Yes.

13          Q           Because your expertise is -- and  
14          that's -- as you said, your retainer, \$700, is  
15          basically to assist in managing. You're not doing  
16          basically the day-to-day, you're sorting out what  
17          was messed up and left to the Utility, and then  
18          going forward it's going to be more of a management  
19          expertise thing?

20          A           (Witness nods head.)

21          Q           Will you be providing the  
22          financial statements when it's time, or be involved  
23          in the audit of the business?

24          A           I won't be doing the audit, no.

25          Q           No? How about preparing

1 financial statements for the audit?

2 A Yes, uh-huh (affirmative).

3 MR. CICERO: I don't have any other  
4 questions. Do you, Commissioner Mathews?

5 EXAMINATION

6 BY DR. MATHEWS:

7 Q And this is going back to  
8 something earlier. The 2017 audit has been done?

9 A Yes, ma'am.

10 Q Based on the best that you can  
11 pull together from the bins?

12 A Yes.

13 Q And the 2018 audit, where is it?

14 A Well, the CPA that performed the  
15 audit just sent me the adjustments yesterday, so...

16 Q So it's in the process?

17 A 2017, yes, so -- and I have  
18 compiled most of the information for '18, so...

19 DR. MATHEWS: Thank you.

20 MR. CICERO: What's the timeline for that?

21 THE WITNESS: I'd say probably three  
22 months.

23 MR. CICERO: Do you know if the Utility  
24 requested an extension for filing? Are you  
25 familiar? It was due March 30.

1 THE WITNESS: Of the PSC report, yes,  
2 uh-huh (affirmative).

3 MR. CICERO: Okay.

4 THE WITNESS: Yeah, it's extended to the  
5 end of this month.

6 MR. CICERO: Is that it?

7 BY DR. MATHEWS:

8 Q Is that the 2017 report or the  
9 2018?

10 A 2018, yeah.

11 MR. CICERO: Anything else?

12 DR. MATHEWS: I don't have anything.

13 MR. CICERO: Mr. McNeil?

14 MR. McNEIL: Just a couple.

15 EXAMINATION

16 BY MR. McNEIL:

17 Q Do you know the total cost of the  
18 2018 audit?

19 A 2018?

20 Q Yeah.

21 A No. I don't know yet, no.

22 Q How about the 2017, do you know  
23 the final cost of that?

24 A Probably ended up costing us  
25 about \$10,000, I think, about that. About 11,

1       yeah.

2                   Q               Preliminary, do you expect a  
3       similar type bill for the next year or --

4                   A               No.    It won't be that much.

5                   DR. MATHEWS:   Because you're not starting  
6       from scratch?

7                   THE WITNESS:   Right, uh-huh (affirmative).

8       BY MR. McNEIL:

9                   Q               So I guess just -- I know you  
10       touched on it a little bit.   But in your  
11       professional opinion, you think recordkeeping,  
12       procurement, all those type of things are in a much  
13       better place now going forward --

14                  A               Yes.

15                  Q               -- is that right?

16                  A               Uh-huh (affirmative).

17                  MR. McNEIL:   That's all I have.

18                  MR. CICERO:   Mr. Shepherd?

19                  MR. SHEPHERD:   I don't have any questions,  
20       Mr. Vice Chairman.

21                  MR. CICERO:   Anything else?

22                  MR. BOWKER:   Nothing further.   He can be  
23       excused.

24                  MR. CICERO:   Can Mr. Woods be excused?

25                  MR. BOWKER:   Yes.

1 MR. CICERO: You can be excused.

2 THE WITNESS: Thank you.

3 MR. CICERO: Would you like to call another  
4 witness or recall Mr. Rice?

5 MR. BOWKER: I'd like to call Mr. Maggard.

6 MR. CICERO: Mr. Maggard.

7 \* \* \* \* \*

8 The witness, MICHAEL MAGGARD, after first  
9 being duly sworn, was examined and testified as  
10 follows:

11 MR. BOWKER: How are you today, sir?

12 THE WITNESS: Just fine, thank you.

13 MR. SHEPHERD: Let me do the introduction.

14 MR. BOWKER: I jumped the gun, I'm sorry.

15 MR. SHEPHERD: That's okay.

16 EXAMINATION

17 BY MR. SHEPHERD:

18 Q Mr. Maggard, would you please  
19 state your name for the record.

20 A Michael Keith Maggard.

21 Q And, Mr. Maggard, what is your  
22 address?

23 A 220 East Reynolds Road, Suite A3,  
24 Lexington, Kentucky.

25 Q And, Mr. Maggard, how are you

1 employed?

2 A I am a consultant, civil  
3 engineer.

4 Q Okay. And what is your position  
5 with North Manchester Water Association?

6 A I'm a consultant for North  
7 Manchester.

8 Q And how long have you been a  
9 consultant for North Manchester?

10 A Since 2016.

11 Q 2016.

12 MR. SHEPHERD: That's all the questions I  
13 have. I pass the witness.

14 MR. CICERO: Mr. Bowker.

15 EXAMINATION

16 BY MR. BOWKER:

17 Q Good afternoon, how are you?

18 A Fine, thanks. How are you?

19 Q Doing well. Doing well.

20 You were in the courtroom just a few moments  
21 ago when we were discussing some of these items  
22 with -- with Mr. Woods; is that correct?

23 A Yes.

24 Q And you have been watching in the  
25 courtroom here -- in the hearing room all day

1 today; is that correct?

2 A Yes.

3 Q As far as what we were just  
4 talking about most recently with Mr. Woods, can  
5 you -- instead of me going over the same questions,  
6 can you shed some light on some of the issues that  
7 were just brought up with Mr. Woods? Can you  
8 expand on any of those?

9 A I guess as far as the project  
10 goes, and the original project was in August of  
11 2016, where the utility identified a project that  
12 they needed consulting work on and possibly  
13 funding, at that time I created a cost estimate, a  
14 funding scenario and package, and presented it to  
15 the board at that time.

16 At that time, as I applied for an ARC grant  
17 and a Rural Development grant, and as a Rural  
18 Development checklist you have to provide audits,  
19 actually the past three annual audits. Not the PSC  
20 audits, the actual audits. And at that time the  
21 Commission said that they didn't have audits. So  
22 the project funding, even though I had presented an  
23 ARC grant, you know, they're only a piggyback to  
24 Rural Development, so the funding package kind of  
25 stopped at that point.

1           And as you've heard, there's been changeover  
2           since then, redirected. They have added some things  
3           to it. The additional valves -- in this project  
4           there's \$65,000 worth of contingency money, and the  
5           intent was either revise this, because there's not a  
6           current application with Rural Development, either  
7           add those to this cost estimate, or use that as a  
8           possible contingency money plan to that project.

9           Q           And this is for the line  
10          extension with booster off of Lackey Branch Road?

11          A           Yes.

12          Q           And can you go into more detail  
13          about what that project entailed?

14          A           Well, actually there was -- the  
15          project, which is WX21051202, includes Robinson  
16          Creek Road, Albert Reed Road, Holland Branch Road,  
17          East Rawlings Road, Charlie Rawlings Lane, Island  
18          Creek asbestos cement line replacement, Lackey  
19          Branch -- these are all extensions -- a main pump  
20          station generator. We have a lot of power outages  
21          in the area, so they was wanting to purchase a  
22          generator that could -- they can travel and start  
23          the pumps and run it for a while so people could  
24          have water; and the office generator to run the  
25          telemetry, and the -- the office -- and the

1 purchase of new -- additional new water meters,  
2 which is -- seems to be a major source of water  
3 loss.

4 Q So this is not to extend service  
5 to any new customers?

6 A There's potential of like 36 new  
7 customers, so it's kind of a blend of new customers  
8 plus addressing water loss issues.

9 Q And would those new customers pay  
10 for the project?

11 A No. The -- the entire funding  
12 package was 175,000 ARC grant, an RD grant of  
13 341,500, and RD loan of \$373,500, for a total  
14 package of 890. And the total number of customers  
15 which would be paying the debt service is 1,933.

16 And I did a simple calculation, it would be  
17 at a rate increase -- net rate increase of 55 cents  
18 per customer for this project.

19 Q And how often was the utility  
20 experiencing blackouts in that area?

21 A Well, probably every six months.  
22 And you know that we had several ice storms, snow,  
23 where they was out for several days, and there was  
24 actually people without water for several days  
25 because they couldn't pump and fill the tanks.

1           And like he had stated earlier, the pump --  
2           the tanks are all on the same hydraulic level, so  
3           when one drops, they all drop. And the additional  
4           control valves would allow one tank to stay full and  
5           that section would have water, while there may be a  
6           line break somewhere else. So that's the reason for  
7           the control valves.

8           Q           And you have been an engineer  
9           since 2016, you said?

10          A           2006, yes.

11          Q           2006?

12          A           I'm sorry, 2016.

13          Q           Okay, yeah.

14          What other projects have you assisted the  
15          Utility with since 2016?

16          A           Highway department water line  
17          relocation, where they put -- there's a bridge  
18          program where they're replacing bridges and had to  
19          replace water lines, so we done a couple of those  
20          for the district. So really not any -- there's not  
21          been any design or capital construction during that  
22          time other than what the highway department paid  
23          for.

24          Q           And the Utility hasn't requested  
25          any -- any other project be considered?

1           A           Well, you know, it was kind -- I  
2   guess -- this has been discussed -- this was kind  
3   of the number one project at the time.

4           Q           Do you have an opinion as to -- I  
5   guess you wouldn't have an opinion as far as future  
6   projects going forward. You have been in the  
7   courtroom as we have discussed the five most  
8   critical projects of the -- that the water utility  
9   believes that they need. Do you have an opinion on  
10   which ones may be the most critical?

11          A           I would say they're all critical  
12   equally, because I don't -- if you're -- I guess  
13   we're truly identifying water loss, if we're truly  
14   identifying a water loss project, then they all  
15   would be critical.

16          Q           But no -- no opinion as far as  
17   which one should come first as far as whether  
18   installing an AMR system should come first or  
19   upgrading the billing system or installing leak  
20   detection meters throughout the system? No opinion  
21   as far as which should happen first?

22          A           If I was, say, prioritizing --  
23   prioritizing I would say that the leak detection  
24   meters would be number one, the control valves  
25   would be number two.

1 Q There was also replace all AC and  
2 galvanized lines.

3 A That -- I mean, that -- you know,  
4 you hate to say it, but that comes back to the  
5 money issue, you know, that of course we'd like --  
6 you know, it's been a state initiative to replace  
7 all asbestos cement lines.

8 Q And you work as far as try to get  
9 funding through AML, ARC, any --

10 A Rural Development, ARC, CDBG.

11 Q So you can -- you can help advise  
12 the Utility on how to request those loans?

13 A Yes.

14 Q Anything else that you have heard  
15 here today that you wanted to jump in on or that  
16 you thought you might have something else to add  
17 about it that you have heard here today?

18 A No.

19 MR. BOWKER: Okay. I have no -- no further  
20 questions.

21 MR. CICERO: Ms. Mathews?

22 EXAMINATION

23 BY DR. MATHEWS:

24 Q Do you work for yourself or for a  
25 larger firm?

1           A           Sisler-Maggard Engineering.

2           Q           Okay. There just seems to be a  
3 small group of folks that work in this realm, and I  
4 was just trying to see which box you went into.

5           A           I'll be here probably a couple  
6 more times.

7           Q           We'll get -- make sure we stamp  
8 your card.

9           A           Yes, absolutely. Thank you.

10          DR. MATHEWS: I don't have anything.

11                           EXAMINATION

12          BY MR. CICERO:

13          Q           Do you have a formal agreement  
14 with the Utility, with North Manchester?

15          A           There is a -- there is not a  
16 signed contract. There is a -- there was a  
17 resolution passed and voted on by the board to hire  
18 me to do this project and be their consultant.

19          Q           Do you have a monthly retainer  
20 fee?

21          A           No.

22          Q           So there's no rate -- how are you  
23 paid?

24          A           Due to the financial situation of  
25 the Water Association, I have not billed them for

1 any time. The only time that I have billed them  
2 for is what the highway department paid for for my  
3 design fees for their relocation.

4 Q If this project, Lackey Creek,  
5 was approved and funded, you would receive some --

6 A Per USDA guidelines.

7 Q I presume from the answers that I  
8 have heard that the project was provided in  
9 response to a question by staff, not necessarily  
10 because this was a project on the front burner for  
11 capital spending. Do you think that's an accurate  
12 statement?

13 A Yes.

14 Q Okay. There is -- at this point  
15 there's no Lackey Road project that is on the front  
16 burner that you're actively seeking funding with an  
17 RD loan or anything else?

18 A Not at this time due to the  
19 audits.

20 Q Due to the audits. And once the  
21 audits are complete, do you know if it's -- has the  
22 board said we -- we want to proceed forward with  
23 this --

24 A Yes.

25 Q -- or are they trying to sort

1 through some of the other situation?

2 A Well, since this -- since the  
3 identification of some of these leaks and the new  
4 personnel, I would think that this project would be  
5 added to and reworked to include the new -- some  
6 newer issues that came up.

7 Q What would the timeline be at  
8 that point?

9 A We are very proactive. The  
10 funding agency's cycle is October 1. So we  
11 would -- you know, once the board decided that we  
12 were adding whatever, I would make every effort to  
13 have applications in by October requesting money.

14 DR. MATHEWS: But they have to be in the  
15 system.

16 THE WITNESS: Has to be in the system.

17 DR. MATHEWS: We're learning a lot up here.

18 THE WITNESS: So...

19 BY MR. CICERO:

20 Q It's interesting -- I think  
21 Mr. Woods indicated that 18 is in progress. I kind  
22 of couldn't determine by his answer, I thought he  
23 said another couple of months, but then he said his  
24 extension from the agency was for I think the end  
25 of July or August, whatever it was. So I'm not

1       sure how that's going to fit in, if that's the  
2       completion of those, how fast will you be able to  
3       do your preparation knowing -- or are you working  
4       on it in anticipation of just providing --

5               A               Correct, I'm working on it.

6               Q               So you're working on it now?

7               A               Yes, sir. Like I said, we're  
8       trying to be proactive to move along.

9               DR. MATHEWS: And it's not -- it's the  
10       list --

11       THE WITNESS: Yes.

12       DR. MATHEWS: -- that you sent? It's not  
13       just a Lackey Road project?

14       THE WITNESS: That's right.

15       (Crosstalk)

16       BY MR. CICERO:

17               Q               -- keep saying Lackey Road  
18       because that's the only name I saw there, so Lackey  
19       Road. But I understand there's several pieces to  
20       it.

21               A               Yes, sir.

22       DR. MATHEWS: Some of them are reflective  
23       of what --

24       THE WITNESS: Yes.

25       DR. MATHEWS: -- the earlier witness said,

1 here's where most of our problems are.

2 THE WITNESS: That's correct. And they  
3 were identified in 2016, and were included  
4 at that time.

5 MR. CICERO: Mr. McNeil?

6 MR. McNEIL: I don't have anything.

7 MR. CICERO: Mr. Shepherd?

8 MR. SHEPHERD: No questions, Mr. Vice  
9 Chairman.

10 MR. BOWKER: I have nothing further.

11 MR. CICERO: May this witness be excused?

12 MR. BOWKER: Yes, sir.

13 MR. CICERO: You may step down. Thank you.

14 Do you have any other...

15 MR. BOWKER: That's all the witnesses I was  
16 going to call.

17 MR. CICERO: Did you want to speak to  
18 Mr. Rice again?

19 MR. BOWKER: Yes, we do probably need to  
20 bring him back just on that one topic we  
21 were discussing.

22 MR. CICERO: Mr. Rice, you don't need to be  
23 sworn back in. You're already under oath,  
24 so you can sit down. You have already been  
25 sworn in. You're still good.

1 \* \* \* \* \*

2 The witness, JERRY RICE, after being  
3 reminded of his previous oath, was examined and  
4 testified as follows:

5 EXAMINATION

6 BY MR. BOWKER:

7 Q I apologize, we've been flipping  
8 around a lot. I'm trying to think of what the  
9 topic was that you had more information --

10 MR. CICERO: It had to do with the  
11 questions you were asking Mr. Woods  
12 regarding some of the office procedures.

13 MR. BOWKER: Oh, yes.

14 MR. CICERO: The fact that Mr. Woods at  
15 this point wasn't involved in the  
16 day-to-day, and Mr. Rice has indicated that  
17 he and Lonnie -- I'm sorry, I don't recall  
18 his last name -- were the ones that  
19 prepared those and had a better idea of how  
20 the responses should be.

21 MR. BOWKER: Yes, I'm glad you have a  
22 better memory than I do.

23 Q So I will ask you these questions  
24 that we were asking Mr. Woods. And what I was  
25 referring to there in that question was the

1 Question 16 from the first data request and  
2 Question 13 from the second data request. And it  
3 states that, "The Utility stated that when errors  
4 and underbillings are found, work orders are made  
5 up to investigate and errors are corrected as soon  
6 as possible."

7 Can you explain the process from start to  
8 finish of how you find errors, how they are  
9 investigated and then corrected?

10 A Okay. So basically we read the  
11 meters, and Lonnie -- we bring -- we fill out a  
12 meter reading worksheet, so we bring those in. He  
13 has tablets in the office, him and the secretary.  
14 They punch the readings in. And if they are  
15 abnormally high or maybe an overread, you know,  
16 those are -- work orders are generated for that.

17 And we -- actually we go out and recheck  
18 those meters. And then he will bring them in and he  
19 proceeds to adjust them based on -- they have like  
20 an average thing that they do. I'm not sure the  
21 exact formula, but I know it's based on an average.

22 Q Based on what, I'm sorry?

23 A An average. I think it's like  
24 maybe a three-month average bill.

25 Q And are these processes, are they

1 written down anywhere?

2 A I'm not sure if they're in the  
3 tariff or not. I'm not sure. But that could go  
4 along with all the other policies and procedures we  
5 need to address.

6 Q Okay. And the Utility went on to  
7 say that errors are identified by other means. Is  
8 that what you were just describing?

9 A Yeah. I don't know what exactly  
10 he meant by that, but that would be kind of the  
11 same lines.

12 Q Okay. And -- well --

13 A And, of course, if we had an AMR,  
14 that would take care of a lot of those, you know,  
15 problems.

16 MR. BOWKER: That's actually all I have,  
17 Vice Chairman.

18 EXAMINATION

19 BY MR. CICERO:

20 Q Just one other question. I know  
21 you asked your question about what it costs to  
22 produce, and I think Mr. Bowker was referring to  
23 what does it cost to purchase your water, which we  
24 know the \$2.90. The question is, is it \$2 or is it  
25 \$2.90?

1           A           We buy it at a rate of \$2 per  
2 thousand.

3           Q           So the question was, does \$2.90  
4 per thousand cover your costs, and I don't know  
5 whether you know the answer to that.

6           A           I'm not sure. I couldn't -- I  
7 wouldn't be comfortable saying yes or no to that.

8           MR. CICERO: That's okay. I'm not going to  
9 put a post hearing data request. There's  
10 plenty of information.

11                    I don't know whether you want to ask  
12 any follow-up questions, Mr. Shepherd.

13           MR. SHEPHERD: I do not.

14           MR. CICERO: I would say that when the  
15 Commission issues their order, it won't  
16 be -- it's going to be a wide-open basket  
17 of goods that you will receive, and by that  
18 I mean there will be recommendations and  
19 there will be directives, and probably  
20 going to management and leaks and all of  
21 the processes that the utility management  
22 should be involved in, what the board  
23 should be involved in.

24                    And I know I'm directing this to you  
25 because you're on the stand, but I know that

1 everyone else is here to hear this as well.

2 I'm not sure what the date of that  
3 order will be, but as you know, we're going  
4 through our fast 11 hearings in six days.  
5 It's like a trip-around-the-world junket,  
6 okay. It's been interesting so far.

7 There's no other questions for this  
8 witness?

9 MR. BOWKER: No, sir.

10 MR. CICERO: You may stand down. I don't  
11 think there's any other witnesses. Do you  
12 have anything, Mr. Shepherd?

13 MR. SHEPHERD: I do not, Mr. Vice Chairman.

14 DR. MATHEWS: Got one post hearing data  
15 request; is that correct?

16 MR. BOWKER: Questions, there was -- how  
17 many total questions?

18 DR. MATHEWS: Two.

19 MR. BOWKER: Two to three.

20 MR. CICERO: Okay. So those questions, I'm  
21 expecting that you will have those prepared  
22 by the 16th, which is Tuesday, a week from  
23 yesterday, and that you will be able to  
24 respond by the 23rd. I think they're  
25 fairly simple questions.

1 MR. SHEPHERD: That will be fine.

2 MR. CICERO: Okay. Does that work?

3 MR. BOWKER: Yes, sir.

4 MR. CICERO: Is there any other business  
5 with regard to North Manchester?

6 MR. SHEPHERD: Was the 2017 audit  
7 requested?

8 MR. BOWKER: We would like to see it as  
9 soon as -- as soon as you-all can get it.

10 MR. SHEPHERD: We do have it. Can I file  
11 it just electronically, do a notice of  
12 filing? File it in the record?

13 MR. BOWKER: Yes. We appreciate that.

14 MR. CICERO: Anything else?

15 MR. SHEPHERD: That's all.

16 MR. CICERO: With that, this hearing is  
17 adjourned.

18 \* \* \* \* \*

19 THEREUPON, the Hearing was concluded at  
20 1:50 p.m.

21 \* \* \* \* \*

22

23

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25

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2 STATE OF KENTUCKY )

3 COUNTY OF FAYETTE )

4

5 I, JOLINDA S. TODD, Registered

6 Professional Reporter and Notary Public in and for

7 the State of Kentucky at Large, certify that the

8 facts stated in the caption hereto are true; that

9 at the time and place stated in said caption the

10 witnesses named personally appeared before me, and

11 that, after being duly sworn, were examined by

12 counsel for the parties; that said Hearing was

13 taken in stenotype by me and later reduced to

14 computer-aided transcription and the foregoing is a

15 true record of the testimony given by said

16 witnesses.

17 My commission expires: August 24, 2019.

18 IN TESTIMONY WHEREOF, I have hereunto set

19 my hand and seal of office on this the 14th day of

20 August 2019.

21

22

JOLINDA S. TODD, RPR, CCR(KY)  
NOTARY PUBLIC, STATE AT LARGE  
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