

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 17, 2019 Rattlesnake Ridge Water District hearing prepared by Todd & Associates Reporting, Inc. has been filed into the record of this proceeding.



Gwen R. Pinson  
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DATED           **OCT 07 2019**          

cc: Parties of Record



Transcript of the Testimony of **PSC Hearing**

**Date:** July 17, 2019

**Case:** In Re: Rattlesnake Ridge Water District

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COMMONWEALTH OF KENTUCKY  
KENTUCKY PUBLIC SERVICE COMMISSION  
CASE NO. 2019-00041

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IN RE:

RATTLESNAKE RIDGE WATER DISTRICT

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HEARING HELD ON:

JULY 17, 2019

FRANKFORT, KENTUCKY

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APPEARANCES

PUBLIC SERVICE COMMISSION:

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

ON BEHALF OF THE COMMISSION STAFF:

Mr. Andrew Bowker  
Mr. John Rogness

ON BEHALF OF THE ATTORNEY GENERAL:

Mr. Kent Chandler

ON BEHALF OF RATTLESNAKE RIDGE WATER DISTRICT:

Mr. Derrick E. Willis

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1                   CHAIRMAN SCHMITT: We're now on the  
2                   record. This is the Kentucky Public  
3                   Service Commission. My name is Michael  
4                   Schmitt, I'm Chairman of the Commission.  
5                   Seated to my right is Vice-Chairman  
6                   Robert Cicero and to my left Dr. Talina  
7                   Mathews.

8                   We are here this morning for the  
9                   purpose of taking evidence in Case No.  
10                  2019-00041, Investigation Into Excessive  
11                  Water Loss by Kentucky's Jurisdictional  
12                  Utilities.

13                  The hearing this morning involves  
14                  Rattlesnake Ridge Water District. In  
15                  addition to Rattlesnake Ridge, there are  
16                  ten other water utilities which are a  
17                  part of this proceeding and they are:  
18                  Morgan County Water District, Caywood  
19                  Water District, North Manchester Water  
20                  Association, Estill County Water  
21                  District, Farmdale Water District, West  
22                  Carroll Water District, Southern Water  
23                  and Sewer District, Hyden-Leslie Water  
24                  District, Big Sandy Water District, and  
25                  Milburn Water District.

1                   There are two other water utilities  
2                   which are also under consideration and  
3                   are a part of this group but are not part  
4                   of this proceeding, and they are:  
5                   Cannonsburg Water District and Martin  
6                   County Water District. Those other two,  
7                   Cannonsburg and Martin County, each have  
8                   a separate case which was pending at the  
9                   time this matter was filed.

10                   In order to try to resolve these  
11                   issues or to complete the discovery on  
12                   the issues within a reasonable period of  
13                   time, the Commission determined to hold  
14                   two hearings per day. This morning,  
15                   obviously, at 9 a.m. we will hear  
16                   Rattlesnake Ridge Water District and at 1  
17                   o'clock p.m. will be Big Sandy Water  
18                   District.

19                   Because we have never been able to  
20                   complete the morning hearing in three  
21                   hours, at 1 p.m. Commissioner Mathews  
22                   will begin the Big Sandy Water District  
23                   hearing in Hearing Room 2, which  
24                   basically adjoins this room to the rear.

25                   This proceeding will be streamed live

1 over the internet and a permanent  
2 recording will appear later this  
3 afternoon on the Public Service  
4 Commission website. The Big Sandy Water  
5 District hearing, as with all hearings  
6 held in the small hearing room, will not  
7 be broadcast live over the internet  
8 because there's not sufficient capability  
9 in that room to do that.

10 But like this hearing, later this  
11 evening the Big Sandy hearing will appear  
12 on the Public Service Commission's  
13 website.

14 Those of you who practice or have  
15 appeared before the Commission before  
16 know that on a regular basis the video  
17 transcript constitutes the official  
18 record of the proceeding. Ms. Warfield,  
19 who has now left us, usually basically  
20 types a log which is just a general  
21 outline of questions and answers which  
22 can be synched with the video to help  
23 counsel and the parties find relevant  
24 testimony when matters are to be briefed.

25 In this proceeding, however, the



1 Commission has hired a court reporter or  
2 court reporters to type an official  
3 transcript and that transcript, along  
4 with the video, will constitute the  
5 official record of this and all of the  
6 other proceedings. That transcript will  
7 be available to the parties and to their  
8 counsel upon request once the transcript  
9 has been completed and filed in the  
10 record.

11 At this time I would ask that counsel  
12 for Rattlesnake Ridge please stand,  
13 identify himself, his client, and the  
14 witnesses who are with him here today.

15 MR. WILLIS: Good morning. My name  
16 is Derrick Willis. I'm here on behalf of  
17 Rattlesnake Ridge. I'll be calling Mr.  
18 W.C. Gilbert -- Willis Gilbert -- Mr.  
19 Bill Gilbert, and David Gifford.

20 CHAIRMAN SCHMITT: Thank you.  
21 On behalf of the Office of the  
22 Attorney General?

23 MR. CHANDLER: Thank you, Chairman.  
24 Commissioners, Kent Chandler on behalf of  
25 the Kentucky Office of the Attorney

1 General.

2 CHAIRMAN SCHMITT: And on behalf of  
3 staff?

4 MR. BOWKER: Andrew Bowker and John  
5 Rogness on behalf of Commission Staff.

6 CHAIRMAN SCHMITT: Now, since this is  
7 more of an investigatory hearing to try  
8 to get information, the way that we've  
9 been handling it is a little different  
10 than usually when we treat it more like a  
11 contested proceeding.

12 So this morning staff counsel will  
13 begin the questioning followed by the  
14 Commissioners, in part so that the  
15 Commissioners -- the Commissioner who has  
16 to handle the second hearing willing at  
17 least have an opportunity to ask some  
18 questions. And then followed by Mr.  
19 Chandler for the attorney general. Mr.  
20 Willis, after that you may ask any  
21 questions you like on redirect. If you  
22 don't feel compelled to do, but if  
23 there's other information that you'd like  
24 to bring to the attention of the  
25 Commission or any mistake or matter you'd

1           like to clear up, you will be welcome and  
2           have the opportunity to ask any questions  
3           that you like.

4           MR. WILLIS: Thank you.

5           CHAIRMAN SCHMITT: When we get  
6           started, Mr. Bowker will identify, I  
7           guess, one of the three witnesses or in a  
8           row as we move forward, which witness he  
9           would like to ask. That witness could  
10          then go to the stand, I would administer  
11          the oath. And if you wouldn't mind, if  
12          you could ask a few introductory  
13          questions, sort of name, what your  
14          relationship is with the Commission --  
15          with Rattlesnake Ridge, how long you have  
16          been on -- a few things like that just to  
17          prepare. So we'll have something on the  
18          record before the investigation begins.

19          Fair enough?

20          MR. WILLIS: Yes.

21          CHAIRMAN SCHMITT: All right. Mr.  
22          Bowker -- oh, let me ask. I did not  
23          check but I'm assuming, Mr. Willis, that  
24          notice of this proceeding was given in  
25          the newspaper and probably has been filed

1 in the record. Is that correct?

2 MR. WILLIS: It has.

3 CHAIRMAN SCHMITT: Okay. Thank you.  
4 Mr. Bowker, all of that being the case,  
5 are you ready to begin? And if so, would  
6 you please identify a witness so that Mr.  
7 Willis could get us going.

8 MR. BOWKER: I am, Your Honor. And  
9 I'd like to call Willis Gilbert first,  
10 please, Chairman of the Board.

11 CHAIRMAN SCHMITT: Please raise your  
12 right hand? Do you solemnly swear or  
13 affirm under penalty of perjury that the  
14 testimony you are about to give will be  
15 the truth, the whole truth, and nothing  
16 but the truth?

17 THE WITNESS: I do.

18 CHAIRMAN SCHMITT: Please be seated.  
19 Mr. Willis.

20 -----

21 EXAMINATION

22 BY MR. WILLIS:

23 Q. State your name.

24 A. Willis Gilbert.

25 Q. And where are you employed?

1 A. Rattlesnake Ridge Water District.  
2 Q. And what's your job title?  
3 A. Manager.  
4 Q. And how long have you served in that  
5 position?  
6 A. About three years as manager.  
7 Q. And were you employed with or associated  
8 with Rattlesnake Ridge Water District before your  
9 current position?  
10 A. Yes, I was.  
11 Q. And what was your title or duties?  
12 A. I was superintendent of outside  
13 operations.  
14 Q. And how long did you serve in that  
15 position?  
16 A. 34 years. Well, I take that back. 31  
17 years.  
18 MR. WILLIS: I'll pass the  
19 questioning.  
20 CHAIRMAN SCHMITT: Thank you. Mr.  
21 Bowker.  
22 -----  
23 EXAMINATION  
24 BY MR. BOWKER:  
25 Q. How are you this morning?

1 A. Just fine.

2 Q. I've already misspoken and we've barely  
3 gotten started here. But you are not the chairman.  
4 You are the general manager of the --

5 A. Yes, I am general manager.

6 Q. And how long have you been the general  
7 manager?

8 A. About three years.

9 Q. Three years?

10 A. Uh-huh. (Affirmative.)

11 Q. And were you at the water district  
12 prior --

13 A. Yes.

14 Q. -- prior to that?

15 A. Yes.

16 Q. And in what capacity?

17 A. Well, I started out as an operator  
18 in '85. And I was the only employee for about a year.  
19 And then from there I've just been the distribution  
20 operator and then as we hired on more people in the  
21 field, as we grew, I become the superintendent of  
22 outside operations.

23 Q. And that was in what year you became the  
24 superintendent? What year was that?

25 A. That was probably in '89.

1 Q. Prior to coming to the water district,  
2 did you have any other employment experience?  
3 A. I worked road construction prior to that.  
4 Q. Okay.  
5 A. Mostly highway construction.  
6 Q. Okay. How many field personnel do you  
7 have presently? How many people working in the field  
8 with you?  
9 A. There's five.  
10 Q. Five of you?  
11 A. Yes.  
12 Q. Okay. I'll come back to some of those  
13 questions later, but I'm going to direct you now -- I  
14 saw you brought with you a big binder there.  
15 Does that happen to be the data request  
16 responses?  
17 A. Yes. Uh-huh. (Affirmative.)  
18 Q. So do you have the -- what I'm going to  
19 refer to as the first data request, Data Request No. 1.  
20 I'm referring to the March 12 order in Appendix C and  
21 those questions -- those responses, so I'll say certain  
22 question number and then --  
23 A. Okay.  
24 Q. And from that -- and then if I'm  
25 referring to Data Request 2, if I say Data Request No.

1 2 that is the March -- the May 3rd data request --  
2 A. Okay.  
3 Q. -- in those answers.  
4 A. Okay.  
5 Q. Is that okay?  
6 A. Yes. That's fine.  
7 Q. If I ever go too fast and you need me to  
8 slow down so you can look at some of what you need to  
9 look at, then just please tell me to slow down a little  
10 bit or that you need a second and I'll wait. Okay?  
11 A. Okay.  
12 Q. I'm going to refer you to Question 17 of  
13 the first data request.  
14 A. Okay.  
15 Q. And I'll ask you to open up Question 14  
16 of the second data request, please.  
17 A. Of the second one?  
18 Q. Yes, sir.  
19 A. No. 14. Well, the one I've got is -- it  
20 just had like four questions on it.  
21 Q. That's okay. I can -- if we need to  
22 direct you to it more but I believe you can come to the  
23 response by my question here. We'll see if we can.  
24 The response to Question 17 of the first  
25 data request states that the meter used at the water



1 treatment plant has not been tested. Response to  
2 Question 14 of the second data request says a portable  
3 water flow meter is used to measure water production  
4 and that its accurate within 2 percent.

5 My question is: What are the differences  
6 between a master meter used to measure production and a  
7 portable flow meter?

8 A. Well, the portable flow meter is one that  
9 you take out on site and you expose a line and strap it  
10 on to measure the flow of water through that section of  
11 pipe.

12 Q. Okay. Can you explain why you would want  
13 a master meter rather than a portable flow meter?

14 A. The master meter, the one that we're  
15 talking about here in Question 17, was actually  
16 installed when the plant was built. And it had been  
17 replaced in the upgrade back in 2000 --

18 Q. What year was that?

19 A. 2010 was when it was upgraded.

20 Q. Okay.

21 A. 2000 was the original plant, when we  
22 first built the plant, and then that meter was replaced  
23 in 2010. But that meter -- master meter at the plant  
24 doesn't all have test ports in them. When they  
25 designed it it wasn't designed right. It wasn't

1 designed to where you could test it.

2 Q. Who designed it?

3 A. At that time it would have been -- well,  
4 the first engineer was Central Associated Engineers and  
5 the second one was Cicero Maggard Engineers.

6 Q. And do you still use either one of those  
7 engineers?

8 A. No, sir.

9 Q. Do you have an engineer that you normally  
10 rely on, normally use?

11 A. Yes. We do. Right now we have Bluegrass  
12 Engineering Group.

13 Q. So can you explain how you know it's  
14 accurate? How do you know it's accurate?

15 A. Well, we use the strap-on flow meter to  
16 compare what the master meter was saying at the time we  
17 had the strap-on meter on outside the plant. And we  
18 compared those two, those two readings.

19 Q. Okay. If it hasn't been tested, how do  
20 you know it's accurate within 2 percent?

21 A. Well, I don't. I'm just being told by  
22 other -- we use an outside test -- meter test person  
23 and, of course, he's not -- he's not tested it.  
24 There's no way of testing it where it's at and, of  
25 course, I wasn't present that day they did the test.

1 David was the one present at that time.

2 Q. I'm sorry. Could you repeat that last  
3 part? Who was present?

4 A. David Gifford was present during that  
5 time.

6 Q. Okay. How many portable flow meters does  
7 the utility have?

8 A. We have one.

9 Q. Just one?

10 A. Uh-huh. (Affirmative.)

11 Q. And it can be tested for accuracy, it  
12 just hasn't been?

13 A. Yeah -- well, we haven't had it very  
14 long. We just bought it not long ago when we bought --  
15 for leak detection is what we bought it for. And it  
16 was certified new then probably -- I want to guess two  
17 years ago.

18 Q. Okay. I'm going to refer you now to  
19 Question 1 of the first data request. So Data Request  
20 1, Question 19. And I'll also refer you -- I'll wait  
21 until you get to that first.

22 A. Okay. That's the master meter test  
23 results?

24 Q. Yes.

25 A. Yes. That's where we buy -- purchase

1 water from the City of Grayson.

2 Q. And also I'll also direct you before I  
3 ask the question to the Second Data Request, Question  
4 16 if you have got that. Are you there?

5 A. Let me make sure it's right. About  
6 estimates on meters?

7 Q. Yes, sir.

8 A. Uh-huh. (Affirmative.)

9 Q. Okay. My question for you is, you say  
10 you pull as many meters as you can per month to test.  
11 Do you have any idea how many meters that is?

12 A. No. I don't. David might know. I don't  
13 know that.

14 Q. Can you explain why you don't have a set  
15 schedule or some minimum schedule for testing?

16 A. One is the turnaround time. We don't do  
17 our own testing. It's done out of house by a person we  
18 have -- not really contracted but when we pull so many  
19 meters he'll come get them, take them, and test them.  
20 But it's a long turnaround time, usually about two  
21 months.

22 Q. And who tests them for you?

23 A. Definitive Meter Testing.

24 Q. Definitive. Okay.

25 A. Uh-huh. (Affirmative.) And then we

1 don't have a lot of meters in stock.

2 Q. Excuse me?

3 A. We usually don't have a lot of meters in  
4 stock to switch out. We try to keep at least 12 on,  
5 you know, on hand. And a lot of times we get behind  
6 and don't have any because we're waiting on more to  
7 come back from being tested.

8 Q. It takes about two months to get them  
9 back?

10 A. Usually about two months, yeah.

11 Q. Okay. Do you have any meters that have  
12 never been tested?

13 A. No. About all of ours have been tested.  
14 They're old -- old meters, most of them ten years old.  
15 Some of them older.

16 Q. You stated that 30 to 40 percent of the  
17 meters are over ten years old. So do you know exactly  
18 how many meters you have that are over ten years old?

19 A. No, not without -- I'm just guessing, I  
20 could probably say -- probably a hundred.

21 Q. Do you have records that are sufficient  
22 to tell the age of all of your meters?

23 A. Yes.

24 Q. You do. So if we ask in a posthearing  
25 data request for that, you could supply that to us?

1 A. Yes. It's -- mostly it's ones that's  
2 been where they were installed and the customers -- on  
3 their information sheet in our computer it tells when  
4 that meter was installed.

5 Q. Are all of the meters from the same  
6 manufacturer?

7 A. No. We have -- we have probably about  
8 200 that are a different manufacturer. Majority of  
9 them are Sensus meters and the other ones are Neptune  
10 meters.

11 Q. Neptune?

12 A. Uh-huh. (Affirmative.)

13 Q. And do you know if the older meters are  
14 less reliable than the newer meters?

15 A. Yeah. They're a little slower. I have  
16 looked at some of the test data on the new meters when  
17 you get them in, and even on the quarter gallon flow  
18 minute they're slow out of the box. Even the one --  
19 you know, taking one out of the system that's ten years  
20 old and testing it versus a new one on that real low  
21 flow and they're slow, they're within the 2 percent but  
22 they're still slow.

23 Q. Okay. So do you concentrate on the older  
24 meters for testing?

25 A. Yes.

1 Q. Is it correct to say that you do not have  
2 a defined meter testing schedule such that over a  
3 period of time you will have tested all of the meters?

4 A. Correct.

5 Q. You do not. Okay. I guess I'll ask you,  
6 why hasn't that been developed yet?

7 A. I really can't say. You know, we've been  
8 just trying to get as many as we can get. At one time  
9 we looked at buying -- purchasing our own test bench to  
10 where we could test the meters ourself, you know, and  
11 that way you can do some every day instead of waiting  
12 two months, you know, for a turnaround time.

13 VICE CHAIRMAN CICERO: Don't you have  
14 an additional issue, it's not just the  
15 two-month turnaround time, it sounds like  
16 you have limited inventory?

17 THE WITNESS: Yeah. We don't have a  
18 lot. We try to keep, like I say, 12 on  
19 hand and sometimes we'll get up to 24.  
20 We'll just order new meters and have them  
21 there, but those will soon be gone by the  
22 time you pull them over to test. Then  
23 it's the turnaround that really kills us  
24 on our meter stock.

25 VICE CHAIRMAN CICERO: There's no

1 other meter contractor that can perform  
2 that service?

3 THE WITNESS: I haven't -- there's a  
4 couple of other water districts that have  
5 their own test bench. They haven't  
6 really -- they'll do a complaint test for  
7 us, but they really don't want to do a  
8 lot of meter tests because I guess they  
9 don't really have enough staff or time to  
10 do ours plus their own.

11 VICE CHAIRMAN CICERO: I think the  
12 issue is that there's a requirement to  
13 test the meters within every ten years,  
14 and if your schedule doesn't permit for  
15 that then there's a --

16 THE WITNESS: Right. Correct.

17 VICE CHAIRMAN CICERO: -- a hole in  
18 your plan.

19 THE WITNESS: Yeah.

20 COMMISSIONER MATHEWS: But you have  
21 tested all your meters -- any meter  
22 that's over ten years old you said you  
23 have tested?

24 THE WITNESS: Major -- there could be  
25 some out there --



1                   COMMISSIONER MATHEWS: It sounds like  
2                   you have a plan, you just need to maybe  
3                   write it down and put some metrics. We  
4                   do this many and that many.

5                   THE WITNESS: Right. Right. Right.

6                   COMMISSIONER MATHEWS: I don't think  
7                   you don't have a plan, it's up here.

8                   THE WITNESS: I would like to  
9                   implement the plan of purchasing a meter  
10                  bench. I mean they're not really that  
11                  expensive compared to -- you know, we  
12                  spend about -- once a quarter probably  
13                  about \$1,2- or \$1,300 on meter tests  
14                  because when they test them they repair  
15                  them also. So we're looking at costs  
16                  there.

17                  And so I think eventually, I think  
18                  the meter bench, test bench where we  
19                  could do our own and have any of the  
20                  employees that work out in the field be  
21                  certified to do the test, that way  
22                  anybody can do a meter test whether it's  
23                  one or two a day or five a day or  
24                  whatever we have.

25                  COMMISSIONER MATHEWS: When you pull

1           them are they -- is there a trend of  
2           they're slow and you are losing  
3           revenue -- I guess what I'm saying is if  
4           your meters are slow and you are pulling  
5           them, testing them, repairing them, and  
6           putting them back in, it would pay for  
7           itself.

8           THE WITNESS: Yeah. The majority of  
9           them that I've seen him test, he'll test  
10          and if the test fails he'll take them  
11          apart, clean them if they need cleaning  
12          or repairing, put them back together and  
13          test them again.

14          They'll still -- they'll pass the  
15          test but they're still a little bit slow  
16          on that low flow. They're within the 2  
17          percent. They might be like 1.2 percent  
18          slow on that low flow. And that low  
19          flow, you know, it's pretty small,  
20          quarter gallon a minute is not much. I  
21          don't know many people that would run a  
22          quarter gallon a minute --

23          COMMISSIONER MATHEWS: Right.

24          THE WITNESS: -- in their house. I  
25          guess if they knew they would get by

1 cheaper, they probably would.

2 CHAIRMAN SCHMITT: Use more water  
3 just because we can do it; right?

4 THE WITNESS: Yeah.

5 COMMISSIONER MATHEWS: That's what we  
6 heard yesterday.

7 THE WITNESS: Usually on the medium  
8 flow and the high flows, they're usually  
9 pretty close to being accurate. Like I  
10 say, I've been doing this 34 years, I've  
11 not seen but one meter in all of that  
12 time be over 102 percent fast. You know,  
13 you just don't see them. It's the slow  
14 part is what -- is what gets you on those  
15 meters.

16 But I mean, you know, most of us in  
17 here have been around water meters, you  
18 know, for years and you know basically  
19 how they work and how they wear out after  
20 ten, twelve years. That's about the life  
21 of them really.

22 VICE CHAIRMAN CICERO: So can you  
23 clarify for me. I thought that you  
24 responded to Mr. Bowker's question about  
25 whether the meters could all be tested in

1 ten years, and I thought you said no.  
2 And Commissioner Mathews asked you a  
3 question and then you said yes.

4 Are the meters all being tested  
5 within ten years or not?

6 THE WITNESS: There's some that's not  
7 been tested yet in -- over the ten years  
8 is probably what I meant to say.

9 VICE CHAIRMAN CICERO: But you can go  
10 through all of your meters and have them  
11 tested on a ten-year cycle without a  
12 problem?

13 THE WITNESS: Yes, we could.

14 VICE CHAIRMAN CICERO: And you are?

15 THE WITNESS: Well, it's taken --  
16 it's taken longer than ten years is what  
17 I should say because of the way we're  
18 doing the tests. That's the reason I  
19 would like to do the test bench and sort  
20 of --

21 VICE CHAIRMAN CICERO: So we're back  
22 to my original question which is: Are  
23 the meters all being tested within a  
24 ten-year cycle --

25 THE WITNESS: No.

1 VICE CHAIRMAN CICERO: No. Thank  
2 you.

3 COMMISSIONER MATHEWS: I  
4 misunderstood, because I thought you said  
5 the meters were only around ten years  
6 old.

7 THE WITNESS: Well, there's --  
8 majority of them are ten years old.  
9 There's probably a hundred, 200, that's  
10 12 years old. And that's the Neptune  
11 meters. The one that's -- and they're in  
12 one section of the system and, you know,  
13 we know where they're all at.

14 VICE CHAIRMAN CICERO: I think for  
15 the clarification purpose, most of them  
16 are under ten years old but if you  
17 continue to test them at the rate you  
18 test them, you will not complete a  
19 ten-year cycle when those --

20 THE WITNESS: On all of them,  
21 correct.

22 VICE CHAIRMAN CICERO: On all of  
23 those meters, when they reach the end of  
24 that ten-year period, they will be out of  
25 the regulatory requirement of being

1 tested within ten years?

2 THE WITNESS: Right.

3 VICE CHAIRMAN CICERO: Okay. And  
4 that goes back to how much inventory,  
5 whether you buy your own bench testing  
6 equipment or whatever it is.

7 THE WITNESS: Right.

8 VICE CHAIRMAN CICERO: My only  
9 comment was, you need to be in  
10 compliance.

11 THE WITNESS: Right.

12 VICE CHAIRMAN CICERO: So has there  
13 been some kind of plan developed to make  
14 sure --

15 THE WITNESS: Well, one plan we've  
16 already started -- actually started this  
17 month we've actually applied. Rural  
18 Development has been after us for the  
19 last couple of years on water loss,  
20 trying to curb it. We're looking at a  
21 new meter system and master meters  
22 throughout the system to --

23 VICE CHAIRMAN CICERO: Looking at new  
24 meters even though most of your meters  
25 are less than ten years old?

1 THE WITNESS: Yes. Even the newer  
2 meters are slow, like I was talking  
3 about, slow on the low flow.

4 VICE CHAIRMAN CICERO: So those  
5 meters that are -- what's the useful life  
6 that you put them on the books for?

7 THE WITNESS: Well, they say they're  
8 guaranteed for 20, but you don't get 20  
9 years out of a meter. They wear out in  
10 probably 15 years, some of them less than  
11 that. You have to start rebuilding them.

12 VICE CHAIRMAN CICERO: The only  
13 reason why I'm asking is because from a  
14 depreciation standpoint, if there's a  
15 great deal of depreciation left on those  
16 assets there's going to have to be some  
17 kind of evaluation that says I can  
18 justify buying new meters even though I'm  
19 going to write off the depreciation  
20 that's left and take those meters out of  
21 service in order to do that.

22 THE WITNESS: Right.

23 VICE CHAIRMAN CICERO: So if that --  
24 do you have the office personnel as well  
25 reporting to you?

1 THE WITNESS: Yes.

2 VICE CHAIRMAN CICERO: Okay. So that  
3 would be something that you'd direct  
4 somebody to do when you decided to do  
5 this project.

6 THE WITNESS: Right. Right. And the  
7 system we're looking at is we're wanting  
8 to be able to read all of our meters in  
9 one day and the master meters in one day,  
10 so we know each section if we read it  
11 today and reread it tomorrow and it's up  
12 20, 30,000 gallons we know we've got a  
13 problem in that one specific section of  
14 our system.

15 VICE CHAIRMAN CICERO: It sounds like  
16 you plan on going to radio read meters.

17 THE WITNESS: Yeah, we are radio read  
18 now but it takes us about two weeks with  
19 two guys because we're so spread out.  
20 You know, we're spread out over three  
21 counties and with this system it's called  
22 flex -- flex net. They're all read from  
23 the main office.

24 VICE CHAIRMAN CICERO: Okay. So it's  
25 a little bit different system.



1 THE WITNESS: Yeah. They call it AMR  
2 but it's AMR flex. They've got a  
3 different name for it. It will have the  
4 capability of customer come in -- comes  
5 in and says, you know, I've used a lot of  
6 water, I don't have a leak. We can  
7 actually pull their meter up and say,  
8 well, you are not home but your meter is  
9 running.

10 VICE CHAIRMAN CICERO: So it sounds  
11 like you have done more of an evaluation  
12 on this than just thinking about --

13 THE WITNESS: Probably for the last  
14 year, maybe a little longer we've been  
15 looking at it. And it's just now getting  
16 to where it's more districts using it,  
17 not just districts but cities also is  
18 using the system.

19 We've looked at it pretty hard  
20 because we know there's a problem with,  
21 you know, part of our water loss is a  
22 slow meter and, of course, we have  
23 service line issues too, so.

24 VICE CHAIRMAN CICERO: I'm sorry.

25 MR. BOWKER: That's fine.

1 BY MR. BOWKER:

2 Q. So are all of your meters the AMR flex  
3 meters?

4 A. Well, hopefully they will be. Right now  
5 they're all AMR meters which is radio read. But with  
6 the new system they'll be all AMR flex meters.

7 Q. Okay. But they're all AMR right now?

8 A. Yes. Yes, they are.

9 Q. Let me ask you, if you had more meters in  
10 stock, could you test more meters at one time? Like  
11 test them in a batch, for example?

12 A. Yeah, we probably could. It's just the  
13 Definitive Testing is who we use. So he's one person  
14 so I don't know what his -- how many clients he has,  
15 whether the turnaround probably would be a little  
16 quicker if -- instead of him taking 18, 36 meters, if  
17 he had 40 to take or 50 to take and turn them around --  
18 if he could turn them around quicker and get them back  
19 to us. A lot of times it's repairs he has to do to  
20 them takes a little longer.

21 Q. Do you have a contract with Definitive  
22 Testing?

23 A. No, we do not.

24 Q. Do not?

25 A. No, we do not.

1 Q. Is that something that maybe the board or  
2 somebody may consider is getting an actual contract  
3 with Definitive?

4 A. We probably could to get a contract with  
5 him saying that, you know, he could get our meters back  
6 to us within 30 days.

7 Q. Right. Because then if they didn't there  
8 may be something in the contract for nonperformance if  
9 he didn't perform on time?

10 A. Right. Right. He also does our large  
11 meter field tests. The ones which, you know, we don't  
12 have that many to do but it's usually a couple day  
13 process. So he does those also.

14 Q. Okay. I'm going to refer you now to the  
15 First Data Request, Request No. 16 of the First Data  
16 Request. 16.

17 A. Okay.

18 Q. And in that response you state that you  
19 have software that helps identify misread meters, and  
20 you provided an attachment showing usage and estimates  
21 for customer accounts.

22 A. Yes.

23 Q. Turning to that attachment under the  
24 estimate column, there's a mark by both accounts that  
25 have usage and those that do not. Can you explain what

1 that means?

2 A. Okay. The ones that have usage -- well,  
3 let's see. Let me look at it. We have several places  
4 throughout our system that's cabins, weekend getaways.  
5 And that's the majority of those is the reason they  
6 don't have any usage showing on them. And as far as  
7 the estimates, what we do -- when we load a route for  
8 one of the guys to go out and read it, after that route  
9 is loaded onto a flash drive he takes it and goes out  
10 and reads. Well, during that time I go in and do a --  
11 the program we've got, I go in and estimate all of the  
12 meters.

13 I put that in there so when they bring  
14 that route back and download it, we know which ones he  
15 missed. That's what this estimate is. So said, well,  
16 you missed 13 meters on that route. So he takes his  
17 sheet and then we send him back out to get them  
18 manually. Whether the radio didn't work, the meter  
19 didn't read or whatever the reason was, that's what  
20 this -- that's what we do this for. That's what that  
21 estimate is.

22 VICE CHAIRMAN CICERO: So you match  
23 up every time you go out?

24 THE WITNESS: Yes.

25 VICE CHAIRMAN CICERO: That's a good

1 way to do it.

2 THE WITNESS: The lady -- like I say,  
3 I do the downloading and the uploading  
4 and she takes care of -- she runs this  
5 estimate list. And like I say, it  
6 does -- it shows estimate, finals and  
7 roll-overs. And she'll go down through  
8 and check them and if he did get them, he  
9 just didn't enter them in, he wrote them  
10 down on his route book. And then the  
11 ones that he didn't get she sends --  
12 here's the sheet, you need to go back out  
13 and get the ones you missed.

14 VICE CHAIRMAN CICERO: Is that  
15 also -- is that a red flag if there's a  
16 minimum or a zero reading that you said  
17 you have a lot of cabins and partial  
18 tenant type --

19 THE WITNESS: Yeah. She does a zero  
20 read list also and we try to check that  
21 on a monthly basis to make sure, you  
22 know, they go and check them. And  
23 usually what they do, if somebody is not  
24 there, they still break the meter loose  
25 to make sure it's operating, you know,

1                   they'll just take one side loose a little  
2                   bit, see if it's still operating and fix  
3                   it back. And then say, well, that's the  
4                   right reading, there's -- it's a summer  
5                   place or a weekend place and, you know,  
6                   they're not there.

7                   VICE CHAIRMAN CICERO: That sounds  
8                   pretty reasonable.

9 BY MR. BOWKER:

10 Q.               Sir, the usage column is supposed to show  
11 the difference between the current and previous months'  
12 water consumption. Is that accurate? Is that correct?

13 A.               That's correct.

14 Q.               So looking at the second account, the  
15 account shows usage of 11, but taking the difference  
16 between the current and previous usage equals 181.

17                   Can you explain the difference?

18 A.               Well, some of those the estimate you see  
19 and the actual usage you see is -- it's not the  
20 difference between the current and previous readings.  
21 It's not that. Some of them are right. It's the ones  
22 that -- if it hadn't been using it in awhile, it takes  
23 an average, when you do an estimate it takes the  
24 average of their bills and that's what that usage is  
25 down through there.

1                   It's not what the difference is between  
2 the two readings here. When you do an estimate you  
3 have to do the -- it estimates the usage for -- it's  
4 not what it is here. Because these readings -- this  
5 may actually be the readings that's there on, you know,  
6 on the meter or on the billing system, but the usage  
7 here is when I created this estimate, that's what  
8 that -- that's what that is. It's an estimate of their  
9 usage and that estimate is over the last 12 months of  
10 an account.

11 Q.               What number do you use to bill?

12 A.               It will be the actual read.

13 Q.               Actual read?

14 A.               Yes.

15 Q.               So that's the 181 number?

16 A.               Yes.

17 Q.               Okay. Would your explanation also be  
18 true for the seventh account on RT1025? The usage  
19 reads 842, the difference in meter readings equals 162.

20 A.               Yes. Correct. That would be the same  
21 thing. See, at one time now his -- the reason his  
22 usage, his estimate is higher, he probably had bigger  
23 bills at one time than -- when it does that average  
24 over 12 months, well, his average is going to be higher  
25 because he might have had a couple of leaks or filled a

1 pool or -- so that made his average higher. And that's  
2 the reason that average is higher than what the reading  
3 is actually. It's the same thing as before, his  
4 average is higher than what the other customers are.

5 Q. Okay. Thank you. Is this the report  
6 that you look at to determine that a meter was unread?

7 A. Yes.

8 Q. And if you will look at the 16th account,  
9 which is the third up from the bottom of the page.

10 A. Uh-huh. (Affirmative.)

11 Q. The current and previous months' meter  
12 reading is blank. Is this an unread meter?

13 A. That's a new meter. It's not been --  
14 just installed.

15 Q. Excuse me.

16 A. It's a new meter that's installed. The  
17 customer hadn't hooked up to it yet. It's just one --  
18 probably been set just prior to reading meters.

19 Q. Can you explain how you estimate the bill  
20 in that case?

21 A. Well, it doesn't go out.

22 Q. Okay.

23 A. Because it's -- he's not hooked up to it  
24 yet and he's not using it.

25 Q. Okay. Can you explain to us how a



1 monthly bill is estimated?

2 A. Our system just takes the last 12 months  
3 of usage and it uses the average out of those 12  
4 months.

5 Q. Okay. And do you know if there's any  
6 correlation between accounts with unread meters and  
7 meters that have not been tested or older meters?

8 A. No.

9 Q. All right. Moving along, I'm now going  
10 to refer you to the First Data Request, Question 30 of  
11 the First Data Request.

12 A. Okay.

13 Q. There were only three projects listed  
14 with service line replacement being No. 1, meter change  
15 out No. 2, and upgrading telemetry, No. 3 project.

16 Explain why service line replacement is  
17 ranked first.

18 A. That's where we're having most of our  
19 leaks at at this time, the last couple years actually.  
20 Every day the crew is out repairing leaks on service  
21 lines. Usually if we have a lot of leaks or a big leak  
22 in an area and when they go out and start looking --  
23 sometimes they go out at nighttime. It's a little  
24 easier to find leaks at night when everybody is in bed.  
25 It usually ends up being a service line.

1 Q. Do you have a leak detection crew,  
2 specified personnel that all they do is find leaks?

3 A. Well, most all of us are -- do that.  
4 There was probably three of them -- well, two full-time  
5 and one part-time guy that I have that's basically all  
6 they've been doing is repairing and fixing leaks and  
7 locating leaks.

8 Q. Okay. So some employees out of your five  
9 field personnel, do they specialize more in finding  
10 leaks or are some better at it than others?

11 A. Some are better at it than others.

12 Q. But everybody does it?

13 A. Yeah. Everybody does it. Like I say,  
14 the two that I have reading meters, they've not been  
15 working with us as long. They've been in the water  
16 field a long time but they just don't, you know, the  
17 three other guys we've got and David and myself, we've  
18 been at it a lot longer. And plus, we have -- you  
19 know, we purchased listening services that helps a lot  
20 when you get to a point to where you can't find it  
21 between gate valves.

22 Q. And then the meter change out, No. 2, can  
23 you explain how that might help with problems with  
24 water loss?

25 A. It's the slow meters, what we've been

1 looking at, what we just talked about previously about  
2 the flex net system.

3 Q. And the same question with upgrading the  
4 telemetry, No. 3?

5 A. Yes. Right now since we've answered  
6 this, we've already been in the process of upgrading  
7 the telemetry with new radios and new software at our  
8 tanks and booster stations, mostly at our tanks.

9 Q. When do you think that process will be  
10 done?

11 A. Probably this fall. It's on this last  
12 project we're working on.

13 Q. I'm going to refer you now to Question  
14 No. 9 of the Second Data Request, 9 and 10 questions of  
15 the Second Data Request.

16 A. Okay.

17 Q. On that response the utility states that  
18 you have considered hiring a consultant for leak  
19 detection and Harshal Trane is going to make a  
20 presentation.

21 Has that presentation been made yet?

22 A. He was here -- he was at our office last  
23 Thursday at the first meeting. He was wanting to have  
24 another meeting at the end of this month. We've talked  
25 to him and we're getting ready to talk to another firm

1 that's called 64 Seconds. I don't know, it's  
2 another -- they sell leak detection devices and  
3 listening devices and David has talked to them and they  
4 say they can help us a lot with our water loss.

5 Q. Are they going to make a presentation as  
6 well?

7 A. Yes. And plus we'll be meeting with them  
8 at the Rural Water Conference also to talk about a few  
9 things, about some new aps and software they have.

10 Q. Okay. And so if we ask you sometime in  
11 the future for a -- after you have had these meetings,  
12 these presentations, for handouts of what they've given  
13 you, is that something you could supply to us?

14 A. Yes. Yes.

15 Q. How much will hiring a consultant cost  
16 the utility?

17 A. I'm not sure. We didn't get to the money  
18 part of the meeting we had Thursday with Harshal Trane.  
19 We asked but he said, you know, he couldn't say without  
20 getting deeper into what we're going to have done.

21 Q. And what did he state as far as what work  
22 would they do?

23 A. They do -- they actually hire other  
24 engineers to come in and evaluate their system and once  
25 they do that then they get into leak detection. He

1 said it's a long, drawn-out process is what he told us.  
2 And I just -- I was sort of impressed with the company  
3 but, you know, I don't want to take two or three years,  
4 you know, working on water loss. I think it needs to  
5 be done within a year or two. So they really didn't  
6 impress me as far as their -- I took it as they just  
7 provide a service and they hire other people to do it.

8 Q. And what was the last thing? I'm sorry?

9 A. Harshal Trane, that's who we talked to.

10 Q. Okay. Have you ever had any  
11 presentations or meetings with Kentucky Rural Water  
12 Association?

13 A. Yes.

14 Q. To help with leak detection?

15 A. Yes, we have. They've been out a couple  
16 of times with us. They don't get out as often as they  
17 would like because I know they're -- you know, they've  
18 got just a couple of circuit riders for the state.

19 Q. How often do you say you have met with  
20 them?

21 A. Probably in the last year, he's probably  
22 been, what? A couple of times, David, he's been here.

23 Q. So you have got a relationship with them?

24 A. Yes. Yes. They actually went out with  
25 us on one occasion and doing some leak detection. And

1 we actually found the leak before he got there but he  
2 was there when they done it.

3 Q. Plan to also use them in the future for  
4 help with leak detection?

5 A. Yes. Yes.

6 CHAIRMAN SCHMITT: Let me ask, if you  
7 don't mind, a question. In the process  
8 of operating your water district, do you  
9 have any -- either by custom or  
10 agreement -- any cooperative work with  
11 any of your neighbors such as Cannonsburg  
12 or Ashland or, you know, Big Sandy Water  
13 District?

14 THE WITNESS: Well, we sell water to  
15 Big Sandy, sell some water to City of  
16 Grayson, City of Olive Hill, Sandy Hook  
17 Water District on an emergency basis.

18 CHAIRMAN SCHMITT: I guess I'm  
19 wondering, sometimes I've seen people  
20 recommend that, well, you have a neighbor  
21 that -- well, for instance, like your  
22 meters.

23 THE WITNESS: Yeah.

24 CHAIRMAN SCHMITT: If you have the  
25 same kind of thing you can kind of

1 jointly purchase and have an economy of  
2 scale, or sometimes you can borrow one  
3 from the other. And the questioning  
4 about the leak detection comes to mind  
5 because we had Cannonsburg in here a  
6 couple of months ago and overtime, I  
7 mean, like back in 2013 or '14 they  
8 had -- and for several years after that,  
9 some serious leak problems and the  
10 Commission -- previous Commission had  
11 granted them a surcharge to use to not  
12 only find leaks, but to make repairs and  
13 have money available if you had to borrow  
14 money somewhere to, you know, to pay it  
15 back.

16 And overtime, I guess, with a new  
17 manager they have, maybe a Mr. Webb, I  
18 don't know if you know him --

19 THE WITNESS: I've not met him but I  
20 know --

21 CHAIRMAN SCHMITT: But apparently  
22 they made substantial strides in water  
23 loss reduction and have developed a plan  
24 whereby they're zoning their system with  
25 master meters.

1 THE WITNESS: Yes.

2 CHAIRMAN SCHMITT: All I know is you  
3 are talking about somebody, outside  
4 experts, and that may be fine.

5 THE WITNESS: Yeah.

6 CHAIRMAN SCHMITT: But I'd suggest  
7 maybe if you had a relationship or could  
8 develop one with somebody close by who  
9 has been through the same thing for  
10 years, you might be able to advance the  
11 ball a little bit faster and cheaper.

12 THE WITNESS: Correct.

13 CHAIRMAN SCHMITT: So in terms of  
14 talking to them -- and I didn't know if  
15 you knew them or had any kind of  
16 relationship.

17 THE WITNESS: Well, yeah. I've not  
18 met the new manager at Cannonsburg, which  
19 Cannonsburg used to test our meters years  
20 ago and then they quit -- I don't know  
21 why they quit. Doug Hoff with Rural  
22 Development, he talked to me about  
23 meeting with Cannonsburg for awhile now  
24 because of what you just told me.

25 He said they've increased their



1 revenue and their water losses is coming  
2 down, and he said you really need to meet  
3 with them because they're -- they  
4 basically have got the same meter system  
5 that we have.

6 And I don't know if they went  
7 systemwide with their program that we're  
8 looking at yet or not. But I do know  
9 that he said it's improved their water  
10 loss and improved their revenue.

11 CHAIRMAN SCHMITT: I know we were  
12 just seeing over time thought, well, you  
13 know, we've got to do something because  
14 they're not getting better. And then  
15 after they got Mr. Webb and we had him in  
16 here, we were all present -- all  
17 pleasantly surprised at how well they  
18 really seemed to be doing.

19 THE WITNESS: And you know, David  
20 works with the water loss every day and,  
21 you know, you can fix two or three leaks  
22 and it will be down -- you will be  
23 getting down in the low 50s and 40s --  
24 actually, one day was down to 38 percent  
25 and then a couple of big leaks and you

1 are right back up again.

2 CHAIRMAN SCHMITT: We've had people  
3 accuse us, maybe properly so, say well,  
4 you know, our water loss, our non-revenue  
5 water loss was only about 30 percent and  
6 that wasn't good; but after you got after  
7 us and we started trying to fix them, it  
8 went up because every time we'd fix one  
9 place it would leak somewhere else  
10 because of increased pressure.

11 So I don't know. We may be the  
12 problem.

13 THE WITNESS: No. No. But it's --  
14 that's our biggest problem is, you know,  
15 it's not really hurt us revenue wise but  
16 eventually it will.

17 CHAIRMAN SCHMITT: It's cost a lot  
18 of -- I'm sure I haven't looked at what  
19 the water -- what the cost of your water  
20 loss is. I'm sure you know it and it's  
21 in the record, but it's probably pretty  
22 high.

23 THE WITNESS: Yeah, it's real high.  
24 And you look at the cost of chemicals and  
25 electric is basically, you know, because

1                   you have got a man there anyway making  
2                   water. But the chemicals and the  
3                   electric to make that extra water that  
4                   you are losing is -- yeah, it's high,  
5                   really high.

6                   CHAIRMAN SCHMITT: You could use that  
7                   money.

8                   THE WITNESS: Gosh, I could do a lot  
9                   of things.

10                  CHAIRMAN SCHMITT: I'm sorry. Go  
11                  ahead.

12                  VICE CHAIRMAN CICERO: Just so we get  
13                  it on the record. We have your water  
14                  loss costing you about a million 683  
15                  thousand dollars.

16                  THE WITNESS: I think I come up with  
17                  something a little different than that,  
18                  but...

19                  VICE CHAIRMAN CICERO: This is a  
20                  staff estimate.

21                  THE WITNESS: Well --

22                  VICE CHAIRMAN CICERO: Either way.  
23                  Even if it was only two-thirds of that,  
24                  even if it was only a third of that.

25                  THE WITNESS: I use \$2.50 per

1 thousand at the plant, you know, what it  
2 costs to make a thousand gallons of  
3 water. That's with electric and  
4 chemicals. And it could be a little less  
5 than that, it could be a little more than  
6 that.

7 VICE CHAIRMAN CICERO: You use  
8 \$2.50 -- I'm sorry if I'm getting into a  
9 little different line of questioning  
10 here. But you buy it from the City of  
11 Grayson for \$4.30 and you purchased over  
12 three million gallons in 2017 or '18  
13 whatever.

14 THE WITNESS: Yeah. Yeah.

15 VICE CHAIRMAN CICERO: Why do you  
16 purchase from --

17 THE WITNESS: There's two parts of  
18 our system that's not -- with a little  
19 work I could make it all to where we  
20 don't have to buy any water off of  
21 Grayson.

22 There was two different pressures  
23 between our system and the City of  
24 Grayson and we have probably -- I'm going  
25 to say about 40 customers that we buy

1 water off of Grayson to supply those  
2 customers. And it used to be when we  
3 bought off of them we didn't have a  
4 plant, that's where our pump stations  
5 were at. So it's the people between the  
6 master meters and the pump stations that  
7 we're still supplying water from the City  
8 of Grayson.

9 VICE CHAIRMAN CICERO: Then I have to  
10 ask the next question: So why do you  
11 sell water to Big Sandy and the City of  
12 Vanceburg for \$3.82 when you purchase  
13 from City of Grayson for \$4.30?

14 THE WITNESS: Well, that's been on  
15 the board's agenda about increasing  
16 everybody to \$4.30.

17 VICE CHAIRMAN CICERO: Getting it up.

18 THE WITNESS: Yeah, City of Vanceburg  
19 they've only got one or two customers on  
20 the line, and they're actually wanting to  
21 turn those customers over to us. It's a  
22 short line, it's out of their system but  
23 it's in their county and they wanted to  
24 turn those customers over to us. There's  
25 only two people on a short line.

1 VICE CHAIRMAN CICERO: Would you be  
2 opposed to that?

3 THE WITNESS: No, I mean we are  
4 losing money on those two.

5 CHAIRMAN SCHMITT: You want to buy  
6 low and sell high instead of buying high  
7 and selling low.

8 COMMISSIONER MATHEWS: Have you had a  
9 similar conversation with the City of  
10 Grayson about the 40 customers that are  
11 served off of their system?

12 THE WITNESS: They really don't want  
13 you talking about giving it to them.  
14 It's out of their boundaries. It's  
15 inside of our district boundaries and  
16 where it's at it's outside of their  
17 boundaries where they serve.

18 VICE CHAIRMAN CICERO: I don't think  
19 that was the question. I think her  
20 question was, would you consider if it's  
21 more economical and efficient for those  
22 40 customers to be served by Grayson,  
23 when you are having to buy water from  
24 Grayson to serve them --

25 THE WITNESS: Yeah. Well, with a

1 little bit of work I can change that to  
2 where it would be our water and still be  
3 hooked to Grayson for emergencies.  
4 That's the only reason we're keeping it  
5 the way it is right now. If we have a  
6 breakdown in that area where we can't  
7 serve them off our water plant, we can  
8 also still buy water off of Grayson to  
9 keep them in water.

10 But with a little work I can serve  
11 them from our plant and not have to buy  
12 any off the City of Grayson, just  
13 emergency only.

14 VICE CHAIRMAN CICERO: And I think at  
15 least from my perspective, and I think  
16 where Commissioner Mathews was going was  
17 the fact that thinking outside of the box  
18 these are imaginary lines, there's  
19 nothing magical about this district or  
20 this county line or this whatever.

21 THE WITNESS: Yeah. Yeah.

22 VICE CHAIRMAN CICERO: I mean,  
23 electric companies do it. They negotiate  
24 where there's more efficient and  
25 economical for an electric company to

1 turn a territory, a piece, a sliver over  
2 to another electric company.

3 THE WITNESS: Yeah.

4 VICE CHAIRMAN CICERO: Because they  
5 can more efficiently service that  
6 customer.

7 THE WITNESS: Right. Yeah. That's a  
8 possibility. I could ask them and see,  
9 and I know they've asked us to take over  
10 some customers that's outside of our  
11 boundaries. I really didn't want to  
12 because they have too much problem with  
13 them. There's a lot of leaks on them so  
14 I didn't --

15 COMMISSIONER MATHEWS: Be selective  
16 in what you agree to take.

17 THE WITNESS: Right. Right.

18 BY MR. BOWKER:

19 Q. Sir, has Kentucky Rural Water Association  
20 trained the utility on the use of portable flow meters?

21 A. They have not. The people we purchase  
22 ours from did a -- he was there all day training on the  
23 flow meter and plus a listening leak detection device.  
24 So we got -- actually, we had six hours of education on  
25 the flow meter.



1 Q. Okay. I believe that the PSC has no  
2 record of quarterly meter reports since 2016.  
3 Can you provide those?  
4 A. Yeah. I don't send them in, so...  
5 Q. If we ask for those in a posthearing data  
6 request --  
7 A. Yes.  
8 Q. -- could you supply those for us?  
9 A. Yes, I'm sure I can.  
10 Q. Thank you. I'm going to direct you now  
11 to -- it's Second Data Request, Question No. 1 of the  
12 Second Data Request.  
13 A. Okay.  
14 Q. And also to Question No. 23 of the Second  
15 Data Request. Question 23 of the Second Data Request.  
16 A. Okay.  
17 Q. The response that you-all gave says that  
18 \$2.50 per thousand gallons is the rate used for leak  
19 adjustments. The tare leak adjustment policy Section 3  
20 states that the rate should be at the utility's current  
21 cost of production. Is \$2.50 the current cost to  
22 produce one thousand gallons of water?  
23 A. Correct.  
24 Q. Can you explain how that figure was  
25 derived? How you came to that figure?

1 A. I'm not sure. I know the previous  
2 manager had used that, the cost of electric at the  
3 plant and the chemicals at the plant, what it cost to  
4 make that water per thousand gallons.

5 VICE CHAIRMAN CICERO: Let me  
6 interrupt for one second.

7 MR. BOWKER: Sure.

8 VICE CHAIRMAN CICERO: So you are the  
9 general manager; right?

10 THE WITNESS: Yeah.

11 VICE CHAIRMAN CICERO: And you are  
12 using a number of \$2.50?

13 THE WITNESS: Right.

14 VICE CHAIRMAN CICERO: But you are  
15 using a number that you said was there  
16 from the previous manager. You've been  
17 there for three years; right?

18 THE WITNESS: Yes.

19 VICE CHAIRMAN CICERO: And numbers  
20 change, so wouldn't you in your  
21 responsibility have that cost to produce  
22 at least updated on an annual basis, if  
23 not knowing it on a monthly basis?

24 THE WITNESS: Yeah, what it is. Yes.

25 Yes.

1 VICE CHAIRMAN CICERO: So do you  
2 update that number?

3 THE WITNESS: I haven't updated that  
4 number. No, I have not.

5 VICE CHAIRMAN CICERO: So can your  
6 office personnel, can they -- are they  
7 equipped to know how to calculate that  
8 number?

9 THE WITNESS: No. I don't think they  
10 could. It would have to be me.

11 VICE CHAIRMAN CICERO: So there's  
12 a -- there's something we'll talk about  
13 when I get a chance to question.

14 THE WITNESS: Okay.

15 COMMISSIONER MATHEWS: Because we  
16 might happen to know that perhaps your  
17 Kentucky Power costs have gone up.

18 THE WITNESS: Yeah. Well, where our  
19 plant is is Grayson RECC.

20 COMMISSIONER MATHEWS: Those costs  
21 have also gone up.

22 THE WITNESS: Oh, yeah. Yeah,  
23 they're higher.

24 VICE CHAIRMAN CICERO: They just had  
25 a rate increase so we know -- I know

1 costs have gone up.

2 THE WITNESS: Yeah.

3 BY MR. BOWKER:

4 Q. Sir, does that figure also include some  
5 portion of costs to store and deliver?

6 A. It does not. My understanding it was  
7 just production at the plant.

8 Q. Should it?

9 A. It probably should. Not just at the  
10 plant but it should be -- count the distribution. Some  
11 areas, you know, when it leaves the plant it may not  
12 need a booster station from that point on if people use  
13 it. But on throughout the system you have got other  
14 pump stations that's having to run to get the product  
15 there.

16 Q. Right. Okay.

17 A. So as a whole you probably should use the  
18 whole system as the production really. As a cost per  
19 thousand.

20 Q. Okay. Thank you. From the water loss  
21 reports provided in Question No. 1 of the First Data  
22 Request, would you accept, subject to check, that for  
23 the 12 months ending February of 2019 the utility had  
24 approximately 341 million eight hundred thousand  
25 gallons of unknown lost water. Does that sound right?

1 A. Yes.

2 Q. At \$2.50 per thousand gallons that would  
3 equate to \$854,500 in lost production expense alone; is  
4 that correct?

5 A. Yes.

6 Q. So comparing that to the cost of a leak  
7 detection crew, would a leak detection crew that's just  
8 dedicated to leak detection and repair, would that be  
9 cost effective compared to that number?

10 A. Oh, yes. Yes.

11 Q. So you think the eventual reduction in  
12 water loss would compensate for that cost?

13 A. Yeah. Once -- yeah. That's going to  
14 make a big difference once we get that loss down to --  
15 I would be tickled to see 20 percent or 25. I mean, if  
16 I got to there I'd know that it would make a big  
17 difference.

18 Q. Has the board ever seriously considered a  
19 dedicated crew to leak detection?

20 A. I don't know that we've ever talked about  
21 that part of it or not. I know we talk about finding  
22 leaks -- leak detection all the time. It's just  
23 everyday conversation really.

24 VICE CHAIRMAN CICERO: Would you be  
25 surprised if I told you that in your

1 annual reports, in 2007 you reported 9  
2 and a half percent; in 2008 you reported  
3 14 and a half percent; in 2009, 14.3  
4 percent; 2010, 23.2; 2011 back to 14.4;  
5 and then starting in 2012 up it went to  
6 25 percent; 2013, 39 percent; 2014, 46  
7 percent; 2015, 50 and a half percent;  
8 2016, 56.3 percent; and then 2017, 63  
9 percent.

10 THE WITNESS: No, I'm not surprised.

11 VICE CHAIRMAN CICERO: So you were  
12 below 15 percent for a long time.

13 THE WITNESS: Yeah, for a long time.

14 VICE CHAIRMAN CICERO: And then in  
15 2012 the wheels came off.

16 THE WITNESS: Yeah. And we've grown  
17 a lot -- it seems like every two years  
18 we've extended our system and lines. But  
19 the system, the part that we're having  
20 the most problem out of is getting older.

21 VICE CHAIRMAN CICERO: So expansion  
22 of the lines really wouldn't be an issue  
23 because that's new construction; right?

24 THE WITNESS: That's new  
25 construction.

1 VICE CHAIRMAN CICERO: Which  
2 increases the volume because you have  
3 more customers.

4 THE WITNESS: Uh-huh. (Affirmative.)

5 VICE CHAIRMAN CICERO: Which would  
6 take your water loss and that by itself  
7 you would expect would be well below 15  
8 percent --

9 THE WITNESS: Yeah, it should be.

10 VICE CHAIRMAN CICERO: -- which would  
11 bring your average down, and yet you have  
12 increased by -- from 2011 from 14 percent  
13 up to 63, you have gone up 400 percent  
14 and you are saying that's all related to  
15 old lines?

16 THE WITNESS: Slow meters and old  
17 lines, old service lines mostly is our  
18 problem. We've got approximately six to  
19 seven hundred meters that have the old  
20 polybutylene service line. It's a pipe,  
21 it's no longer manufactured.

22 VICE CHAIRMAN CICERO: So you realize  
23 that's only a seven-year period?

24 THE WITNESS: Uh-huh. (Affirmative.)

25 VICE CHAIRMAN CICERO: That your

1 water loss went up 400 percent even  
2 though you have installed new lines.

3 THE WITNESS: Yes.

4 VICE CHAIRMAN CICERO: Reduced what  
5 the average should be over the increased  
6 volume, and still went up 400 percent.  
7 And you are saying that's just related to  
8 service line deterioration?

9 THE WITNESS: Well, we didn't  
10 install -- we didn't replace any main  
11 lines.

12 VICE CHAIRMAN CICERO: I understand  
13 that.

14 THE WITNESS: It's mostly the --  
15 everything that we've been fixing and  
16 working on is old service lines. Very  
17 few main line leaks, occasionally one or  
18 two a month we'll have.

19 VICE CHAIRMAN CICERO: So you  
20 expanded the system but you are not  
21 really doing infrastructure replacement  
22 or repairs to the old system?

23 THE WITNESS: Correct. We're just  
24 making repairs as we find them as far as  
25 the service lines, we're repairing those



1 and replacing them. We repair a leak,  
2 like I say, just about every day, fix  
3 leaks.

4 VICE CHAIRMAN CICERO: Well, that  
5 would be normal to do that.

6 THE WITNESS: Yeah. Right. And when  
7 we can on those service lines they're  
8 replacing them, not just repairing them.  
9 If it's, you know, five or six feet off  
10 the main line they go ahead and replace  
11 the whole line, just don't repair it  
12 because you are going to come back and  
13 work on it somewhere else in that  
14 section.

15 VICE CHAIRMAN CICERO: So when you  
16 talk about meter replacement and the  
17 master meters, are you looking for the  
18 master meters to zone those areas that  
19 you think are causing the biggest  
20 problem?

21 THE WITNESS: There will be master  
22 meters in those zones, yes, there will.

23 VICE CHAIRMAN CICERO: So you have a  
24 capital budget that says, this is how I'm  
25 going to proceed forward -- and when I'm

1 talking about capital budget that has  
2 projects and the dollars associated with  
3 it.

4 THE WITNESS: Yes.

5 VICE CHAIRMAN CICERO: And what you  
6 are going to do to finance it.

7 THE WITNESS: Correct.

8 VICE CHAIRMAN CICERO: So what is  
9 that over what period of time?

10 THE WITNESS: Well, it's not over the  
11 big -- not replacing everything. Only  
12 thing we've looked at right now is just  
13 next project on service line replacement,  
14 meter replacement, and master meters.

15 VICE CHAIRMAN CICERO: So how did you  
16 determine it was service line replacement  
17 that needed to be done?

18 THE WITNESS: Where we've had all of  
19 the leaks. We know everything we've been  
20 repairing has been on that whole service  
21 line. We've not had any problems with  
22 the polyethylene line that's used now  
23 which is the black -- I call it black  
24 service line.

25 The old polybutylene is the problem

1 and we know where those areas are at and  
2 that's what we use as replacement to do  
3 on this next project, we knew which ones  
4 they were when they were installed.

5 VICE CHAIRMAN CICERO: I'll let Mr.  
6 Bowker continue and then --

7 CHAIRMAN SCHMITT: I'd like to ask  
8 one question.

9 I know you talked about you have been  
10 extending service lines to other people  
11 in your territory. Out of the total  
12 number of people who live in your  
13 territory, what percentage do you think  
14 are served by your system now; or  
15 conversely, how many people are left that  
16 you need to get to to have everybody get  
17 your product?

18 THE WITNESS: We're just finishing up  
19 a project now and what we've done, we  
20 went back and picked up the ones we  
21 missed in previous projects. There's not  
22 many -- probably I'm going to guess 10  
23 percent throughout the system.

24 CHAIRMAN SCHMITT: That are left,  
25 that aren't served?

1 THE WITNESS: That aren't served by  
2 us, right. Whether they are still on  
3 wells or cisterns.

4 CHAIRMAN SCHMITT: What you have got  
5 here on your customers of 4,000, 4,100,  
6 you are talking about as many as 400  
7 people are in your territory that are not  
8 served by municipal water, get treated  
9 water?

10 THE WITNESS: That's probably about  
11 right scattered over the three counties,  
12 yes.

13 CHAIRMAN SCHMITT: How many miles of  
14 lines do you have?

15 THE WITNESS: We've got approximately  
16 900. That's counting all the way from  
17 ten-inch, all of the way down to two-inch  
18 PVC pipe.

19 CHAIRMAN SCHMITT: Thank you.

20 BY MR. BOWKER:

21 Q. Sir, I'm now going to refer you to the  
22 exhibits that's been premarked as Public Service  
23 Commission Exhibit No. 1, Public Service Commission  
24 Exhibit No. 2, and Commission Exhibit 3. I've already  
25 passed those out.

1 Do you see those up where you are?

2 A. Yes.

3 Q. Now, those relate to the utilities  
4 application in Case No. 2018-371 dated November 5, 2018  
5 and the final engineering report.

6 Let me ask you in general, do you have  
7 any responsibility in deciding what project the utility  
8 needs to undertake?

9 A. Well, I have input whether I -- they ask  
10 me well, what do you think? Do we need this or do you  
11 think this line needs to be installed or --

12 Q. Who decides what projects to take to the  
13 board for approval to get done?

14 A. Well, I guess that would be myself and  
15 the engineer.

16 Q. Yourself and the engineer?

17 A. Yeah. And then the board would decide if  
18 we're going to move on with the project.

19 Q. Who did you say your engineer was again?

20 A. Bluegrass Engineering.

21 Q. Bluegrass Engineering. And how long has  
22 Bluegrass Engineering been your engineer?

23 A. About a year. They were a part of  
24 Kentucky Engineering Group and they split off and we  
25 stayed with the engineers from Kentucky Engineering who

1 we'd been using on our project so they became Bluegrass  
2 Engineering.

3 Q. Do you have any say about how the  
4 projects will be funded? Who decides how the projects  
5 will get funded?

6 A. I guess, usually the board's decision.  
7 Most of the time it's RD funding. Sometimes we have a  
8 little bit of ARC or CDBG.

9 Q. Do you interact with the lending agencies  
10 that will fund the construction projects?

11 A. Yes.

12 Q. Can you explain how the loan packages are  
13 assembled for projects?

14 A. Not really. I don't -- I don't put that  
15 package together. It's usually the engineer that puts  
16 it together.

17 Q. And can you explain how the rates that  
18 will recover the construction loans are set?

19 A. RD usually sets those rates, Rural  
20 Development. And it's usually the engineers, they do a  
21 rate performance schedule. And then RD, I guess, looks  
22 at that and then they decide whether that's the right  
23 rate or if it needs to be less or needs to be more.

24 Q. Now, referring to the exhibits, it's on  
25 Page 2 of the USDA's letter to Mr. Gilbert, it states

1 that 29 users will be added to the system.

2 Do you know if these are potential  
3 customers or are they currently out there waiting to  
4 have lines extended to their houses?

5 A. That's new customers on the new lines  
6 that we're extending. That's customers that's paid tap  
7 fees.

8 Q. What was the last thing you said?

9 A. That's customers that have paid tap fees  
10 already for this project.

11 Q. Okay. Is the work already complete to  
12 add?

13 A. It's about -- on the lines, it's about 90  
14 percent complete. They'll probably be done this week  
15 actually.

16 Q. And how many have signed up for --  
17 already signed up for service?

18 A. Actually, there was about 34 signed up  
19 total.

20 Q. And if you will turn to Page 4 of the  
21 final engineering report, which is Exhibit No. 1. It  
22 shows that Contract 1 is for waterlines costing  
23 \$626,250.

24 Is that the total cost for installation  
25 of the lines?

1 A. Yes. And I might want to add in that  
2 contract was added a generator, portable generator for  
3 our system and also new telemetry radios that we  
4 discussed earlier, it was in that contract bid. That  
5 wasn't just lines that, like I said, it had waterlines  
6 and meters, plus the generator, plus the radios.

7 Q. Okay. So the cost that's there is just  
8 for the lines?

9 A. The cost you see here is -- includes the  
10 generators and the telemetry radios.

11 Q. Okay.

12 A. But that was his total bid cost to bid on  
13 the project.

14 Q. What's the difference in that?

15 A. I'm not sure without looking at his bid.  
16 I would have to look at his bid tabulation to see how  
17 he broke it down.

18 Q. A couple hundred thousand maybe?

19 A. I don't know -- do you remember seeing  
20 the cost on that generator? I don't remember. No, I  
21 don't think it was a couple hundred thousand. No, it  
22 wouldn't be that much.

23 Q. Okay. If you will turn to Page 4 of the  
24 final engineering report, it shows that Contract 1 is  
25 for waterlines costing \$626,250. Is that the total



1 cost for installation of the lines?

2 A. Yes.

3 Q. And subject to check -- you said it  
4 was -- instead of 29 customers, you said it was more  
5 like 34 customers?

6 A. Yes.

7 Q. So that's around approximately \$21,585  
8 per new customer, subject to check?

9 A. Yes. And that would be a little bit  
10 less, like I say, taking off the cost of the generator  
11 and the cost of the new radios.

12 Q. Are there any additional costs that will  
13 be incurred to serve these new customers?

14 A. Not that I know of at this time, no.

15 Q. So once a customer has paid the deposit  
16 and uses 4,000 gallons per month, they'll have a bill  
17 of \$62.50 at current rates or \$750.24 annually?

18 A. Yes.

19 Q. In your response to Data Request No. 1,  
20 Question 30, it states the service line replacement was  
21 listed as one of the utility's top five priority  
22 projects; is that right?

23 A. Yes.

24 Q. So new line extensions was not listed as  
25 one of the utility's priority projects; is that

1 correct?

2 A. Correct.

3 Q. Can you explain why it makes good  
4 business sense for the utility to borrow \$626,250 plus  
5 interest plus any additional costs, if there is any,  
6 when it's not a priority and the value of your unknown  
7 lost water was at least \$854,500 for the twelve months  
8 ending February of 2019?

9 A. I cannot. I just know that these  
10 customers have, you know, they've approached the board  
11 wanting water service. That's the only way we could  
12 get them water service was do it as a project and  
13 borrow money. You know, that's money we didn't have  
14 just to put, you know, to put that many in, that size  
15 of a project.

16 Q. Right. Okay. All right. Change gears  
17 here a little bit here. I'm going to refer you to the  
18 First Data Request, response -- question in response to  
19 Question 42 of the First Data Request.

20 A. Well, I don't have anything in mine. Do  
21 you have that there?

22 Q. You may be able to answer it just from my  
23 question. The utility states that the fire department  
24 will not respond to your request for data on their  
25 water withdrawals or withdrawal of water. The

1 attachment that you-all provided purporting to show the  
2 amounts are estimated. The question is not fully  
3 answered.

4 Turning to that attachment, it does not  
5 address No. 42(e.) Also, there is only one column of  
6 numbers provided of the estimated water usage. As a  
7 posthearing data request can you provide the  
8 information that we originally requested in 42(e)?

9 A. I'm sure we can. David Gifford, he's  
10 usually been the one that's been working on that. We  
11 actually have issues with the fire departments now  
12 that's not turning in usage. Matter of fact, we have  
13 one that's hauling water out of our hydrants and  
14 filling swimming pools and getting paid for it.

15 CHAIRMAN SCHMITT: We had that come  
16 up yesterday.

17 THE WITNESS: Yeah, I think everybody  
18 has that problem.

19 CHAIRMAN SCHMITT: In another  
20 district that it was bad blood between  
21 the fire departments and the  
22 water district. But they were doing the  
23 same thing, filling swimming pools for  
24 profit.

25 THE WITNESS: Well, you know, several

1 years ago when I was still out in the  
2 field we had this same problem, they were  
3 actually tearing fire hydrants up because  
4 they didn't know how to operate them, and  
5 they were hauling water to whoever they  
6 had to fill swimming pools or fill wells,  
7 cisterns, and charging them for it.

8 And we finally caught them and the  
9 way we caught them, they had a hose  
10 hooked up to the hydrant and the hydrant  
11 broke and they couldn't take the hose off  
12 so there they were. We rolled up and we  
13 turned it off. We ended up having to  
14 take that hydrant out of service  
15 because -- actually, they tore it up like  
16 four times. And finally we told the  
17 county judge executive that we were  
18 turning that one off, wasn't putting it  
19 back in service, because of theft  
20 problems.

21 CHAIRMAN SCHMITT: That contributes  
22 maybe significantly to water loss.  
23 They've become a utility, your fire  
24 department filling up people's cisterns;  
25 right?

1 THE WITNESS: And when we got to  
2 further investigating, David can tell you  
3 more, but actually one of the ladies that  
4 works with us, she said I noticed my  
5 water pressure dropped last night for  
6 about 30 minutes.

7 So in checking with other people they  
8 said, well, I seen the fire department in  
9 this area, their water truck, when they  
10 shouldn't be, because they're not from  
11 this area. And that's -- ended up  
12 finding out that's what they were doing,  
13 they was hauling water.

14 COMMISSIONER MATHEWS:  
15 Entrepreneurial spirit.

16 MR. BOWKER: And they charged for it?

17 THE WITNESS: Yeah.

18 CHAIRMAN SCHMITT: This is the  
19 American way.

20 THE WITNESS: The reason I know they  
21 charged for it is because my daughter  
22 just had a pool put in and she said I  
23 called and asked the fire department,  
24 this particular one, if they still hauled  
25 water and they said yes. And they charge

1           \$65 a load. And she thought, well, she  
2           said that's too expensive. She said,  
3           I'll just fill it up. I said, well, it  
4           will cost you more but I know where  
5           they're getting it at now.

6 BY MR. BOWKER:

7 Q.           The reason nobody says anything, is that  
8           because they're volunteer fire department?

9 A.           I think so. When we've had problems in  
10          the past -- we had one particular gentleman that every  
11          time the fire department was there he called us and  
12          said they're over there filling their tank again and --  
13          which it was on the same line he was on so that  
14          interrupted his service.

15                   CHAIRMAN SCHMITT: All of these fire  
16                   departments generally now, fire  
17                   districts, are subsidized by county  
18                   fiscal court, aren't they?

19                   THE WITNESS: Yeah.

20                   CHAIRMAN SCHMITT: They're supported  
21                   financially by the taxpayers of the  
22                   entire county.

23                   THE WITNESS: Right. Right.

24                   VICE CHAIRMAN CICERO: You know you  
25                   can charge the fire department on an

1 estimate. If they don't provide you with  
2 an estimate, you can charge them based on  
3 an estimate.

4 THE WITNESS: Well, that's good.  
5 We've sent them forms, you know, and it  
6 worked for awhile.

7 VICE CHAIRMAN CICERO: They don't  
8 provide you the estimate then just send  
9 them an invoice.

10 THE WITNESS: Yeah.

11 VICE CHAIRMAN CICERO: There's a  
12 formula for it.

13 COMMISSIONER MATHEWS: Let them pay  
14 it.

15 THE WITNESS: Like I say, it worked  
16 for awhile. I was sending them forms and  
17 only one fire department out of seven --  
18 seven volunteer fire departments. And  
19 then when that fire department changed  
20 chiefs, well, the form -- we didn't get  
21 the usage report any more either.

22 VICE CHAIRMAN CICERO: You realize  
23 there is a formula for charging fire  
24 departments that don't report usage?

25 THE WITNESS: I didn't know that

1 really.

2 VICE CHAIRMAN CICERO: This is just  
3 an option, you are supposed to because  
4 you are actually -- it's theft.

5 THE WITNESS: Right. When we have  
6 theft occasionally -- we don't have it a  
7 lot, that customer -- it's usually people  
8 that move in, renters that -- oh, I  
9 didn't know I was supposed to come in and  
10 put it in my name, or I didn't know who  
11 was paying the bill.

12 So that's what we do to those we say,  
13 well, the meter says you used 15,000  
14 gallons in those two months, you have to  
15 pay for that before we turn it back on.  
16 That's just --

17 VICE CHAIRMAN CICERO: That's a  
18 different type of theft. But fire  
19 departments --

20 THE WITNESS: Yes.

21 VICE CHAIRMAN CICERO: I mean,  
22 there's a specific formula that you go  
23 through and a calculation that the reg  
24 says if they don't turn in an estimate  
25 you are supposed to charge them. The



1 formula exists. You should be charging  
2 them. I don't know how you are going to  
3 collect, that's a different story but you  
4 should be issuing an invoice to them to  
5 be in compliance with the reg.

6 THE WITNESS: Well, I'm sure the  
7 county judge executive and the county  
8 attorney can probably persuade them. I  
9 know a lot of them say they don't have  
10 the money but, well, if you are selling  
11 it you are making money. I mean -- it's  
12 not costing you anything to get it.

13 VICE CHAIRMAN CICERO: The  
14 relationship exists because --

15 COMMISSIONER MATHEWS: And the  
16 taxpayers are paying for the gas and the  
17 truck to transport it.

18 THE WITNESS: Yeah.

19 VICE CHAIRMAN CICERO: The thought is  
20 that you are giving the fire department a  
21 break because they're providing a service  
22 of fighting fires, not filling up  
23 swimming pools and selling it.

24 THE WITNESS: Right. I agree. And a  
25 lot of -- they'll be some people that

1 say, well, that's theirs for fire  
2 protection. And I say well, no, not  
3 really. That's not what it's for. We're  
4 not a fire protection system. And we're  
5 not.

6 I mean we just can't -- they've come  
7 out and tested our hydrants before. We  
8 only had one hydrant that falls within  
9 whatever their standards are. And that's  
10 just because it's close to the water  
11 plant. We don't have really that many  
12 hydrants in the system.

13 VICE CHAIRMAN CICERO: It sounds to  
14 me like you are testing a lot of fire  
15 hydrants when they fill up their trucks  
16 with water and sell it.

17 THE WITNESS: Yeah. And so far  
18 that's just happening in one spot that we  
19 know of, you know, we don't have that  
20 many hydrants. This one particular  
21 hydrant, it's off the main road, it's in  
22 behind a bank, not really visible for not  
23 too many houses.

24 BY MR. BOWKER:

25 Q. So does the fire department have

1 designated hydrants that they use that are just  
2 designated for them?

3 A. No.

4 Q. Okay. If you have not been billing, how  
5 far back could you go to bill them -- how far back in  
6 time have you not been billing the fire department, if  
7 you know?

8 A. Well, we've not -- like I say, they used  
9 to turn in the form that we supplied them every time.  
10 It was a monthly form -- any time they used it, any  
11 particular day they logged it. But that's been  
12 probably 15 years ago.

13 Q. 15 years ago?

14 A. Yeah.

15 CHAIRMAN SCHMITT: Statute of  
16 limitations has taken care of most of  
17 that.

18 THE WITNESS: Probably.

19 BY MR. BOWKER:

20 Q. So you are aware that every time the fire  
21 department fails to submit its monthly reports for  
22 their water usage as required, then they can be  
23 assessed a penalty of a hundred dollars for each  
24 failure. You are aware of that?

25 A. No, I'm not.

1 Q. Okay. We'll switch gears a little bit.  
2 We can go to Question No. 1 of the First Data Request.  
3 Data Request 1, Question 1.

4 A. Okay.

5 Q. In the attachment showing water loss,  
6 Line 23 is for excavation breaks. Does the utility  
7 know who is responsible for these breaks?

8 A. Yes.

9 Q. And who is that?

10 A. Well, that could be --

11 Q. Is it like, is there an 811 call made  
12 before --

13 A. Yes. Yes. We use -- we finally got  
14 everybody trained calling 811. Very seldom we have  
15 anybody that does excavation work and breaks a line  
16 that hasn't called 811.

17 Q. Right.

18 A. I don't know who this would be, no.  
19 David might know who it would have been but without any  
20 other records besides this we wouldn't know.

21 Q. Did the utility properly mark the line  
22 before excavation started?

23 A. Yes, we do.

24 Q. Subject to check would you accept that  
25 the water loss from excavation line breaks for the 12

1 months ending February of 2019 totalled 34,067,236  
2 gallons?

3 A. Yes.

4 Q. Does that sound accurate? At \$2.50 per  
5 thousand gallons that equates to a value of  
6 approximately \$85,168.

7 Can you explain -- can you explain  
8 whether the utility billed the parties responsible for  
9 repairing the line break and for the lost water?

10 A. We probably did not on these. In some of  
11 them -- I know some of the breaks we've had when  
12 they've been there, they have exposed a line, hit it by  
13 mistake or a lot of times they expose a line and then  
14 the line blows out, that's something that we couldn't  
15 control.

16 I know in the past we've billed two --  
17 billed one particular person twice for failing to call  
18 811 and contact us on breaks. And we did collect on  
19 one of them, the other one is still pending.

20 Q. Who makes that decision whether somebody  
21 should be billed or not?

22 A. They usually turn in, you know, say,  
23 well, if we used so many fittings, so many hours of  
24 labor, and then I make a decision I say, well, we'll  
25 send them a bill.

1 Q. So you make that decision?

2 A. Yes.

3 VICE CHAIRMAN CICERO: So there's no  
4 standard procedure?

5 THE WITNESS: No.

6 VICE CHAIRMAN CICERO: Why wouldn't  
7 there be?

8 THE WITNESS: Well, there probably  
9 should be. But yeah, they turn it into  
10 me and I say -- well, I send everyone a  
11 bill that hasn't called 811 and that's  
12 only been that one particular contractor  
13 twice.

14 VICE CHAIRMAN CICERO: You mentioned  
15 two instances. You said one instance  
16 where they accidentally hit the line and  
17 the other one where the weakness in the  
18 line caused the pipe to blow out.

19 You haven't had a case of  
20 accidentally hitting the line, that's  
21 still an accidentally-incurred cost that  
22 should be the party that accidentally  
23 made the mistake, not the water district.

24 THE WITNESS: Right. True.

25 VICE CHAIRMAN CICERO: Did they

1 receive a bill?

2 THE WITNESS: No, they did not. Not  
3 that I -- no, they did not.

4 VICE CHAIRMAN CICERO: Do you agree  
5 that they should?

6 THE WITNESS: They probably should  
7 have, yes.

8 VICE CHAIRMAN CICERO: They probably  
9 should be -- -- I'll get to procedures  
10 later on. I'll let him continue.

11 BY MR. BOWKER:

12 Q. Is the board given a report of all of the  
13 line breaks?

14 A. Yes.

15 Q. Does the report include who is  
16 responsible or not, and whether the parties were billed  
17 for the repairs? Is that part of the report given to  
18 the board?

19 A. Not on -- not on -- well, yes, on the one  
20 guy I just mentioned, the one contractor, they were  
21 given the -- what we billed him -- like I say, he paid  
22 the first one, the second one is still pending. He's  
23 not -- he's not paid it -- he's supposedly wanting to  
24 come to the board meeting and discuss it. He's not  
25 wanting to pay it, actually.

1 Q. The board doesn't get all of those  
2 though?

3 A. No. We've only had those two that we've  
4 actually billed.

5 VICE CHAIRMAN CICERO: So he wants to  
6 come to the board meeting and discuss  
7 what?

8 THE WITNESS: The bill.

9 VICE CHAIRMAN CICERO: What is there  
10 to discuss?

11 THE WITNESS: There's nothing to  
12 discuss.

13 VICE CHAIRMAN CICERO: So at this  
14 point he's not paid. And at what point  
15 will you say, the bill is due and we're  
16 now going to send you to collection or  
17 whatever for not paying your bill?

18 THE WITNESS: The first time we went  
19 to the county judge executive and the  
20 county attorney and he paid. And we're  
21 going to have to do it on this one too.

22 VICE CHAIRMAN CICERO: So again, this  
23 would be part of any type of formal  
24 procedure you had on billing line  
25 breakage from digging or accidental



1                   disruptions of service that you would say  
2                   that if it falls into this category we  
3                   bill and this is how we follow-up on it.

4                   THE WITNESS: Right. Yes.

5 BY MR. BOWKER:

6 Q.               Just one moment. I'm sorry.

7                   Who is in charge of implementing a  
8 comprehensive water loss prevention plan?

9 A.               I guess it would be myself and David  
10 Gifford, I guess. We work together on anything we do  
11 as far as plans and things that's to be done outside  
12 the office in the field.

13 Q.              So the water leak -- water leak detection  
14 plan that you supplied to the Public Service Commission  
15 it reads: Check state of system daily to determine  
16 tank levels and what tank levels are abnormally  
17 falling. Check water pump out from plant daily. Check  
18 areas in system where tank levels are falling. Once  
19 area is determined to have a possible leak or leaks,  
20 send personnel to begin locating leaks.

21                   Is that right?

22 A.               That's correct.

23 Q.               What do you think you could do  
24 differently to improve this plan?

25 A.               Really I don't -- with the master meters

1 it's going to help more than the -- you know, the  
2 telemetry helps a lot but the master meters throughout  
3 the system is probably the better of improving our leak  
4 detection plan because those will be checked daily just  
5 like any other master meter would be.

6 Q. Have you ever sought outside help as far  
7 as tweaking your water leak detection plan?

8 A. Not really. We've talked to Kentucky  
9 Rural Water a little bit about it. They haven't really  
10 had -- the couple times they've been out it's actually  
11 been what areas are the biggest concern right now with  
12 our water loss. And we've not got any further with  
13 that since they've not been back.

14 Q. Can you go through just a regular day as  
15 far as leak detection, how much time you-all spend just  
16 on a regular day for leak detection?

17 A. On a regular -- well, usually a lot of  
18 times we do it at night. I know it costs a little bit  
19 of overtime but you will find more -- you will get more  
20 done at nighttime than you will in the daytime or early  
21 morning or early evening.

22 We found out doing leak detection midday  
23 and at night is -- is better. Usually takes about four  
24 guys, we send out a full crew when we do leak  
25 detection. We usually do two guys at each position on

1 valves. And the reason for that is just not --  
2 somebody not being by their self, either beside the  
3 road or down over the bank in the holler or something  
4 of that nature. But I don't know if I answered that.

5 Q. How many -- you do that every day or how  
6 many days a week is that --

7 A. Here lately it's just about every day.  
8 Normally I'm going to say about three days a week  
9 because there's other things that come up that we have  
10 to stop and then go set a meter, or some work orders  
11 that have to be done, people needing more pressure or  
12 less pressure.

13 So you know, we get sort of stretched out  
14 thin by -- a lot of times there won't be but two guys  
15 working on the leak and the other two have to do  
16 different things in the system.

17 Q. Right. The board is aware of water loss  
18 and it receives monthly reports, but is the board also  
19 aware of what water loss costs the utility on a monthly  
20 or annual basis and is the board okay with that?

21 A. Well, I don't know that we've really  
22 discussed -- well, we have discussed the amount. We've  
23 never looked at it at a cost from the plant standpoint  
24 other than just what the lost revenue -- I guess they  
25 use what we could have sold that water for at that

1 cost, not the actual production cost.

2 Q. Right.

3 VICE CHAIRMAN CICERO: So if you look  
4 at it from a water revenue loss, it would  
5 be much higher than you were using at a  
6 plant-produced cost?

7 THE WITNESS: Oh, yes.

8 VICE CHAIRMAN CICERO: The number  
9 that we came up with was 1.68 million.  
10 So I'm not looking at it from a lost  
11 revenue standpoint, I can't even imagine  
12 what the number is.

13 THE WITNESS: Yeah, it would be -- it  
14 would be way higher. I mean I don't know  
15 what it would be really.

16 BY MR. BOWKER:

17 Q. I know we've talked about service lines a  
18 little bit, and that you previously stated that service  
19 line replacement is your -- is a high priority and the  
20 service lines are a major source of leaks.

21 So does your USDA/RD projects do they  
22 ever include funds for service line replacement or main  
23 replacement?

24 A. In this next project that's what it is.

25 Q. It's all --

1 A. It's not all just service lines --

2 Q. Big part?

3 A. It's a majority of the service lines. We  
4 had to use a rough count of 600 services and that's  
5 about -- that covers the original project back in '85  
6 and then the next two projects after that. It covers  
7 those three projects, that's when we had the bad  
8 service tubing installed.

9 Q. Okay. Would you agree, subject to check,  
10 that your last base rate case was filed in 2013 and  
11 that was PSC Case No. 2013-00338.

12 Can you explain why the utility has not  
13 come in for a base rate increase to address service  
14 line replacement?

15 A. I cannot.

16 Q. Has the board ever discussed that, if you  
17 know?

18 A. I think we've talked about, you know, our  
19 rates. We had the one started in '13 and I think that  
20 was implemented -- we did that, I think it was like 29  
21 percent, if I'm not mistaken. And we split it up, we  
22 did like 10 percent -- I don't remember what month that  
23 was, and then later on we did another 19 percent of  
24 that -- we didn't do the 29 percent all at one time.

25 And then after that I think we had

1 another project had a small rate increase. I think it  
2 was like -- gosh, it wasn't even like 25 cents, it was  
3 just on a tank replacement. And then on the current  
4 project we have going now was the last one. We've not  
5 done a base rate since 2013.

6 Q. Okay. Okay.

7 CHAIRMAN SCHMITT: It seems to me,  
8 I'm just looking at -- we've got a chart  
9 here on everybody's water rates and your  
10 water rate's, if not the highest or maybe  
11 the second or third highest in the state,  
12 which is okay, I mean as long as you are  
13 fiscally sound.

14 One of the problems we've had is a  
15 lot of people think that \$30 is too high  
16 and so they let their system fall apart,  
17 which you-all haven't done except you  
18 have a water loss issue. But at some  
19 point do you expect to meet customer  
20 resistance as your rates go up?

21 I mean even if you don't come here  
22 and you go to Rural Development, you are  
23 going to have to have more money to pay  
24 back the loans and keep your system  
25 solvent; right?

1 THE WITNESS: Right. Right. And you  
2 know, it went on for years before we ever  
3 did a rate increase without any RD  
4 projects. And I remember attending one  
5 of you-all's meetings, it's been several  
6 years ago, but we talked about rate  
7 shock.

8 CHAIRMAN SCHMITT: Right.

9 THE WITNESS: And you really need to  
10 look at your rates every year really  
11 versus -- because everything every year  
12 goes up.

13 CHAIRMAN SCHMITT: Well, yeah.  
14 People criticize utilities that raise  
15 rates every year or two but you get -- I  
16 mean, you are going to get criticized no  
17 matter what you do. But if you wait  
18 seven, eight, nine years and suddenly  
19 they go up \$10, then everybody starts  
20 wondering what happened.

21 THE WITNESS: Right.

22 CHAIRMAN SCHMITT: And a lot of it is  
23 really finding some way to have a program  
24 to communicate with your rate payers all  
25 the time. We're doing this, we're doing

1 that. This is a little something in your  
2 bill, or this is why we need to raise the  
3 rates because we have these problems in  
4 certain places.

5 THE WITNESS: Right.

6 CHAIRMAN SCHMITT: You are never  
7 going to convince everybody but it may  
8 make it a little easier.

9 THE WITNESS: Well, on the last one,  
10 you know, we're doing on this project we  
11 had -- not a lot of feedback from it, we  
12 had some just talking to the ladies up  
13 front that deal with the customers, you  
14 know, taking payments.

15 And most of them they said just come  
16 in and said, well, the rates must have  
17 went up again. And they said, yeah, they  
18 went up this amount and that's the  
19 last --

20 CHAIRMAN SCHMITT: We've told people,  
21 I don't know if you have been at any  
22 programs, you know, blame us if you have  
23 got to increase your rates. But we  
24 notice on somebody's Facebook page where  
25 they make certain symbols with their



1 hands and say things about us. And  
2 that's okay, it's kind of funny.

3 THE WITNESS: It's -- you know, I  
4 usually ask them if they -- they're not  
5 satisfied with the ladies up front, they  
6 come to me. And I said, well, do you pay  
7 your electric bill? Yeah, I pay it  
8 because it's high. I said, well, we have  
9 to increase ours, they have to increase  
10 theirs because of everything goes up.

11 I said you pay more for gasoline  
12 because the cost of everything has gone  
13 up, you pay more for food. It's all the  
14 same. When one thing goes up, everything  
15 else goes up.

16 CHAIRMAN SCHMITT: And the problem  
17 you have is -- and all local utilities  
18 have or county governments in terms of  
19 taxes, is everybody else is further away,  
20 you know, when groceries go up or  
21 gasoline goes up, they just have to pay  
22 it. And a lot of times -- and electric  
23 bills but, you know, you see these people  
24 every day. They come in and they know  
25 they can, you know -- and that's

1 understandable.

2 THE WITNESS: Yeah.

3 CHAIRMAN SCHMITT: But it's not --

4 THE WITNESS: Right.

5 CHAIRMAN SCHMITT: I guess there's no  
6 fairness to it.

7 THE WITNESS: Yeah.

8 CHAIRMAN SCHMITT: But in a way it  
9 doesn't seem fair.

10 THE WITNESS: Right. And you know, a  
11 lot of those customers, you know, they  
12 don't have a problem. They say, yeah, it  
13 goes up like everything else and that's  
14 all they say.

15 CHAIRMAN SCHMITT: The reason I  
16 raised it, because your rates are high  
17 and you have got still 10 percent of your  
18 customer -- potential customer base you  
19 need to reach. I know you have gotten  
20 several awards, haven't you, from  
21 Division of Water?

22 THE WITNESS: Yeah.

23 CHAIRMAN SCHMITT: So the issue, I  
24 guess, is at some point it seems to me  
25 that if you could reduce your water loss

1           you can have more money available that  
2           would, you know, without necessarily -- I  
3           mean, you are going to have to spend --  
4           like spending money to make money. You  
5           have to spend money to fix these leaks in  
6           order to basically be able to lower or  
7           keep rates lower than they are.

8           THE WITNESS: Right. And we're --  
9           you know, I know we are doing better  
10          because I'm putting more in the reserve.  
11          Right now our reserve is the most money  
12          it's ever had since it's been in  
13          operation.

14          CHAIRMAN SCHMITT: About how much do  
15          you have in reserve?

16          THE WITNESS: Right now since I just  
17          put -- I put \$5,000 a month, about \$233-,  
18          -34,000 and that's still well behind what  
19          it should be. But we've been working on  
20          that. I worked with Doug Hoff and myself  
21          with Rural Development and we just set  
22          aside -- he said this is what you need to  
23          put in there a month in your reserve and  
24          then so much in to pay your bonds. And  
25          we do that every month. Never miss a

1 beat.

2 And now we have -- on this last  
3 project they've made us set up an  
4 account, it's called a short lived asset  
5 account. He said I want you to put so  
6 much in that and when this project is  
7 finished start putting in that, that way  
8 when you need something that breaks down  
9 you don't have to come to me to dip into  
10 your reserve. You have already got some  
11 money set aside that you can get without  
12 asking anyone. So we've already done  
13 that too.

14 CHAIRMAN SCHMITT: That's good.  
15 Let's take a break until -- we've been  
16 going here for awhile. So 11 or o'clock  
17 or five after.

18 (A brief break is taken.)

19 CHAIRMAN SCHMITT: Back on the  
20 record. We're now back on the record.

21 Mr. Bowker, you may continue your  
22 questioning of the witness.

23 BY MR. BOWKER:

24 Q. I know you have been on the witness stand  
25 for a little while. This is my last line of

1 questioning. Okay?

2 A. Okay. I'm all right.

3 Q. And then I'll turn it over to some over  
4 folks.

5 A. Okay.

6 Q. But I appreciate your patience and your  
7 candor.

8 Does the utility have a board-approved  
9 policies and procedures manual?

10 A. We have an employee handbook approved by  
11 the board, that's not necessarily the -- we don't have  
12 a policy and procedure manual, no.

13 Q. What's in the handbook?

14 A. It's how employees -- about work, about a  
15 schedule, hours worked, how he's to present himself in  
16 public, how he's to act. Tells about his vacation  
17 days, personal days, about safety.

18 Q. Okay. So that was one of my next  
19 questions is, you-all have a separate safety manual or  
20 is that part of the handbook?

21 A. No, we have a separate safety manual.  
22 David has safety meetings with them on a weekly basis  
23 and then something that they have to sign off on at the  
24 meeting.

25 Q. Do you have any policy and procedures

1 governing the appropriate use of company vehicles and  
2 company equipment, is that covered?

3 A. Other than in the meetings, board  
4 meetings, the chairman and the commissioners have  
5 directed each and every one of us that, you know, the  
6 equipment and vehicles are not to be used for personal  
7 use.

8 Q. But I'm sorry. Did you say that that is  
9 written down or is not written down?

10 A. It's probably in the minutes somewhere  
11 where they've --

12 Q. But not --

13 A. -- touched on it.

14 Q. Not in the handbook?

15 A. I don't think it's in -- I can look -- I  
16 mean, there's a lot in the handbook. I haven't looked  
17 at it in awhile even though I was the one helped put it  
18 together. It may be -- very well may be in there.  
19 Without me having a copy --

20 Q. So if we were to ask you, Commission were  
21 to ask you, Commission Staff were to ask you for a copy  
22 of that handbook in a posthearing data request, could  
23 you supply one?

24 A. Yes. Yes.

25 Q. And is there any -- regarding the safety

1 manual, is there any safety training that the utility  
2 does?

3 A. No. Other than what they might get that  
4 the Kentucky Rural Water puts on the training times and  
5 what they get there, during part of their education  
6 hours they get.

7 Q. And is anything written down regarding  
8 policies and procedures that govern safety and safety  
9 training, is that written down in the handbook as well,  
10 or in the manual?

11 A. I'm not sure if it is or not. I would  
12 have to look.

13 Q. Any policies and procedures in the manual  
14 regarding proper cash handling, cash management,  
15 equipment ordering, inventory management, are those  
16 things written down?

17 A. Those are -- I don't know that those are  
18 in there.

19 Q. Okay.

20 A. I know just the -- myself and David  
21 Gifford and the two ladies in the front office and a  
22 part-time lady in the office are the only ones that  
23 handle the cash, cash and checks. And -- as far as  
24 them taking money in, there's usually just two of us  
25 that take it to the bank and nobody else in the system

1 handles it.

2 Q. Okay. But it may be a good idea to write  
3 those things out if they're not already.

4 A. Yes. I'll look.

5 Q. My final questions here for you, sir.

6 Has the utility had any problems keeping skilled labor?

7 A. No. Our -- in the 34 years I've been  
8 there we've only had two water plant operators retire,  
9 had one distribution -- he was never a licensed  
10 operator, he had been one, but he quit. And of course,  
11 we lost one due to death. But we've had very low  
12 turnover.

13 Q. Very low turnover?

14 A. Yes.

15 Q. So you are able to pay your field  
16 personnel and so forth a competitive wage?

17 A. Yes. And we're in the Kentucky  
18 retirement system now. We've been in it about seven  
19 years.

20 MR. GIFFORD: Seven or eight.

21 Q. Pretty good benefits package?

22 A. Yes, it is. We were looking at something  
23 the employee, once they retired could have a little bit  
24 of health insurance and a little bit of retirement.  
25 Before then we had a 401k to the National Rural Water



1 and that sort of went belly up and, of course, we  
2 didn't lose our money, we got to invest that into  
3 something else but we -- they're pretty pleased with  
4 the Kentucky retirement system.

5 MR. BOWKER: I'm sorry.

6 VICE CHAIRMAN CICERO: The 401k has  
7 been eliminated or it still exists or  
8 what happened?

9 THE WITNESS: It's not a 401k now.  
10 When National Water Rural Association  
11 they sort of -- I don't know if they  
12 folded up or quit or disbursed. But all  
13 of those funds were through them in a  
14 401k package.

15 We still have those funds,  
16 individuals. And they're -- you know, I  
17 still have mine, it's just invested  
18 somewhere else different than what they  
19 had it.

20 VICE CHAIRMAN CICERO: So the  
21 Rattlesnake Ridge does not have a 401k  
22 plan per se?

23 THE WITNESS: No.

24 VICE CHAIRMAN CICERO: Now you have  
25 individual 401ks that you do whatever you

1 want with --

2 THE WITNESS: Yes.

3 VICE CHAIRMAN CICERO: And make  
4 contributions if you want to, but it's  
5 entirely separate --

6 THE WITNESS: Yes. It's entirely  
7 separate from our Kentucky retirement  
8 that we put into.

9 MR. BOWKER: That's actually all the  
10 questions I have for you, sir. Thank you  
11 very much.

12 CHAIRMAN SCHMITT: Vice Chairman  
13 Cicero. Questions?

14 -----

15 EXAMINATION

16 BY VICE CHAIRMAN CICERO:

17 Q. So continuing on the employee benefits,  
18 what percentage of healthcare do your employees pay?

19 A. We don't pay any. The district pays it.

20 Q. So why would the district pay a hundred  
21 percent of healthcare for their employees?

22 A. I'm not really sure. I can't answer  
23 that. I don't -- I mean, I like it, of course, anybody  
24 would.

25 Q. Who makes that decision?

1 A. I guess the board, I guess. I mean it's  
2 been like that since we've been in retirement so --

3 Q. I understand that. There was a lot of  
4 businesses that had same benefit but they don't any  
5 more because the health industry has changed  
6 dramatically.

7 A. Costs have gone up.

8 Q. So does anybody analyze those costs?

9 A. Not that I know of.

10 Q. So how can a board make a decision on  
11 whether it's a good policy to have if they have no clue  
12 what the costs are?

13 A. I can't answer that. I don't know.

14 Q. Is there a budget prepared for the board  
15 to go through and approve on an annual basis?

16 A. Yes.

17 Q. Who prepares that?

18 A. We have an accountant. It's not  
19 in-house, it's out of house accountant that does all of  
20 our financial budget stuff. And we usually -- the  
21 budgets usually increase like maybe 5 percent a year,  
22 certain line items. Not --

23 Q. What's the basis for increasing 5 percent  
24 or whatever percent?

25 A. We look at the previous year at the -- if

1 we budgeted too low or too high, so that 5 percent can  
2 go either way on line items, whether it's on the  
3 employee benefits, retirement.

4 Q. So you basically do historical trending,  
5 there's no -- do you take unusual items into account or  
6 is it just historical?

7 A. It's mostly historical is what he's told  
8 me. I mean, I'm just going by what our accountant  
9 tells me, so...

10 Q. So you as the general manager are  
11 responsible for all office personnel; right?

12 A. Yes.

13 Q. So you have all functional responsibility  
14 including billing, receivables, accounts payable,  
15 whatever it happens to be?

16 A. Yes.

17 Q. Who does the journal entries for the  
18 business?

19 A. The accountant does. I put everything  
20 that comes in the office, we enter into our system.  
21 Then they get -- everything then goes -- transfers to  
22 them for entry on our --

23 Q. Where does the software reside that all  
24 of the records and data for Rattlesnake Ridge exist, at  
25 your office or at the accountant's office?

1 A. At the accountant's office.

2 Q. So you don't have --

3 A. Just on the money part of it. Now, on

4 everything else, billing and everything is at our

5 office.

6 Q. But the official accounting records

7 aren't kept at your office?

8 A. Correct.

9 Q. So if you wanted to change accountants or

10 have some data checked out, you'd have to -- you are

11 kind of at the mercy of your accountant, aren't you?

12 A. I'd have to pull -- yes, I am really.

13 Yes.

14 Q. So how long have you had this accountant?

15 A. About five, six years probably.

16 Q. How did -- is there an operating

17 agreement with him, a consulting contract? What do you

18 have?

19 A. Not that I know of, that I'm aware of.

20 Q. Who approves his invoices?

21 A. You mean paid to that accountant?

22 Q. Uh-huh. (Affirmative.)

23 A. Well, I pay the monthly bill to him.

24 Q. And it's based on what?

25 A. Well, it's \$650 a month.

1 Q. So you have an agreement that it will be  
2 \$650 a month, or it's an hourly rate or what's the --

3 A. It's a monthly rate.

4 Q. Flat \$650?

5 A. It's a flat \$650.

6 Q. What's spelled out that he -- the duties  
7 that he's supposed to perform?

8 A. He does all of the -- I don't know that  
9 anything is on paper. He does all of the accounting, I  
10 mean as far as the billing -- not the billing journal,  
11 but the daily entries for receivables and payables. He  
12 does all of the taxes on a weekly basis, payroll tax,  
13 state tax, sales tax, retirement, all of that goes.

14 They take care of all of that -- paying  
15 all of that. There's -- that's about all that they  
16 take care of as far as paying, you know, themselves --  
17 or they pay for us. That's done electronically.

18 Q. So for \$8,000 a year basically he does  
19 all of your accounting and prepares the annual report,  
20 or who does that?

21 A. He does not do the annual report. He  
22 does not do the audit. We have a separate auditor that  
23 does the yearly audit. But she works with him, of  
24 course, there's a lot of information that she has to  
25 get from him to do the audit and, of course, she gets

1 information from me also.

2 Q. Do you think it would have some type of  
3 understanding on paper that spelled out the duties of  
4 what they're responsible for and what the monthly or  
5 annual fee will be; and if it's going to change, how it  
6 changes?

7 A. Yes. And it may exist, you know, he was  
8 already there when I took this position. I mean that's  
9 something that -- sure, it probably needs to be, you  
10 know, and I can do that fairly quick too.

11 Q. I'm not going to be critical or I'm  
12 trying not to be critical, but you are the general  
13 manager?

14 A. Uh-huh. (Affirmative.)

15 Q. And they report to you, but it sounds  
16 like your responsibilities or where you focus your  
17 attention are in the field, not in the office?

18 A. Yeah, trying to do both.

19 Q. But it doesn't sound like the office  
20 receives the attention that it should --

21 A. That it should.

22 Q. -- receive?

23 A. That's correct.

24 Q. So who do you leave that up to in the  
25 office? Who basically is the office manager?

1 A. Well, I do it all really. I've got a  
2 lady there that helps me some on reports, I don't know  
3 if you could call her the office manager or not. She  
4 don't have that name as being the office manager. She  
5 does a lot of the -- any adjustments we have to do on a  
6 customer bill, she takes care of that. And -- but as  
7 far as daily entries on payables and things like that,  
8 I do all of that myself.

9 Q. How often do you sit down with your  
10 people in the office and go through what they're doing  
11 or kind of giving them direction, how often do you do  
12 that?

13 A. I try to just stand with them and talk to  
14 them, and mostly it's on a weekly basis because there's  
15 things that comes up that we have to resolve. Things  
16 that didn't get done. We're going to try to start --  
17 we just talked about having staff meetings with  
18 everybody, not just office personnel but office  
19 personnel and outside personnel because you need to  
20 have both.

21 Q. Do you ever do performance evaluations?

22 A. No, I haven't.

23 Q. So how often do your employees receive  
24 raises?

25 A. It's usually yearly. Haven't received a



1 raise since January of '18.

2 Q. And how do you determine how much they  
3 should receive?

4 A. They just usually do a percentage, it's  
5 usually like 5 percent.

6 Q. 5 percent is pretty high compared to the  
7 national increase for labor?

8 A. Well, it's -- I say 5 percent. It's  
9 usually 50 cents on the hour. We used to do 5 percent.  
10 I don't think we've done a percentage in a long time.  
11 I think it's 50 cents on the hour.

12 Q. But what you are doing is making a  
13 decision that it's time to give an annual raise, so we  
14 give an annual raise. It's not based on performance,  
15 it's not based on a comparative analysis or data or  
16 anything else, we need to give a raise so we give a  
17 raise?

18 A. Right.

19 Q. And we're not sure how much our  
20 healthcare is costing, but we pay a hundred percent of  
21 it?

22 A. Yeah, we pay a hundred percent of it,  
23 correct.

24 Q. My point is there's really no basis for  
25 anything you are doing in terms of any type of

1 financial analysis, is there?

2 A. No.

3 Q. And as a matter of fact, when we talk  
4 about it, the \$2.50 production cost, we're not sure  
5 what that is?

6 A. No, it's probably going to be higher than  
7 that.

8 Q. It's probably going to be higher than  
9 that?

10 A. Yeah.

11 Q. We already calculated, at least staff  
12 did, there's probably differences in whether the number  
13 should be higher or lower, maybe it's lower, but it was  
14 a million 68, something like that?

15 A. Yeah.

16 Q. A million 680 thousand dollars in water  
17 loss, which was -- you guys met the threshold on coming  
18 in here which is the basis for having these hearings,  
19 but it's not the whole reason for having these  
20 hearings.

21 A. Right. Correct.

22 Q. That was the threshold to talk about  
23 water loss, because water loss contributes so much to  
24 the financial crisis that a lot of water utilities are  
25 in right now. But the other contributing factor is

1 mismanagement or no management. And it's not  
2 necessarily your fault.

3 A. Right.

4 Q. But water districts can't continue to go  
5 along the path of making decisions that -- right now I  
6 think the chairman said you are at 60 something, third  
7 highest in the state as far as water leaks go. And a  
8 million six is going into the ground somewhere.

9 But you are not really changing anything  
10 from a management perspective that says, I'm addressing  
11 the issue. We talked about the fact that just seven  
12 years ago your water loss was less than 15 percent, and  
13 I don't know whether that's because of the way it was  
14 calculated or not, but going in seven years from less  
15 than 15 to over 60, there's a serious issue there.

16 And we talked about this earlier. You  
17 have added new customers, you have improved portions of  
18 the system that should actually be reducing the average  
19 and on your service lines alone you are attributing  
20 this kind of a water loss. And I'm not -- I'm not sure  
21 that you are addressing it the way it should be  
22 addressed.

23 A. Well, I know -- and we had talked a  
24 little bit about this before about, you know, some of  
25 the -- we're not comparing -- when we read meters and

1 we're comparing it to what comes out of the plant,  
2 we're not comparing apples to apples, I don't guess.  
3 We're reading two weeks out of the month, first part of  
4 the month, and we're not using those same days, I  
5 guess, from the plant. We're just using the total from  
6 the plant for that month. We're not using from like  
7 the first of the month to the first of the month. I  
8 think what we're using is from the first of that month  
9 that we send the bills out. And I think that's where  
10 we're getting into an issue of the big difference in  
11 what we produced and sent out of the plant than what we  
12 billed.

13 Q. But you realize that that is a one-month  
14 impact, after that you level out. It doesn't -- it's  
15 like large companies that go to a 45 or 90-day payment  
16 period after they were at 30. They get the benefit  
17 after the first 30 days. After that it's the same  
18 cycle. They're still paying -- so there's that impact  
19 is only an initial upfront impact.

20 A. Yeah.

21 Q. When we look at employment costs, if you  
22 were to come into the Commission for a rate increase,  
23 the employment cost -- the healthcare benefit cost  
24 would be adjusted. There's very few companies in the  
25 country today that pay a hundred percent of employee

1 healthcare cost. The utilities are one of the  
2 industries that are the exception and the Public  
3 Service Commission has looked at that and said, wait a  
4 minute, everybody including your rate payers is  
5 impacted by rising healthcare costs and they pay a  
6 portion of their healthcare.

7           So when you are in a financial crisis, I  
8 don't understand why management is not addressing  
9 issues like that, that are cost controllable, but you  
10 don't really address it. You go along with it because  
11 that's the way it's been done.

12 A.           Uh-huh. (Affirmative.)

13 Q.           That's not really managing. And I'm  
14 addressing this to you, and maybe I'll get to the  
15 board. But you are the general manager from what I  
16 understand.

17 A.           Yes.

18 Q.           So you are implementing policy and you  
19 should be suggesting policy --

20 A.           Right.

21 Q.           -- to the board and have them approve it.  
22 And if the board isn't looking at it from that  
23 perspective, the board should be at least giving you  
24 some kind of direction on what they believe should  
25 happen.

1 A. Right.

2 Q. And right now I don't think that's  
3 occurring.

4 A. Right. It's not.

5 Q. So what capital projects right now do you  
6 have going on? I think you were asked this question a  
7 little bit earlier.

8 A. Yeah. We have a project going on right  
9 now that's extending waterlines, replacing two water  
10 tanks and --

11 Q. And building a new office building?

12 A. Yes.

13 Q. So what is the purpose of building a new  
14 office building in the crisis you are in right now in  
15 terms of water loss, wouldn't that be the most  
16 important thing to address?

17 A. Yeah. Well, where our office is  
18 currently at we're in a place where we can't -- we're  
19 not handicapped accessible, we're down in a hole. We  
20 don't have much parking at all. It's -- the building  
21 is smaller --

22 Q. 2,700 square feet I think.

23 A. That's the new one. The old one is  
24 pretty small. We've run out of room. Our office is  
25 actually three steps -- you have to go up three steps.

1 We've put in a handicapped ramp but it's had to be in  
2 the back so it's not really accessible. The office  
3 we're building is all handicapped accessible with a  
4 drive-thru. We were looking at customer --

5 Q. But you are going to spend \$800,000 on a  
6 2,700 square foot office building at over \$300 a square  
7 foot. I don't know what the commercial going rate is  
8 but I would have thought if you had water loss that's  
9 jumped 163 percent over seven years that there had to  
10 be something better to spend that money on than an  
11 office building.

12 A. I don't know how to answer that. I mean,  
13 you know --

14 Q. Well, I don't know how to answer it  
15 either. And I just -- I guess my point is there has to  
16 be more management focus on what the cost basis and the  
17 benefit is for doing certain of these projects. It's  
18 not just so you could get a grant from RID or from --  
19 getting a loan that's approved in order to do these  
20 projects. I guess you are still paying for it if it's  
21 a loan.

22 A. Yes. Correct. You are.

23 Q. It's got to be amortized and I know the  
24 Chairman talked about coming to the Commission and  
25 receiving the amount of money you need from your rate

1 payers in order to maintain the integrity of the  
2 system. But in this case I'm not sure what this  
3 contributes to the integrity of the system and the  
4 infrastructure and it's more of an excess in my  
5 opinion. It's very frustrating when I see water  
6 utilities come in here and they really don't understand  
7 what they're doing in terms of how they make financial  
8 decisions.

9 Do you have any kind of a financial  
10 background?

11 A. No, I do not.

12 Q. Do you read financial statements at all?

13 A. I have the ones I give to the board, yes.

14 Q. Do your people put together an income  
15 statement?

16 A. The accountant does, yes.

17 Q. How often do you receive that?

18 A. Every month.

19 Q. Every month. So you go through that and  
20 you look and see, here is -- if you are receiving that  
21 and you are getting an income statement, you should  
22 know what your water production costs are?

23 A. Yes.

24 Q. And it's not \$2.50?

25 A. No. It's higher than that actually.



- 1 Q. But you should know that --
- 2 A. It's higher than that outside -- the
- 3 \$2.50 I looked at was just in-plant. It didn't take
- 4 into consideration everything else outside the plant.
- 5 Q. But do you understand when I say you
- 6 should know that? If you are getting an income
- 7 statement and the cost to produce are in that income
- 8 statement, your cost of goods sold, you should know
- 9 exactly what the cost is to produce water.
- 10 A. Yes, I should.
- 11 Q. Is there anybody on the board with a
- 12 financial background or asks questions about costs to
- 13 produce or anything like that?
- 14 A. Yes, there is.
- 15 Q. So he goes through the budget with
- 16 everybody on the board and --
- 17 A. He looks at the budget -- he's asked
- 18 questions and he's done some -- he's actually the one
- 19 that's actually done a lot of figuring on the water
- 20 loss and what it's costing us per month and per year.
- 21 Q. Which board member is that?
- 22 A. That would be Steve Ison.
- 23 Q. He's not here today, is he?
- 24 A. No, he's not.
- 25 Q. Have you guys ever considered doing a

1 consolidation with a local water company or merger  
2 or -- have you ever been approached about being  
3 purchased?

4 A. No, we have not.

5 Q. And you have not considered it?

6 A. No.

7 Q. Kind of going along with what the  
8 chairman said earlier about the benefits of the economy  
9 to scale where you have some kind of a local agreement  
10 with a local water district for equipment or whatever  
11 happens to be so you spread the cost over a larger  
12 volume of customers. I mean, it could be done the same  
13 way with consolidating the entire district?

14 A. Yeah. I don't know that it's ever come  
15 up.

16 Q. The board has never considered or  
17 mentioned it and you have never mentioned it to the  
18 board?

19 A. No, I have not.

20 Q. Would there be opposition to an idea like  
21 that?

22 A. Probably. I don't know who would -- in  
23 our area who would be willing to do, you know --

24 Q. I was just curious if there's -- we've  
25 heard some say that they're opposed to doing anything

1 like that because they have to maintain local control  
2 and boards know their people better than another entity  
3 would or there's not enough representation.

4 Usually issues that have never been  
5 discussed in order to find out whether they're actually  
6 issues or not, but just road blocks to that type of a  
7 thought process.

8 A. Right. Right. I don't know of anybody  
9 on the board that would oppose it. I don't know as  
10 it's ever come up, you know, to ask.

11 Q. Do you approve all of the invoices?

12 A. Yes.

13 Q. And then you present them to the board  
14 for approval at each meeting?

15 A. Yeah. Most of the time they've already  
16 been paid because they're on a --

17 Q. But you have an invoice report that the  
18 board signs off on?

19 A. Yes.

20 VICE CHAIRMAN CICERO: I have nothing  
21 further, Mr. Chairman.

22 CHAIRMAN SCHMITT: Commissioner  
23 Mathews.

24 -----

25 EXAMINATION

1 BY COMMISSIONER MATHEWS:

2 Q. In the discussions on merger or working  
3 with another system, you are relatively huge compared  
4 to everyone else in terms of geographic size.

5 A. Correct.

6 Q. Three counties?

7 A. Three counties.

8 Q. Actually, it looks like three counties  
9 and a tiny little bit of one more.

10 A. Tiny little bit of a fourth county.

11 Q. So you work with three county judge  
12 executives?

13 A. Yes.

14 Q. Your seven fire departments, for example,  
15 are spread across those three counties?

16 A. Counting the other two counties, probably  
17 more than that. I don't know how many like Lawrence  
18 County has or -- Elliott County has, I think, just two  
19 or three. So I don't know of them. I think Carter has  
20 six. But yeah, I don't deal with the county judges on  
21 a daily basis.

22 Q. That's probably good.

23 A. Yeah. Well, it's -- I usually hear from  
24 them when they're -- if somebody has asked them about  
25 getting water or they've got an issue.

1 Q. And the 400 or so customers that don't  
2 have water are spread across your system, they're  
3 not --

4 A. Yes, that's systemwide. That's not  
5 Carter County.

6 Q. There's not like one area that --

7 A. No. And a lot of those have never  
8 been -- you know, we -- over time we pickup the one  
9 that ten years ago said, no, I don't ever want water.  
10 But eventually, you know, the pump goes bad, the well  
11 goes bad, or they get tired of hauling water or get  
12 tired of waiting on it to rain. Then they usually --

13 CHAIRMAN SCHMITT: Fire department  
14 don't come.

15 THE WITNESS: Fire department don't  
16 deliver.

17 COMMISSIONER MATHEWS: I think that's  
18 all I have.

19 -----

20 EXAMINATION

21 BY CHAIRMAN SCHMITT:

22 Q. Mr. Gilbert, I was trying to look through  
23 here. How many commissioners are there on the board?

24 A. There's five counting Billy.

25 Q. I mean, I'm trying to see, Rattlesnake

1 Ridge is probably not an -- it's not a consolidation of  
2 water districts that -- some of which were in another  
3 county to start with, is it?

4 A. No, it's not. No.

5 Q. So all of the appointees would be from  
6 the Carter County Judge Executive and the Carter County  
7 Fiscal Court?

8 A. No. Three from Carter County and two  
9 from Elliott County.

10 Q. Because in Lawrence County you probably  
11 only get a few customers where, around Webbville or --

12 A. Yeah, usually Webbville and a little bit  
13 in -- I guess you call it Martha area off of 32.

14 Q. Yeah.

15 A. It's just a small section of Lawrence  
16 County.

17 Q. You probably don't get to Blaine?

18 A. No, we stop short of Blaine. Actually, I  
19 think that's another city or water district. I'm not  
20 sure. I think it's city.

21 Q. And then you get what, a little into  
22 Lewis County?

23 A. Yeah, just on the edge of it. They live  
24 right on the -- it's the road that runs along the  
25 county line. And you might have --

1 Q. So you really do have a long way to go  
2 from the time you start in Lewis County and you wind  
3 your way all of the way down into Webbville or Martha?

4 A. Yeah, it's --

5 Q. That's a haul.

6 A. I've had to drive that before during  
7 construction and I was at point A which was Lewis and  
8 Rowan County line and go to Martin County and it takes  
9 about an hour or so.

10 Q. I guess too -- I don't know where you --  
11 the 400 or so potential customers, families that aren't  
12 in your system, are they -- do you think they're  
13 generally spread out along -- you know, in all of those  
14 counties? Or would you think maybe most of them are in  
15 a certain area like whether it be Carter or Elliott  
16 or --

17 A. I think they're spread out mostly. I  
18 could sit down and just going by memory, when I was out  
19 driving the roads just about every day knowing the  
20 people -- wondering how they get by, you know, they're  
21 scattered out. And I don't know how they get by  
22 without having water, because their neighbors have  
23 water. I don't know if they can't -- well, most of  
24 them I think could still afford it just basing on --

25 Q. Well, you furnish water to Olive Hill?

1 A. On an emergency basis when they have line  
2 breaks and they can't get water to their tanks they --

3 Q. Otherwise they have their own city  
4 system; correct?

5 A. Yes, they do. Yes, they do.

6 Q. I don't guess there's anything left in  
7 Hitchins any more? Not much.

8 A. Not much. Actually, the brickyard is  
9 still operating. Actually, my daughter works there.  
10 Louisville Fire Brick actually owns it. They've owned  
11 it for 20 years. I didn't know that. But there's  
12 actually a dollar store there now.

13 Q. Is there?

14 A. Yeah. But no, there's not a lot left.

15 Q. I used to go through there all of the  
16 time coming from Paintsville to Grayson and I'd  
17 always --

18 A. Yeah, that's the shortcut.

19 Q. I guess maybe this question was already  
20 asked, but one of the things that -- areas that we've  
21 been talking about and the districts is basically  
22 corporate governance. As I understand it as general  
23 manager you have -- do you have the authority to hire  
24 and fire employees?

25 A. I usually do the hiring but I've -- when



1 it comes to the firing, if I have to get rid of  
2 somebody it would be coming from the board saying you  
3 need to get rid of this person for...

4 Q. You'd make a recommendation?

5 A. Correct.

6 Q. And the board would make the final  
7 decision?

8 A. Correct.

9 Q. Has that ever happened while you have  
10 been general manager?

11 A. No.

12 Q. Has it ever happened since you -- when  
13 you were the superintendent?

14 A. Not that I know of.

15 Q. I guess what I was asking is sometimes  
16 I'd say, well, we have a -- somebody make -- you make a  
17 recommendation and it go before the board and then  
18 maybe they feel like they had to have a hearing or  
19 something and have everybody come in and have a court  
20 reporter --

21 A. No.

22 Q. You haven't had any of those issues;  
23 right?

24 A. No, I have not.

25 Q. In terms of -- if you hire, is there a

1 written wage scale or who decides how much an  
2 employee -- a new hire gets paid? Maybe you have got a  
3 list.

4 A. It would be up to the board what that is.  
5 I know the last guy we hired was -- he was a class one  
6 operator for distribution, which is not big enough for  
7 us but we can still hire him and work him. He was  
8 hired at his experience. And any other time if he was  
9 to get a raise he would have to go up in classification  
10 in order to get that.

11 I know in the past we've done like a  
12 dollar raise. If you increase your license you get a  
13 dollar raise, that's what we've done at the water  
14 plant.

15 Q. So I mean if somebody -- is there, I  
16 guess, a schedule that says after so many years  
17 somebody gets an increase; or is all of that basically  
18 based upon, well, we kind of give out a 50 cent an  
19 hour -- I know you only have a few employees so it's  
20 not like you are running a factory or anything.

21 A. Right. Right. That's true. And that's  
22 the way they look at it. Like I say, they didn't do a  
23 raise this year in '19. We did one at the first of the  
24 year in '18, did not do one this year.

25 Q. I notice one of the questions, and I

1 guess the question that went out to every district was  
2 like general manager salaries. And I guess the  
3 question went out here, like an hourly rate, are you  
4 paid an hourly rate or are you a salaried employee?

5 A. I'm salaried but I know it shows hourly  
6 on my check because of the way the payroll was done, I  
7 guess. But it's -- I'm salary.

8 Q. I know you probably work more than 40  
9 hours --

10 A. Yeah.

11 Q. -- a week. If you work more than 40  
12 hours a week, do you get paid overtime?

13 A. I get comp time. I don't get overtime.

14 Q. Let me ask you, so I don't know how many  
15 hours because some of these computed on 1,700 and some  
16 hours a year or some more.

17 What -- if I wanted to find out what is  
18 your annual salary, what would you tell me?

19 A. It's around 61, 62,000 a year.

20 Q. That's what I thought. Somewhere between  
21 60 and 63 depending on how it's computed?

22 A. Yeah, because it's just 40 hours a week.  
23 I work more than that and I'm there from -- usually I'm  
24 there from 6:30 to 4:30. I usually try to get there a  
25 half hour before the office personnel gets there. They

1 come in at 7 and then the other guys come in at 8. So  
2 I'm usually there a half hour before them to start the  
3 day.

4 Q. You indicated that your prior experience  
5 was in highway construction. Did you work for Leonard  
6 or did you work for Kentucky Road Oil?

7 A. I worked for like three or four different  
8 ones. Walker and Walker, I worked for them. I worked  
9 for Watson Call which is an old company out of  
10 Lexington, that's my first company. Worked for Judy  
11 Construction, Dawson. A lot of the companies I worked  
12 for contracted out to, you know, did subcontracting  
13 work.

14 Q. Somebody else?

15 A. Yeah. Most of the time when I worked for  
16 Walker they were subbing off of -- and they did do  
17 Leonard and I knew all of them guys. I haven't seen  
18 any of them in years but, yeah --

19 Q. My uncle was a foreman for a time at  
20 Leonard.

21 A. At Leonard, yeah.

22 CHAIRMAN SCHMITT: All right. Mr.  
23 Chandler, any questions?

24 -----

25 EXAMINATION

1 BY MR. CHANDLER:

2 Q. Thank you, Chairman. Good morning, Mr.  
3 Gilbert.

4 So the discussion earlier was about the  
5 invoices from the accountant.

6 A. Uh-huh. (Affirmative.

7 Q. So can you walk me through -- you just  
8 receive the invoice every month for \$650 and then you  
9 pay it?

10 A. Yes.

11 Q. And do you know -- have any idea what the  
12 derivation of the \$650 is?

13 A. Other than what -- they take care of the  
14 payroll. I print the checks but they take care of the  
15 payroll, take care of all of the payables. I enter it  
16 in and they do all of the checks and, of course, we do  
17 the signing and distribution of the checks.

18 They do all of the paying of the Kentucky  
19 retirement, all of the -- any other benefits that the  
20 employee has --

21 Q. But it's always \$650?

22 A. Yes.

23 Q. And you don't know where that number  
24 comes from?

25 A. No.

1 Q. And do you-all have an attorney?

2 A. Yes.

3 Q. And when you get an invoice from him, do  
4 you know where the calculation of the amount you pay  
5 comes from?

6 A. Yes.

7 Q. So why is it that the expectation is that  
8 the attorney will do that and the accountant won't?

9 A. The only thing what it says on his  
10 invoice is, I think it says financial services. And  
11 then it's like 630 and then -- or 620 and then \$30 of  
12 that is software -- I don't know. It says software  
13 something on it.

14 VICE CHAIRMAN CICERO: Licensing.

15 THE WITNESS: Probably, yeah.

16 BY MR. CHANDLER:

17 Q. Do you have an agreement with your  
18 attorney about how much he charges an hour at all?

19 A. No.

20 Q. So when he sends an invoice do you put on  
21 there how many hours he worked or at what rate he  
22 worked?

23 A. Yes.

24 Q. He does?

25 A. He does.

1 Q. But the accountant doesn't, just charges  
2 you \$650 a month --

3 A. Yes.

4 Q. -- regardless of how much work?

5 A. Yes.

6 Q. So you have got -- you are the general  
7 manager for a two and a half million dollar business,  
8 business with two and a half million dollars annual  
9 revenue; correct?

10 A. Correct.

11 Q. Do you know whether in 2018 or 2017  
12 whether the utility was in the red or in the black?

13 A. Well, if you count your depreciation you  
14 are always in the black.

15 Q. Your depreciation, you are always in the  
16 black? Or is that in your opinion a general business  
17 practice?

18 A. I think that's a general business --  
19 that's the way I've always been told and the way I was  
20 shown that was. But now if you take away the  
21 depreciation you are going to see not really  
22 profitable. But I don't think you are going to be --

23 Q. So it's your position that at the end of  
24 every year your operating -- your net operating income  
25 should always be a negative?

1 A. Looking -- counting depreciation, yes.

2 Q. Including depreciation?

3 A. Yes.

4 Q. Okay. Do you have the PSC Exhibit 1  
5 there with you?

6 A. Yes.

7 Q. Do you mind to turn to Page 2 of that.

8 Excuse me, Page 3 of that. Let me know when you are  
9 there?

10 A. Okay.

11 Q. So do you see that under annual operating  
12 costs, top of the page?

13 A. Yes.

14 Q. Do you see this is discussing a 2014  
15 audit?

16 A. Yes.

17 Q. So this may be a bit dated here, but do  
18 you see that the third paragraph says that for 2014  
19 they had positive cash flow, however, the most glaring  
20 problem is that the district has not funded its sinking  
21 fund nor its depreciation fund as required by previous  
22 RD bond issues.

23 A. Correct. Yeah. What it is we have been  
24 now and it never was before and I don't know why it  
25 wasn't.



1 Q. So are you fully funding your  
2 depreciation fund as required?

3 A. It's not fully funded as of right now.  
4 It's not. We're working our way that way.

5 Q. So let's go back to having a negative net  
6 income every year. Right?

7 A. Uh-huh. (Affirmative.)

8 Q. If you are putting the money, your  
9 depreciation, into the depreciation fund, you still  
10 think it's the right thing to be running at a negative  
11 every single year?

12 A. It's probably not the right thing but  
13 just on paper that's the way it's going to look.

14 Q. So would you agree that it's likely that  
15 you-all were running in the -- you-all were running in  
16 the red and you weren't funding depreciation?

17 A. Correct.

18 Q. And you would agree that you-all have one  
19 of the highest rates, volumetric rates in the State of  
20 Kentucky?

21 A. Yes, we do.

22 Q. And that instead of doing a minimum bill  
23 with 2,000 gallons like a lot of other rural water  
24 districts, your minimum of \$19.32 is only for a  
25 thousand gallons?

1 A. One thousand gallons, yes. And I don't  
2 know why it was set up like that. That's the way it  
3 was set up from day one on just a thousand gallons.

4 Q. And -- okay. So how old is the oldest  
5 pipe in the system?

6 A. About -- well, it would be 34 years.

7 Q. 34 years. Do you know what the average  
8 life or the midpoint for the depreciable life of water  
9 pipes are in Kentucky?

10 A. I figured it was around 40 years. I  
11 don't know if that's true.

12 Q. Do you know how long the utility is  
13 depreciating their lines?

14 A. No, I do not.

15 Q. So you don't know as the general manager  
16 how long the expected useful life of the lines in your  
17 system are?

18 A. Well, I've always been told 40 years on  
19 PVC.

20 Q. So 40 years is the expected life?

21 A. Yes.

22 Q. So you would agree that every single line  
23 that you-all have is younger than the expected life --  
24 than their expected life?

25 A. Yes. It's younger than -- yeah, 40

1 years. It's 34 years old.

2 Q. The oldest one?

3 A. Yes.

4 Q. So when you say that the three biggest  
5 issues facing the utility, No. 3 is old pipes?

6 A. Yeah. Old pipe as in service lines, not  
7 necessarily the PVC but in the service lines them self.

8 Q. How old are the service lines?

9 A. They're the same age but it's -- it's the  
10 type of service line that was used back when it was  
11 installed that's the problem.

12 Q. Okay. So -- and that's an important  
13 distinction because I keep hearing you say old lines  
14 are the problem.

15 A. Yes.

16 Q. But that's not really the truth though;  
17 right? It's bad lines?

18 A. Bad lines. Okay. Bad lines is probably  
19 more -- it's polybutylene. I don't know -- you can  
20 read about it, it was bad tubing to start with,  
21 supposed to have been the best tubing out there that  
22 was sold to not just us, I mean worldwide. And it's  
23 bad pipe.

24 Q. How many service lines do you have with  
25 polybutylene?

1 A. Probably -- approximately 600.

2 Q. And those are planned to be replaced with  
3 this project?

4 A. Yes. Correct. And those -- and it runs  
5 different. Some of them, the way they set it up they  
6 split that 600 up, 300 longs, 300 shorts. That means  
7 whether they have to cross the road or not have to  
8 cross the road. There are different cost estimates in  
9 that -- in those 600 services.

10 Q. But do you-all know where those 600 are?

11 A. Yes.

12 Q. So while you have got the Exhibit No. 1  
13 there for the PSC --

14 A. Uh-huh. (Affirmative.)

15 Q. -- do you mind to turn back a page to  
16 Page 2.

17 A. Okay.

18 Q. So quickly, this was done by Kentucky  
19 Engineering; right?

20 A. Yes.

21 Q. Okay. So is the district still working  
22 with Kentucky Engineering?

23 A. No, we're not.

24 Q. Okay. So the meeting minutes from -- the  
25 meeting minutes from December 7th of 2018 when it

1 refers to Jim from Kentucky Engineering, that agreement  
2 is no longer in place, that project is done with  
3 Kentucky Engineering?

4 A. Well, that's when they signed it over to  
5 Bluegrass Engineering in December.

6 Q. Okay.

7 A. That was probably the last time I seen  
8 him was in December.

9 Q. Okay. Now, who is with Bluegrass  
10 Engineering?

11 A. Matt -- well, we use Riley Sumner. He's  
12 not really an engineer but he's the --

13 Q. Project manager?

14 A. Project manager. I don't know if you  
15 know him or not.

16 Q. No, but I know the title project manager  
17 as it relates to water districts and engineering  
18 groups.

19 A. Okay. What's Matt's --

20 Q. That's okay. But the person who comes to  
21 your meetings is who?

22 A. Is Riley Sumner. He's the project  
23 coordinator.

24 Q. So on Page 2 here, do you see the  
25 selected alternative?

1 A. Yes.

2 Q. So ignoring the office building that you  
3 were asked about earlier, you see that the second thing  
4 on the list is to purchase portable generator to use  
5 throughout the system in times of power failures.

6 A. Yes.

7 Q. Did you-all purchase a portable  
8 generator?

9 A. Yes.

10 Q. Do you know how much that portable  
11 generator was?

12 A. It was included in that bid price we  
13 talked earlier with Northeast Kentucky. I can get that  
14 but --

15 Q. That's fine. How often do power failures  
16 occur in the Rattlesnake Ridge Water District?

17 A. Springtime they're more, spring and real  
18 cold winter they're worse. So you are looking at  
19 probably two or three times a month.

20 Q. Two or three times a month.

21 A. Yeah.

22 Q. Who is the service provider for the  
23 entire territory?

24 A. Well, we have both. We have Kentucky  
25 Power and Grayson RECC.

1 Q. And do you know as a general matter in  
2 whose territory you have the majority of the outages?

3 A. It's -- well, probably the majority of  
4 them is going to be Grayson RECC.

5 Q. And is that because the majority of your  
6 footprint is in Grayson, or it just happens that way?

7 A. It's the majority of the footprint for  
8 the area they cover.

9 Q. Okay. And when the power goes out what's  
10 this portable generator -- what's the purpose of it?  
11 For pumps?

12 A. Yes. To be able to take that to the pump  
13 station and keep water flowing -- see, the water plant  
14 already has a generator backup system. This one would  
15 be able to go out if there's one particular pump  
16 station that's out of power, or going to be off for a  
17 day and a half or whatever, we'll be able to provide  
18 power to that generator to keep water to the customer.

19 Q. Does that happen a lot that you are out  
20 of power for a day and a half?

21 A. Well, it's not happened a lot. It's  
22 happened during ice storms and --

23 Q. But let me ask this, if it's only out for  
24 an hour --

25 A. No, we don't.

1 Q. -- you don't have to worry about the  
2 pumps?

3 A. No. Usually we're good for a day, a good  
4 day on storage.

5 Q. Meter testing, how much does the meter  
6 testing bench cost?

7 A. I've not looked. It's been years since  
8 I've looked at one. I have no idea.

9 Q. So how much do you-all spend a year  
10 testing meters?

11 A. I'm going to guess probably -- well, by  
12 the time they test meters and repair them, \$4- or  
13 \$5,000 probably.

14 Q. So as general manager for three years, do  
15 you think it would have been a good use of your time to  
16 look at how much you-all spend testing meters and how  
17 much that meter testing bench would be?

18 A. Yeah. Correct.

19 Q. And you wouldn't have a turnaround for  
20 testing meters if you had a bench and it got  
21 certified --

22 A. Yeah, we'd have our own bench and we'd  
23 just be -- like I say, you could test one or two a day  
24 or three a day or, you know -- you wouldn't have a  
25 turnaround.



1 Q. There would be no turnaround?

2 A. No, other than ordering the parts for  
3 rebuilding a meter.

4 Q. Do you know why water districts don't  
5 pay -- strike that.

6 Do you know why the fire departments  
7 aren't paying for water?

8 A. No.

9 Q. Do you know why they're allowed to -- why  
10 they're able to?

11 A. No.

12 MR. CHANDLER: Hold on, Mr. Chairman.  
13 I had their territory here and I've lost  
14 them.

15 May I approach?

16 CHAIRMAN SCHMITT: Yes, you may.

17 BY MR. CHANDLER:

18 Q. These are a copy of the territories that  
19 are filed online. I'm going to set this in front of  
20 you real quick and I'm going to turn the brightness up  
21 as well. Okay.

22 MR. CHANDLER: May I approach again,  
23 Chairman?

24 CHAIRMAN SCHMITT: Yes, you may.

25 BY MR. CHANDLER:

1 Q. Do you see this statute right here?  
2 278.170. Can you tell me the title of that statute?

3 A. Discrimination as to rates or service,  
4 free or additional rate service.

5 Q. Okay. Would you be surprised to find  
6 that Section 3 of that, it says, Upon obtaining  
7 Commission approval of a tariff setting forth terms and  
8 conditions of service the Commission deems necessary, a  
9 utility as defined in an earlier section of KRS, may  
10 grant free or reduced rate service for the purpose of  
11 fighting fires or training firefighters to any city,  
12 county, urban county, charter county, fire protection  
13 district, or volunteer fire protection district. Any  
14 tariff under this section shall require the water used  
15 to maintain estimates of the amount of water used for  
16 fire protection and training and to report this water  
17 usage to the utility on a regular basis.

18 Do you see that?

19 A. Well, yeah.

20 Q. Do you see that that's --

21 A. Yeah, I've actually read that before  
22 since you --

23 Q. Okay. Great. Great. So you are aware  
24 that ability is provided for by the statute?

25 A. Yes.

1 Q. But you-all have to file a tariff; right?

2 A. Yeah, we do. It's not in our tariffs  
3 though.

4 Q. What's not in your tariff?

5 A. I don't think that's in our tariffs that  
6 we pay or we bill the fire department for --

7 Q. Well, you were asked earlier about a  
8 hundred dollar fine and you said you hadn't seen that  
9 before?

10 A. No.

11 Q. Okay. So you haven't seen the section in  
12 your rules and regulations as it relates to fire  
13 protection?

14 A. No.

15 Q. Okay. And so you would agree that --

16 MR. CHANDLER: Well, may I approach  
17 again?

18 CHAIRMAN SCHMITT: Yes, you may.

19 BY MR. CHANDLER:

20 Q. This is your tariff right here on Page 15  
21 to 22 of the website. Do you see the rules and  
22 regulations? And so if you don't mind, will you read  
23 No. 5 and No. 6 for us for the record? That's your own  
24 tariff.

25 A. Okay. Fire hydrants shall not be used by

1 a contractor, property owners -- individuals,  
2 corporations or other to secure water for any purpose.  
3 The use of a fire hydrant by anyone other than properly  
4 authorized fire department personnel for fighting a  
5 fire will be considered a theft of service prosecuted  
6 in accordance with the laws of the Commonwealth of  
7 Kentucky.

8 The user shall pay the water district for  
9 any damages to the water district property and the full  
10 cost of services, product obtained, along with other  
11 applicable cost of the water district -- allowed under  
12 the laws of the Commonwealth of Kentucky.

13 If the water district is required to  
14 inspect a fire hydrant or other investigating improper  
15 use of the fire hydrant and a user is found to have  
16 used water from the fire department for improper  
17 purposes, the user shall be -- shall also be assessed a  
18 special investigation charge of \$45.

19 No. 6, the fire department utilizes fire  
20 hydrants connected to the water district's main shall  
21 maintain a record of any water used including the date,  
22 location, time the fire department began pumping water,  
23 and the time that the fire department discontinued  
24 pumping water and approximate rates of the flow and the  
25 length of any interruptions in pumping water, the

1 causes of fire and -- let's see, causes of the fire and  
2 the property owner for who the water was used shall  
3 file a report with the water district monthly.

4 The record of the fire department, in  
5 conjunction with the water district daily master meter  
6 readings and normal daily water usage for the service  
7 zone will be used in determining the amount of water  
8 used to fight the fire. Any fire department that fails  
9 to submit its monthly water report for the water usage  
10 as required by the rules shall be assessed a penalty of  
11 a hundred dollars for each day.

12 MR. CHANDLER: All right. One more  
13 time, Chairman?

14 CHAIRMAN SCHMITT: Yes.

15 BY MR. CHANDLER:

16 Q. You see that this is Regulation 807 KAR  
17 5095, and then Section 9 down here of that section  
18 says, A water -- a utility that permits a fire  
19 department to withdraw water from its water  
20 distribution system for fire protection and training  
21 purposes at no charge or at reduced rates shall require  
22 a fire department to submit quarterly reports  
23 demonstrating its water usage for the quarter and state  
24 in its tariff the penalty to be assessed for failure to  
25 submit the reports required by Subsection 1 of this

1 section.

2 Do you see that?

3 A. Yes.

4 Q. And those would be read together do you  
5 think; right?

6 A. Yes.

7 Q. So let me ask you, are the fire  
8 departments following your tariff?

9 A. No.

10 Q. And for their violation of not following  
11 their tariff, is the water district following its  
12 tariff?

13 A. Not on the fire departments. We haven't  
14 billed them. We have never billed them.

15 Q. Never billed them, never turned them in  
16 for theft, either?

17 A. No.

18 Q. And the regulation says you would refer  
19 them for theft, doesn't it?

20 A. Well, we did that one time when I was  
21 saying we caught the one still hooked up to the -- we  
22 turned that in to the county judge executive --

23 Q. The judge executive or the county  
24 attorney?

25 A. No, county attorney. I'm sorry.

1 Q. Okay. Let me ask you about that.

2 There's a response in one of the data requests about  
3 the county attorney. It says that you-all spoke with  
4 your attorney about referring crimes to the county  
5 attorney.

6 Do you remember that answer -- do you  
7 remember that request?

8 A. Well --

9 Q. Let me -- maybe I can help you out here.  
10 You said something about you were told that it would  
11 cost more or that there would be a fee for prosecuting?

12 A. That it would cost more than what it was  
13 worth. That was -- that was on a former county  
14 attorney. I've not spoken to the present one we have  
15 now.

16 Q. So in No. 37 to the Appendix C which I  
17 guess would be the quote/unquote first responses, 37(a)  
18 says the district has not provided any of this  
19 information to the county attorney or commonwealth  
20 attorney regarding theft of water. And goes on to say,  
21 we consulted our attorney on this matter who advised us  
22 that legal fees would be more expensive than water  
23 lost.

24 A. Yes, I see.

25 Q. Do you know what those legal fees would

1 be?

2 A. No, I would not.

3 CHAIRMAN SCHMITT: Who was your  
4 attorney that you contacted? Mr. Willis?  
5 Or do you have a local counsel?

6 THE WITNESS: No, it wasn't Derrick  
7 then. It was probably -- it would have  
8 been Delores Baker at that time. It  
9 wasn't Derrick.

10 BY MR. CHANDLER:

11 Q. You have no idea what the explanation of  
12 what those fees would have been?

13 A. No.

14 MR. CHANDLER: I have two lines of  
15 questioning, Chairman. May I continue?  
16 It's 12:09.

17 CHAIRMAN SCHMITT: How much more do  
18 you have?

19 MR. CHANDLER: Two lines of  
20 questioning. I don't think it will be  
21 very much. Maybe eight, ten minutes.

22 CHAIRMAN SCHMITT: I will defer to  
23 Commissioner Mathews since she has to  
24 chair the --

25 MR. CHANDLER: Knowing that is the



1 case I'll move very quickly.

2 CHAIRMAN SCHMITT: She's likely to  
3 put you on a question limit. 0.75.

4 BY MR. CHANDLER:

5 Q. Where did you get the \$2.50 per gallon --  
6 per thousand gallons used in your calculation?

7 A. I just used -- I took an electric bill  
8 for the plant and the chemicals we used at the plant  
9 for that month and divided it up by the days and then  
10 the hours and the minutes. And then I used -- I knew  
11 how much we produced in a minute, how many gallons.  
12 And that's how I come up with it. I don't know if that  
13 was the proper way or not, but that's what I come up  
14 with.

15 Q. And so do you have a copy of that real  
16 quick? Do you have a copy of that calculation?

17 A. I think it's --

18 MR. CHANDLER: I can give it to  
19 you -- may I approach, Your Honor?

20 CHAIRMAN SCHMITT: Yes, you may.

21 BY MR. CHANDLER:

22 Q. I'll ask the questions from here.

23 You see you added everything to water  
24 produced, do you see that 602 billion gallons?

25 A. Yes.

- 1 Q. That's not true though; right?
- 2 A. You mean, I added --
- 3 Q. I'm asking -- that's not how many gallons  
4 you produced in that year, is it?
- 5 A. Yeah, that's what we produced at the  
6 plant.
- 7 Q. So you purchased no water that year?
- 8 A. No. Well, that -- no, it's just there at  
9 the plant, this is.
- 10 Q. So this water loss is only for -- this  
11 calculation is only for the water produced?
- 12 A. On this one here, yes, it is.
- 13 Q. And you haven't provided in the record a  
14 calculation of the gallons purchased times the cost of  
15 the gallons purchased?
- 16 A. Correct.
- 17 Q. So that may be the distinction between  
18 your 700 thousand --
- 19 A. My figure and you-all's figure.
- 20 Q. Not my figure. But something in excess  
21 of a million dollars?
- 22 A. Right. It could be.
- 23 Q. Because you are purchasing --
- 24 A. I never noticed that really.
- 25 Q. But you are purchasing at significantly

1 more than \$2.50?

2 A. Oh, yeah.

3 Q. Yeah.

4 A. \$4.30.

5 Q. And the Harshal Trane --

6 A. Yes.

7 Q. What -- how are they going to help?

8 A. Like I say, we just got -- we just met  
9 last week and it was an informal meeting just to get to  
10 know who they are and what they do.

11 Q. For brevity of time, let me ask: Did  
12 they go into any particulars of how they're going to  
13 help the district reduce its water loss?

14 A. Not at that meeting he didn't. I know he  
15 was wanting to have a second meeting.

16 Q. If he's a good salesman I suspect he's  
17 going to want to have a third.

18 A. Probably.

19 Q. But I wanted to make sure we didn't --  
20 there was no details as to what's expected from them?

21 A. No.

22 MR. CHANDLER: Thank you, Mr.  
23 Chairman. That's all the questions I  
24 have, Chairman.

25 CHAIRMAN SCHMITT: Mr. Willis, I'll

1 give you a chance if you want to or we  
2 may have a few more questions. But right  
3 now let's recess until 1:15 and come  
4 back. Thank you.

5 (A brief break is taken.)

6 VICE CHAIRMAN CICERO: Back on the  
7 record. We'll continue with where we  
8 left off.

9 Do you have any questions?

10 MR. BOWKER: I have a brief follow-up  
11 to the Attorney General's questions just  
12 very briefly.

13 -----

14 EXAMINATION

15 BY MR. BOWKER:

16 Q. Mr. Chandler was pointing you to  
17 Paragraph 3 of the final engineering report, PSC  
18 Exhibit No. 1.

19 A. Yes.

20 Q. He was asking you about the third  
21 paragraph down under annual operating cost. The last  
22 sentence of that, I was just wanting some  
23 clarification, says although the 2015 audit isn't  
24 available at this date, Kentucky Engineering Group has  
25 been assured by Rural Development.

1                   What does that sentence mean?

2    A.             You are on what page? Page 3; right?

3    Q.             Yes, sir. Page 3. It's the third  
4    paragraph down.

5                   MR. BOWKER: May I approach?

6                   VICE CHAIRMAN CICERO: Yes, you may.

7    BY MR. BOWKER:

8    Q.             Third paragraph down, PSC Exhibit 1. It  
9    says -- the last sentence of that third one down.  
10   Right here, that last sentence -- although the 2015  
11   audit isn't available at this date, Kentucky  
12   Engineering Group has been assured by Rural  
13   Development.

14                   Do you know what that sentence means?

15   A.             No. Not really. Assured by Rural  
16   Development. No, I don't know. I don't know what that  
17   means.

18   Q.             Well, I mean, I guess it doesn't mean  
19   that somehow --

20   A.             I don't know if they were talking about  
21   the depreciation fund or --

22   Q.             I'm sorry.

23   A.             I don't know if they were talking  
24   about -- maybe talking about the depreciation fund not  
25   being funded fully or --

1 Q. Okay. I didn't know if it meant that  
2 somehow Kentucky Engineering Group had been satisfied  
3 or that RD is guaranteeing the money in some way?

4 A. Usually it's not done like that. Usually  
5 when you say you are going to get funding from Rural  
6 Development, you get a letter of conditions. And once  
7 you get the letter of conditions, that's when you are  
8 funded.

9 When they say -- you know, when they  
10 come -- it's usually done out of -- say like our office  
11 is Morehead office, Rural Development office -- when  
12 they say all right, I've got your letter of conditions,  
13 that means that you are funded for the project. And  
14 then, of course, we have meetings.

15 Q. Right.

16 A. They sit down and go over those letters  
17 of conditions.

18 MR. BOWKER: I didn't know what  
19 assured by Rural Development meant.  
20 Thank you. That's all of my questions  
21 that's all I have.

22 VICE CHAIRMAN CICERO: I have one  
23 more question.

24 THE WITNESS: Uh-huh. (Affirmative.)

25 VICE CHAIRMAN CICERO: Are the

1 commissioners covered under the employee  
2 healthcare plan?

3 THE WITNESS: No, they're not.

4 VICE CHAIRMAN CICERO: Do they get  
5 paid anything whatsoever?

6 THE WITNESS: Yes, they get paid -- I  
7 think it's \$500 a month.

8 VICE CHAIRMAN CICERO: 500 a month?

9 THE WITNESS: I think that's probably  
10 the maximum.

11 VICE CHAIRMAN CICERO: It is.

12 THE WITNESS: Yeah.

13 VICE CHAIRMAN CICERO: I don't have  
14 any other questions. Do you?

15 -----

16 EXAMINATION

17 BY MR. WILLIS:

18 Q. Just briefly. Can you explain the source  
19 of the funds that are being used to construct the new  
20 office building?

21 A. Well, on this project we got -- we  
22 borrowed -- we got \$800,000 CDBG grant for the project  
23 and we got \$800,000 grant on top of loan money for  
24 other construction. The grant wasn't specifically  
25 earmarked for the office, but we could use it for that,

1 not just waterlines and --

2 Q. And who is your primary contact with  
3 regard to this project, is that Mr. Hoff?

4 A. Yeah, Douglas Hoff with Rural  
5 Development.

6 Q. And what has Mr. Hoff told you about  
7 building a new office building?

8 A. Well, I know he said you-all are going to  
9 have to -- this has been passed -- because we have  
10 yearly inspections with them just like any other  
11 agency. And he said you-all have grown to a point to  
12 where you are going to have to get out of this hole, is  
13 what he called it, which we are, we're down in a hole,  
14 because you are not a handicapped accessible. That's  
15 one of the big things now but --

16 VICE CHAIRMAN CICERO: You weren't  
17 handicapped accessible or it was just  
18 inconvenient because it was at the back  
19 of the building? I thought you said you  
20 built a ramp.

21 THE WITNESS: We're not handicapped  
22 accessible and handicapped compliant,  
23 that means ramps, restrooms. That's not  
24 handicapped compliant. And they don't  
25 have -- a handicapped pay counter has to



1 be quite a bit lower than a regular --  
2 you know, we just never did have room for  
3 that at all. But we did build a ramp in  
4 the back of the office for anybody that  
5 was in a wheelchair they could actually  
6 access it.

7 VICE CHAIRMAN CICERO: That was my  
8 question. You do have --

9 THE WITNESS: We did do the ramp in  
10 the back. Yes, we did.

11 VICE CHAIRMAN CICERO: I'm sorry. I  
12 didn't mean to interrupt you.

13 MR. WILLIS: Nothing further.

14 VICE CHAIRMAN CICERO: Do you have  
15 anything?

16 MR. CHANDLER: Two quick.

17 First I just move to have the 2017  
18 annual report for Rattlesnake Ridge  
19 incorporated into the record.

20 VICE CHAIRMAN CICERO: As AG exhibit?

21 MR. CHANDLER: Yeah, as AG Exhibit 1.  
22 It's just the filed 2017 annual report.  
23 I just --

24 -----

25 EXAMINATION

1 BY MR. CHANDLER:

2 Q. Do you have any idea why as a percentage  
3 of revenue the annual depreciation expense is so high?  
4 Why the utility's annual depreciation expense is more  
5 than a third -- in excess of a third of annual  
6 revenues?

7 A. No, I do not.

8 Q. Have you ever had a discussion about  
9 that?

10 A. No, I haven't.

11 Q. Ever asked?

12 A. No.

13 Q. And there was an AML grant that was  
14 referred to in the minutes.

15 A. Yes.

16 Q. Actually, I had a couple of questions  
17 about the minutes. I apologize, Vice-Chairman.

18 AML grant that was referenced from the  
19 April minutes that says AML project has suspended all  
20 work for now.

21 A. Yes.

22 Q. Can you explain that?

23 A. Of course. Do you know what AML is?

24 Q. I understand what the AML is, yes.

25 A. Okay. Apparently when we first started

1 doing the study or having the study done on certain  
2 areas to consider for waterlines, we got AML --

3 Q. Excuse me. Waterline extensions?

4 A. Waterline extensions. They -- AML being  
5 who we contacted and they started doing the study.  
6 They started the study of the areas and as far as  
7 coming out and looking where they were at and locating  
8 them on their maps, then all of a sudden they said --  
9 we got a letter from them saying they're -- at this  
10 time they're no longer -- well, there's no money  
11 basically is what it is.

12 Q. So when it says AML project has been  
13 suspended, that was a project you were hoping to enter  
14 into, not one that you had entered into or had started  
15 working on?

16 A. Right. We hadn't entered into it yet.  
17 We were just at the beginning of it.

18 Q. So you have already said -- so going back  
19 to the February minutes. There's a discussion about  
20 how Randy -- who is Randy? Do you know who Randy would  
21 be in minutes?

22 A. It would be Randy Stigall probably, one  
23 of the commissioners.

24 Q. So it says -- it provides who everybody  
25 that was present -- Randy Stigall? Stigall? Is that

1 who --

2 A. Stigall, yes.

3 Q. All right. It says Randy suggested that  
4 we contact Big Sandy and PSC to let them know that Big  
5 Sandy should be paying the same rates as our other  
6 wholesalers such as Grayson and Olive Hill.

7 What does that mean?

8 A. We were talking about doing a rate  
9 increase and he said, well, we need to contact -- at  
10 that time we did contact Big Sandy and told them we  
11 were going to -- were in the process of probably doing  
12 a rate increase with you-all because they pay less per  
13 thousand gallons than Olive Hill does or Grayson --  
14 City of Grayson does.

15 Q. Okay.

16 A. And I had -- I don't remember who I  
17 talked to about -- they said, well, you have got to do  
18 a --

19 Q. Process survey study?

20 A. Well, no, not really that. I think just  
21 a revision to the request of the rate increase for  
22 wholesale water, to bring them up to the same price,  
23 same price for the City of Grayson, City of Olive Hill.

24 Q. Do you know why it got behind those two?

25 A. No, I don't.

1 Q. And since that was February, has there  
2 been any material effort on that?

3 A. No. Not other than just -- not really.  
4 I know at the last meeting they did want me to either  
5 work with the engineer to help me do the -- which I can  
6 do it, you know, I've sent other ones in before and  
7 just ask for a rate increase on -- just on the  
8 wholesale, just on Big Sandy only.

9 Q. But this was in February, so you-all  
10 haven't done that yet?

11 A. No, haven't done that yet.

12 Q. But you are basically losing out on a  
13 dollar every thousand gallons you are selling to them  
14 now?

15 A. Yeah.

16 Q. Every month that goes by?

17 A. Yeah.

18 Q. And then there's also a portion that  
19 says, WC went over last month's financial statements.  
20 I understand you went over them, were there any  
21 questions about them? Was there any interest? There's  
22 none reflected in the record. Was there concern that  
23 you-all were in the red?

24 A. No. Normally they don't -- they don't  
25 normally ask questions. Occasionally they do if they

1 see a -- not really on the financial statement but on  
2 the -- any bills that were paid, vendors that were paid  
3 if it's a large amount. If they see a -- you know,  
4 like why did you pay CI Thornburg Company 15 thousand  
5 some dollars, and then I have to tell them what that  
6 was for. Whether it was for meters or services,  
7 rebuilding pumps. I mean, as far as financial  
8 reporting they just look over it and, like I say, one  
9 of them -- a couple of them are -- Randy was -- he used  
10 to sit on the school board so he's familiar with  
11 financial reports and then Steve Ison, the other  
12 commissioner, he's looked over them before and never  
13 had a problem with any of them, you know. He looks  
14 over them pretty -- for a pretty good while.

15 Q. Does that seem odd to you that you guys  
16 are in the red -- when you include depreciation, you  
17 are losing over a million dollars a year with just  
18 water in the ground and you have one of the highest  
19 rates in the state and there doesn't seem to be many  
20 questions about the financial statements?

21 A. Well, I think the water loss is the  
22 biggest part of that being in the red, you know.

23 Q. One of the parts of it; right?

24 A. Right, one of the parts of it. Yeah.

25 MR. CHANDLER: That's all I have.

1 Thank you, Mr. Gilbert.

2 VICE CHAIRMAN CICERO: Anything else,  
3 Mr. Bowker?

4 MR. BOWKER: Just since Mr. Chandler  
5 referenced the 2017 annual report. And I  
6 am going to approach and just -- ask to  
7 approach to show you what I'm taking  
8 about here.

9 But my question is, can you please  
10 amend your 2017 annual report on Page 49  
11 of 66 to include the information that is  
12 left off for purchased water and  
13 purchased -- left off for purchased water  
14 and purchased power?

15 And may I approach?

16 VICE CHAIRMAN CICERO: Yes, you may.

17 MR. BOWKER: I apologize. I don't  
18 have extra copies of this.

19 MR. CHANDLER: Page 49?

20 MR. BOWKER: 49 of 66.

21 MR. WILLIS: Can I see what you are  
22 referring to?

23 MR. BOWKER: Page 49 of 66, and  
24 there's nothing for purchased water.

25 MR. CHANDLER: This is the breakdown

1 of operating expenses. This is the  
2 breakdown pages of operating expenses;  
3 correct?

4 MR. BOWKER: Yes.

5 BY MR. BOWKER:

6 Q. Do you see where I'm talking about here  
7 where it says purchased water --

8 A. Uh-huh. (Affirmative.)

9 Q. And then it says purchased power, and  
10 that's on Page 49 of 66 of the annual report.

11 I'm just asking if you can make an  
12 amendment to this 2017 annual report to add the numbers  
13 for purchased water and purchased power?

14 A. I can. I can go back to the -- we use an  
15 auditor in Morehead and she's the one that does all of  
16 our audit work, and she's actually working on last year  
17 now. And I'll make a note.

18 MR. BOWKER: Okay. Thank you.

19 VICE CHAIRMAN CICERO: You are going  
20 to ask in a posthearing data request;  
21 right?

22 MR. BOWKER: I was trying to  
23 consider, Mr. Vice Chairman, whether it  
24 should be a posthearing -- I think it  
25 probably should be a posthearing.



1 VICE CHAIRMAN CICERO: There should  
2 be a formal request so he knows exactly  
3 what you are requesting.

4 MR. BOWKER: We will put that in a  
5 posthearing data request.

6 MR. CHANDLER: To clarify the  
7 posthearing data request, can I also just  
8 point out that it appears that fuel for  
9 production and chemicals is also not on  
10 the list.

11 VICE CHAIRMAN CICERO: So for both  
12 party's interest, anything that's left  
13 off that page should be revised and  
14 brought up-to-date.

15 THE WITNESS: Okay.

16 VICE CHAIRMAN CICERO: And you made a  
17 motion to introduce your exhibit as AG  
18 Exhibit 1.

19 MR. CHANDLER: Or even just  
20 incorporated by reference, if it can be  
21 reflected in the minutes I think that  
22 would be fine. If that's okay. As long  
23 as there's no objection.

24 MR. BOWKER: Mr. Vice Chairman, I'd  
25 also move to enter into evidence PSC

1 Exhibit No. 1, PSC Exhibit No. 2, and PSC  
2 Exhibit No. 3.

3 VICE CHAIRMAN CICERO: And you gave a  
4 copy to the court reporter?

5 MR. BOWKER: No, I didn't. May I  
6 approach?

7 VICE CHAIRMAN CICERO: Yes, you may.

8 MR. BOWKER: I put them behind you.  
9 Sorry about that.

10 VICE CHAIRMAN CICERO: Any objection  
11 to that? Let the exhibits be entered as  
12 PSC Exhibits 1, 2, and 3.

13 MR. WILLIS: The revision to Page 49  
14 of 66, shall that be done with our  
15 response to the data request or shall we  
16 supplement those prior to receiving the  
17 data request?

18 MR. BOWKER: I think both.

19 MR. WILLIS: If we could just do it  
20 at the same time.

21 VICE CHAIRMAN CICERO: I think it's a  
22 matter of you requesting your accountant  
23 enter the information which I'm pretty  
24 sure they already have. So I think it's  
25 providing information, confirming that

1                   you did it, and as long as it's complete  
2                   by the time the rest of the folks'  
3                   hearing data requests are complete then  
4                   you are fine.

5                   MR. WILLIS:   Okay.   Thank you.

6                   VICE CHAIRMAN CICERO:  Is there  
7                   anything else for this witness?

8                   MR. BOWKER:   Nothing further from  
9                   Commission Staff.

10                  VICE CHAIRMAN CICERO:  May this  
11                  witness be excused?

12                  MR. BOWKER:   Yes, sir.

13                  VICE CHAIRMAN CICERO:  You may step  
14                  down.   Thank you.   Do you have any other  
15                  witnesses, Mr. Bowker?

16                  MR. BOWKER:   I would like to call  
17                  Billy Gilbert, please, chairman of the  
18                  board.   I hope I got that right this  
19                  time.

20                  VICE CHAIRMAN CICERO:  Mr. Gilbert,  
21                  would you raise your right hand?

22                  Do you swear or affirm that the  
23                  testimony you are about to give is true  
24                  and correct under penalty of perjury?

25                  THE WITNESS:   Yes, I do.

1 VICE CHAIRMAN CICERO: Please be  
2 seated. Mr. Willis, will you do the  
3 introduction?

4 -----

5 EXAMINATION

6 BY MR. WILLIS:

7 Q. Please state your name.

8 A. My name is Bill Gilbert.

9 Q. And do you serve a role with the  
10 Rattlesnake Ridge Water District?

11 A. Yes. I am chairman of the board of  
12 directors.

13 Q. How long have you been chairman?

14 A. Since 1983. Since it was formed.

15 MR. WILLIS: Pass the witness.

16 VICE CHAIRMAN CICERO: Mr. Bowker.

17 MR. BOWKER: Thank you.

18 -----

19 EXAMINATION

20 BY MR. BOWKER:

21 Q. In Data Request No. 2, on Question 14 --  
22 Data Request 2, No. 14, that response states that the  
23 installation of a new master meter at the treatment  
24 plant is part of the ongoing USDA/RD project.

25 Looking back at PSC Exhibit 2, the

1 application, and the final engineering report which is  
2 PSC Exhibit 1 that's in front of you, can you explain  
3 where the master meter fits into the description of the  
4 project?

5 A. Yes. We've got a master meter in there  
6 now but the way it's located it's not -- it's in a turn  
7 and it's not real accurate from what we can understand.  
8 They want to put a new one out beyond where it makes  
9 the turns, where it's more accurate when it's running  
10 straight instead of turned here and here.

11 Q. Okay. So that is listed. Okay. So the  
12 same question but this is Data Request 2, Question 21  
13 that response states that maps are also being completed  
14 as part of the ongoing USDA/RD project.

15 Again, looking back at the application  
16 can you explain where upgrading maps fits into the  
17 description of the project -- the description of the  
18 project?

19 A. No, sir, I cannot. No.

20 Q. As a posthearing data request can you  
21 provide documents that outline all of the project  
22 phases and the projected timetable for completion of  
23 each phase?

24 A. Are you talking about the future project?

25 Q. Yes.

1 A. At this time we've just turned our  
2 application in two months ago and we haven't even got  
3 to that point yet to tell us if we're even going to get  
4 funded for it. But they have been on us for -- I  
5 shouldn't say on us, but requesting for the last two or  
6 three years that we do something on these -- getting  
7 these -- changing these meters out and these service  
8 lines.

9 And as far as normally it takes -- once  
10 we've applied it takes about a year to even get funded.  
11 So hopefully this time next year we will see a  
12 timetable on that.

13 Q. And that's as well as in the existing  
14 project?

15 A. The existing project is just probably, I  
16 think, about 80 percent complete right now.

17 Q. Okay. So if we ask you for -- if you  
18 could -- as a posthearing data request if you could  
19 provide us documents which outline all of the project  
20 phases and a projected timetable for completion of each  
21 phase, could you do that for the existing project?

22 A. Yes, we probably could. Yes.

23 Q. All right. Now I'm moving forward. And  
24 you have been in the hearing room all day today; is  
25 that correct?

1 A. Yes, I have.

2 Q. You have been listening to the questions  
3 and responses from the general manager; correct?

4 A. Yes, I have.

5 Q. Okay. I'm still just unclear a little  
6 bit on one or two points regarding the theft of water  
7 service.

8 Does the county attorney bill the utility  
9 for prosecuting theft?

10 A. We have never -- we have never done one  
11 for that.

12 Q. Never tried to prosecute?

13 A. We have never prosecuted anybody for  
14 theft of water.

15 Q. Have you ever had any conversations with  
16 the county attorney regarding theft of water or  
17 commonwealth attorney regarding theft of water?

18 A. We have a few years back, and we talked  
19 to an attorney when we had a theft, and it was sort of  
20 determined that by the time you do court costs and  
21 lawyer fees trying to collect a hundred dollar water  
22 bill, you are losing money.

23 Q. So you were assuming or the attorney that  
24 advised you was assuming that you would have to pay  
25 court costs --

1 A. Yes.

2 Q. -- and that you would have to pay an  
3 attorney --

4 A. Yes.

5 Q. -- to do that. Okay. And I don't want  
6 to advise you to hear from the -- but you may need to  
7 double check that. Okay?

8 A. Okay.

9 Q. All right. Moving forward, do you have  
10 any responsibility in deciding what construction  
11 projects the utility needs to undertake?

12 A. Yes. We all sit down and discuss them.  
13 When it looks like we're getting ready to do a project,  
14 all of the commissioners and the manager will sit down  
15 and discuss, do we need this pump, do we need this  
16 pump. We do that, yes.

17 Q. Okay. And do you have a say in how the  
18 construction projects will be funded? Who decides  
19 that?

20 A. RD, Rural Development, usually makes that  
21 decision.

22 Q. You-all work with them --

23 A. Yes.

24 Q. -- in making that decision?

25 A. Probably 99 percent of the time that's



1 where our money comes from.

2 Q. Can you explain how the rates that will  
3 recover the construction loans are set?

4 A. That's where the RD determines that to  
5 pay back your loans.

6 Q. Okay.

7 A. The rates.

8 Q. Okay. Just one moment, please. As part  
9 of the utility's response to data request -- Second  
10 Data Request, Question 1, the utility provided --  
11 excuse me, the utility provided a copy of documents  
12 supporting your most recent rate increase. I  
13 apologize.

14 Under Paragraph 10, Business Operation,  
15 that reads in part that: The district will be required  
16 to furnish a prior approved management service plan to  
17 include, at a minimum, provisions for management,  
18 maintenance, meter reading, miscellaneous services,  
19 billing, collecting, delayed payment penalties,  
20 disconnect/reconnect fees, bookkeeping, making and  
21 delivering required reports and audits.

22 Did you -- did the utility furnish a  
23 management plan to RD, to Rural Development, as part of  
24 the loan process?

25 A. I'm not for sure on that. Management

1 would have to answer that.

2 Q. If we were to ask in a posthearing data  
3 request could you provide the Commission with those  
4 same documents and highlight in those documents where  
5 the loan conditions are satisfied?

6 A. Yes, we could.

7 Q. Okay. Thank you. And the utility has  
8 stated that the board is aware of water loss and it  
9 receives reports monthly. So are the members of the  
10 board also aware of what it costs the utility in water  
11 loss?

12 A. Yes, we are. We have been on that --  
13 very aware of that for the last probably three years  
14 more than any other time as it's been read off here  
15 today. Since 2014 we have got worse on our water  
16 losses and we're always addressing that each month  
17 about what can we do, we found this, we found this.  
18 And it seems like there's no end to it. You solve this  
19 problem and next month we've got another one. But yes,  
20 we are aware of that.

21 Q. So it's discussed at every -- how  
22 frequently does the board meet?

23 A. We meet once a month, first Monday of  
24 each month.

25 Q. And it's discussed at every board

1 meeting, water loss is?

2 A. Yes, water loss is because that's on  
3 everybody's mind. And obviously, it's why we're here  
4 today.

5 Q. Has the utility ever discussed with  
6 Bluegrass Engineering a line replacement project and  
7 call it a capital improvement planning project?

8 A. No, we have not.

9 Q. Is that something maybe you would like to  
10 discuss with Bluegrass Engineering? Is that a  
11 possibility?

12 A. Well, it's possible we could. But like I  
13 say, we've done this project overall of these 30 some  
14 years, all of our lines are not old and leaky. It's  
15 just like our phase one and phase two seems to be where  
16 we've had a lot of problems. And again, we've heard  
17 all day, service lines is a big thing.

18 But the main lines don't seem to be a  
19 major problem. But over the years there would probably  
20 have been about 60 or 70 percent replaced because they  
21 split and break and get old. So...

22 Q. Do you-all have issues with  
23 pressurization -- is pressure with the terrain, is that  
24 an issue?

25 A. Yes, it is. Yes, it is. And we've

1 got -- we've got several areas we have to have high  
2 pressure line down in valleys where it gets so high.  
3 There have been issues and still will be issues from  
4 here on out probably.

5 VICE CHAIRMAN CICERO: Can you  
6 clarify what you just said about the main  
7 lines, how much has been replaced?

8 THE WITNESS: Well, as we get these  
9 breaks, as far as going in and replacing  
10 the whole line, no, we have not. But  
11 we've replaced so many 20 and 40 foot  
12 joints, it's not that it's all -- all of  
13 it is not old, you know.

14 But like I say, all of our major  
15 problems is -- is service lines on the  
16 first two projects we did in '85 and I  
17 think '87.

18 VICE CHAIRMAN CICERO: Okay. I think  
19 in the discussion we had earlier, the  
20 lines really aren't old. They're less  
21 than 40 years; right?

22 THE WITNESS: The original ones, yes.

23 VICE CHAIRMAN CICERO: And typically  
24 unless it's the concrete/creosote or  
25 cardboard/creosote, typically those lines

1                   should last -- I think the commission  
2                   uses 62 and a half years as an average  
3                   life and you are talking about less than  
4                   40, which would really even be outside  
5                   the range or neighborhood of what we  
6                   would consider useful life. Those lines  
7                   are deteriorating or failing?

8                   THE WITNESS: Not a whole lot. Most  
9                   of them where we find leaks is where they  
10                  have a turn and the gasket finally blows  
11                  out, or they're laying on a rock here and  
12                  it's -- here's a line laying on rock and  
13                  it bounces and bounces and finally rubs a  
14                  little weak spot in it and it splits. So  
15                  we replace the whole line.

16                  But as far as -- they don't seem to  
17                  be deteriorating these service lines.  
18                  And it's this blue pipe that you have  
19                  heard about all day is our major problem  
20                  and it's cost us lots of money.

21                  Until we get it replaced. And we've  
22                  talked on this thing for four or five  
23                  years to do something with it, and this  
24                  is the first time when we're applying  
25                  right now we're finally getting to where

1 we can see some light to get rid of it.

2 BY MR. BOWKER:

3 Q. Are there minimum requirements for who  
4 can sit on the board of commissions?

5 A. Well, it's -- well, Carter County has  
6 three and Elliott County has got two. That's all I can  
7 tell you.

8 Q. How are members of the board selected or  
9 how are they vetted?

10 A. The fiscal court appoints those  
11 commissioners. It used to be the judge executive did  
12 but I don't know if PSC passed it or somebody did that  
13 it had to be the board -- the fiscal court had to put  
14 somebody on the board.

15 Q. So the board doesn't have any say -- I  
16 mean, the board of commissioners doesn't have any say  
17 about who is also going to be serving on there with  
18 you?

19 A. No. The last two new ones that we've got  
20 in there -- in fact, the last four, the two from  
21 Elliott County and the two from Carter County, I had no  
22 idea who they were until they showed up at the meeting.

23 Q. So is it possible for you to talk to  
24 the -- go speak to the fiscal court and ask -- do you  
25 think it would be a good idea to ask to have some level

1 of expertise in finance, accounting, business or law  
2 that would help oversee the utility's functions without  
3 necessarily having to go outside to find that  
4 expertise?

5 A. Well, I guess at a point it would because  
6 if you knew somebody that you knew was going to be a  
7 board member opening, you knew somebody that was really  
8 qualified, I could see where it would help make a  
9 difference on making decisions with experience.

10 MR. BOWKER: Okay. Thank you, sir.  
11 I have no further questions for you.

12 VICE CHAIRMAN CICERO: Just as a  
13 matter of clarification. I believe the  
14 fiscal court is made up usually of three  
15 commissioners and the county judge  
16 executive and the county judge executive  
17 usually nominates and then has to be  
18 approved by the entire fiscal court.

19 THE WITNESS: I think in Carter  
20 County there's five.

21 VICE CHAIRMAN CICERO: There could be  
22 more commissioners.

23 THE WITNESS: There's five and a  
24 judge. And from what I understand the  
25 judge is only a tie-breaking vote. I may

1 be wrong on that, but I think --

2 VICE CHAIRMAN CICERO: I've seen all  
3 kinds of unusual things, that's very  
4 possible. I'm just not familiar with it.

5 -----

6 EXAMINATION

7 BY VICE CHAIRMAN CICERO:

8 Q. What would you describe the role of the  
9 board is in managing the operations of the utility?

10 A. Well, I guess we could talk about that  
11 the rest of the day probably. But I guess, like I say,  
12 we meet once a month just to try to see that  
13 financially we're doing all right and what do we need  
14 to do on water losses, for example, and extending the  
15 projects.

16 Q. So that's a good lead-in. Talking about  
17 to see whether you are financially okay. From what  
18 I've been able to determine, or at least from the  
19 answers that were given earlier in testimony, there  
20 doesn't seem to be a lot of budgeting actual activity  
21 that supports what the water district is doing so that  
22 they can actually understand whether they're doing well  
23 or not?

24 A. Well, we usually do look at that. Like I  
25 say, we sort of try to watch it and we do watch it and



1 we see that we're running a hundred thousand dollars in  
2 the red, and I'm using an example, and I see up here  
3 depreciated expenses, 293,000, we just don't have  
4 enough money in depreciation to get that out of the  
5 red. Depreciation has always been a --

6 Q. It's a noncash item?

7 A. Uh-huh. (Affirmative.)

8 Q. So you are looking at it from a cash flow  
9 basis?

10 A. Very true. Yes.

11 Q. That's okay for current operations but it  
12 doesn't do anything for the future.

13 A. Very true. For infrastructure, very  
14 true. But again, like our manager said before, we're  
15 better now in our depreciation account than we have  
16 been since I've been there since 1983. 1985 is when we  
17 actually went into business with the first customer but  
18 we had two years of planning.

19 Q. What's interesting is if the service life  
20 on the books is the same as what you have identified as  
21 40 years, you are probably depreciating faster than you  
22 should in your depreciation account, your depreciation  
23 expense that you are reflecting annually is probably  
24 overstated from where it should be.

25 A. RD sets that figure up. We do not

1 have -- we've talked years and years ago when we first  
2 started and said, man, how are we ever going to get  
3 that much money in that thing? And back then, like I  
4 say, it was 1985 when we actually started seeing money.  
5 And they'd say, well, you are supposed to have \$70,000  
6 in here. And man, there ain't no way we can ever put  
7 \$70,000 in here. So how they -- I guess they -- how RD  
8 comes up with that figure, I don't know.

9 Q. Well, service lives for different assets,  
10 they vary. So for main line type, it probably should  
11 be around 62 and a half years or more. For buildings,  
12 it's different. For vehicles, it's different. If you  
13 are capitalizing computers, it's different. Office  
14 furniture would be different.

15 A. Yes.

16 Q. Everything would be different. Land does  
17 not depreciate. So when they come up with a  
18 depreciation that's based on the useful life of the  
19 asset amortized over whatever period of time its  
20 determined to be useful life, that's why it varies.

21 But if you are amortizing the pipe at  
22 less than what the actual useful life is, you are  
23 overstating what your depreciation expense is, and I  
24 don't know what RD does but we would --

25 A. Like I say --

1 Q. That's next on our list. We're not  
2 certain how they determine --

3 A. Like I say, I'll give you a good example  
4 of what we're talking there is this project that we're  
5 doing right now, not counting our office is roughly two  
6 million dollars for infrastructure, and what 29  
7 customers we picked up, or 34, something like that.

8 Most of it is new tanks and redo all of  
9 our pump stations and repaint tanks that's not new.  
10 And here we are with \$230,000 in that depreciation  
11 fund. So even -- we would have had to have been up to  
12 two million dollars in that depreciation fund to  
13 support your infrastructure, you know, so you see where  
14 I'm going. I don't know how we could ever build up  
15 depreciation fund that high and make us not be in the  
16 red.

17 Q. Well, you are fortunate that you are  
18 receiving grants because the grants are being used for  
19 the funding that should have gone into the depreciation  
20 account because you just stated you are only picking up  
21 29 customers, which means that basically what you are  
22 doing is capital improvements with grant money or  
23 borrowing money in order to make the improvements that  
24 should have been in the depreciation account.

25 A. Right. I agree with you.

1 Q. But let's go back to the financial side  
2 of it here.

3 A. Uh-huh. (Affirmative.)

4 Q. Do you look at an income statement every  
5 month?

6 A. We look at it, yes, we do. Not every  
7 line item probably but if there's a problem we look at  
8 them, yes.

9 VICE CHAIRMAN CICERO: Do we have a  
10 copy of the income statement that  
11 Rattlesnake Ridge -- did we ask for one?

12 MR. BOWKER: Just in the annual  
13 report but I don't think we did it in  
14 a --

15 VICE CHAIRMAN CICERO: This hearing  
16 request, did we request what their  
17 monthly income statement looks like?

18 MR. BOWKER: No, sir.

19 VICE CHAIRMAN CICERO: Posthearing  
20 data request, can you provide copies of  
21 June through December income statements  
22 that the board utilizes to do their  
23 monthly review of operations. I'd just  
24 like to see what those --

25 THE WITNESS: You said June through

1 what?

2 VICE CHAIRMAN CICERO: June through  
3 December is fine of last year. We're  
4 already into this year. Do January  
5 through June of this year. That's the  
6 first six months of the year.

7 BY VICE CHAIRMAN CICERO:

8 Q. Are you on a fiscal year or calendar  
9 year?

10 A. Calendar year.

11 Q. Okay. So you go from January through  
12 December. So we'll get an idea what the first six  
13 months of the year look like if you provide January  
14 through June.

15 A. January through June. Okay.

16 Q. So do you sit down -- other than the  
17 monthly meeting -- with the general manager in order to  
18 discuss his performance, what he should be doing, any  
19 oversight, or do you pretty much let him run the  
20 business?

21 A. No. I'm there every Tuesday morning  
22 usually around 8:30 to sign payroll checks and vendor  
23 checks. And that's when we sit down and if anything --  
24 we've got a leak here, another leak here, and what's  
25 this. And we have a general discussion of what's going

1 on that week.

2 Q. So you are taking somewhat of an active  
3 role in the management of the --

4 A. In some weeks I'm there maybe twice a  
5 week and during these construction projects sometimes  
6 you have to be there a little more to meet with the  
7 contractor coming in with a slight problem or whatever.  
8 But most of the time our general manager can take care  
9 of that.

10 Q. How would you say the office operations  
11 are managed? Is that pretty much a stepchild or does  
12 that receive the attention it needs?

13 A. I'm real satisfied with it. Like I said,  
14 I've been there through four managers now and I'm well  
15 satisfied the way it's been run.

16 Q. When you say you have been through four  
17 managers, four general managers, office managers, or  
18 what are you referring to?

19 A. Well, first two or three we described as  
20 the office manager until this last one about three  
21 years ago we changed it to general manager.

22 Q. So the office manager position was  
23 eliminated?

24 A. Well, it was combined with a field  
25 superintendent to a general manager, combined, yeah.

1 Q. And what qualifications would you say  
2 your general manager has of being an office manager?

3 A. Well, the big thing to me on it, it was  
4 the experience of being there with us since day one  
5 when we started operations. So he was a lot more  
6 familiar since he's there every day, he's more familiar  
7 with anything that I could ever be familiar with, not  
8 being there every day.

9 Q. So that's great for legacy knowledge but  
10 as far as from a business management perspective, what  
11 are the qualifications that possessed you to say he  
12 needs to be the office manager?

13 That he needs to manage the office as a  
14 general manager.

15 A. When we hired our last manager, we went  
16 through four people interviewed and he was the most  
17 qualified man because of experience.

18 Q. Well, I'm not sure you are answering my  
19 question. Because experience is great if it's  
20 experience with the office, but I'm not sure that his  
21 experience is with the office type function. I'm just  
22 asking the question. It's not --

23 A. Well, he was familiar with the office  
24 because he was in there as a -- I say he was  
25 superintendent out in the field, but he had an office

1 in our main office working with our office manager.

2 Q. So he's able to prepare budgets or  
3 discuss financial statements or talk about development  
4 of any type of analysis on a cost benefit or develop  
5 production costs of water or anything like that?

6 A. Yes. Anything that we ask for he's  
7 usually -- he can come up with it that we ask for, yes.

8 Q. Well, then he obviously doesn't have  
9 enough time to do what he's supposed to be doing  
10 because he's still using \$2.50 for production of water,  
11 isn't he?

12 A. Well, yes. And again, that's why we've  
13 been fighting that for three or four years now trying  
14 to figure out why we're getting more of a loss.

15 Q. That's okay. I'll stop that line of  
16 questioning.

17 We talked a little bit about policies and  
18 procedures and the lack thereof. Again, I think your  
19 general manager is more overwhelmed with all of the  
20 duties that he has to do rather than not wanting to do  
21 it. So no criticism there.

22 But what will it take in order for  
23 Rattlesnake Ridge to implement some kind of timeline or  
24 schedule to develop some policies and procedures that  
25 with help in the continuity of operations going forward



1 if somebody left?

2 In other words, do you have -- you could  
3 have the accounts payable person or whoever it is  
4 that's doing accounts payable or whatever write a  
5 description of what they do and give it to the general  
6 manager so that a policy -- an education type book  
7 could be put together?

8 A. I'm not sure I'm following what you want  
9 me to do --

10 Q. If I'm working in a position I know what  
11 I'm doing more than anybody else does, would you agree?

12 A. Uh-huh. (Affirmative.)

13 Q. So if that person writes that down as a  
14 guide for those that may follow and have it approved by  
15 the general manager and develop the procedures that go  
16 with it, in other words, I'm the accounts payable  
17 person, I receive a check -- I receive an invoice in, I  
18 process it for payment, it's approved, and a check is  
19 cut eventually.

20 A. Uh-huh. (Affirmative.)

21 Q. And the steps that they go through and  
22 who it is that approves it and where it's sent to would  
23 be part of the policy?

24 A. Yes. I would have no problem with that.  
25 We could probably do that.

1 Q. Okay. I don't expect that all to be done  
2 right away, just a commitment that that's going to  
3 happen is all that we're looking for, and will probably  
4 be in the order when it goes out. But that's the type  
5 of thing that we're looking for.

6 But the board is not adverse to that?

7 A. Okay.

8 Q. You would agree?

9 A. Yes, if anything will help improve our  
10 operations, which I feel that we do pretty good because  
11 of the water loss, you know, but anything to improve it  
12 I'd be all for it.

13 Q. I think I asked a question about  
14 consolidation, merger, or sale of the business and  
15 there didn't seem to be any headwind as far as that  
16 thought process was concerned.

17 Would you agree -- I know you haven't  
18 actively looked and probably there's nobody actively  
19 pursuing you or maybe you could answer that one way or  
20 the other whether anybody has approached you?

21 A. The only thing that I can remember that  
22 we did do on that is when we built our water plant in  
23 2000 roughly, it was suggested that we do a water  
24 association. And we did meet with Grayson and I think  
25 it's Sandy Hook and maybe Big Sandy about doing a water

1 association, build one big plant for all of us to have  
2 water out of one big, huge plant. And we could not get  
3 any interest out of any of the other ones. Other than  
4 that we have not, no.

5 Q. Okay. But if that was to ever be  
6 floated, you wouldn't -- so to speak, you wouldn't be  
7 opposed to it?

8 A. I can sit down and discuss it with  
9 somebody if I was approached.

10 Q. All we're looking for is an open mind. I  
11 don't think we're pushing anybody to do anything at  
12 this point.

13 A. Of course, I don't know of any -- in my  
14 area anybody that would want to take on nine hundred  
15 miles of waterline.

16 Q. You never know.

17 A. That's very true.

18 VICE CHAIRMAN CICERO: Mr. Chandler,  
19 do you have any questions?

20 -----

21 EXAMINATION

22 BY MR. CHANDLER:

23 Q. Just a couple, Vice-Chairman. Good  
24 afternoon.

25 A. Good afternoon, sir.

1 Q. Have you ever heard of Blue Max piping?  
2 A. No.  
3 Q. But you have heard of polybutylene?  
4 A. Yes.  
5 Q. Right?  
6 A. Yes.  
7 Q. So if polybutylene was commonly referred  
8 to as Blue Max, that would be the same -- you would  
9 understand that to be the same thing?  
10 A. I'm not real sure. I just know everybody  
11 says blue pipe is bad news. But I cannot answer you on  
12 that.  
13 Q. And that blue pipe that you-all are  
14 referring to, the service lines would have been put in  
15 in the mid --  
16 A. '85.  
17 Q. Mid '80s to early '90s?  
18 A. No. Probably '85 and '87.  
19 Q. Okay.  
20 A. I know '85 for sure it was and phase two  
21 came along about two years later.  
22 Q. So if the district was asked: Provide  
23 the water utility's closest approximate number of  
24 service lines and transmission and distribution lines  
25 that were made with polybutylene within its

1 distribution system and the dates they were installed,  
2 you-all would be able to answer that?

3 A. I'm quite sure -- I think our manager did  
4 say that it was phase one and phase two. And like I  
5 say, we've done our -- over the years we've done about  
6 15 phases in our project and that phase one and two  
7 would tell you exactly where that line is and how many  
8 was put in.

9 MR. CHANDLER: Can I have one second  
10 to confer with counsel?

11 VICE CHAIRMAN CICERO: Sure.

12 MR. CHANDLER: Sorry, Chairman. The  
13 request initially asked for that  
14 information but in regards to Blue Max  
15 piping, which I think is like the trade  
16 name.

17 But it seems from the testimony today  
18 that it just may be that Rattlesnake  
19 Ridge refers to it by its chemical name  
20 and that the request originally requested  
21 asked -- and the initial response is that  
22 Rattlesnake Ridge has no Blue Max  
23 service, transmission, or distribution  
24 line. I think the testimony today may  
25 differ.

1                   So as a posthearing data request I  
2                   think we would just ask it with the  
3                   chemical name and see if the response is  
4                   different.

5                   VICE CHAIRMAN CICERO: Or similar.

6                   MR. CHANDLER: Or similar. Blue  
7                   piping that's subject to disintegration.  
8                   Okay. So we will ask that as a  
9                   posthearing data request.

10 BY MR. CHANDLER:

11 Q.               I'll ask, are you all happy with  
12 Bluegrass Engineering?

13 A.               Yes. This is the first year -- this is  
14 probably two years with the project engineer that we  
15 had, with him because he's -- but yes, we are so far,  
16 yes.

17 Q.               And that's a sensitive question or  
18 delicate question. Were you unhappy with Kentucky  
19 Engineering or did you just decide to go a different  
20 direction?

21 A.               No, we wasn't unhappy. But I think -- as  
22 the manager explained things, they sort of split off  
23 and the project engineer went with the new Bluegrass,  
24 and since he had already worked on this thing for a  
25 year we didn't want a new project manager here taking

1 over and have to start all over from all of these  
2 phases of new tanks, new pump station, remodelling pump  
3 stations. And we chose to do that because of his -- he  
4 already knew all of that stuff.

5 Q. And is that the project manager or the  
6 engineer, Mr. Thompson?

7 A. It would be the project manager, not Mr.  
8 Thompson.

9 Q. So it's the person that deals with  
10 you-all on a monthly basis?

11 A. Right.

12 Q. Or weekly basis?

13 A. Weekly, monthly, yes. Recently weekly.

14 Q. So it's not the engineer necessarily,  
15 it's just the person that's in direct communication  
16 with you?

17 A. Yes. The engineer, Matt, I don't  
18 remember his last name. I think I've only met him  
19 twice because he's got other commitments on the same  
20 day of our meeting.

21 VICE CHAIRMAN CICERO: Did that  
22 create any bad blood, switching from  
23 Kentucky Engineering to Bluegrass?

24 THE WITNESS: No, we had some tests  
25 and they had some agreement and RD got

1 really involved in that. They were  
2 really concerned. And as far as I can  
3 tell it didn't create any bad blood.

4 VICE CHAIRMAN CICERO: There was no  
5 cost penalty?

6 THE WITNESS: No, there was no  
7 penalties.

8 BY MR. CHANDLER:

9 Q. What was RD concerned about?

10 A. They was a little concerned about  
11 changing horses in the middle of the stream, I'm sure  
12 you have heard that thing, engineering firms. But we  
13 still had the same designer, engineering designer.

14 Q. So RD sets you-all's depreciation  
15 expense?

16 A. Yes, they have always helped do that.  
17 Like I say, we've never been able to live up to it.

18 Q. So I guess my question is, and I'll add  
19 context to it, but what's the problem? All right.  
20 You-all have the -- Rattlesnake Ridge has one of the  
21 highest rates in the state.

22 A. Uh-huh. (Affirmative.)

23 Q. And then your rates are ordinarily set by  
24 RD --

25 A. Uh-huh. (Affirmative.)



1 Q. -- through the 023 cases, not by the  
2 Commission in a rate case?

3 A. Right. Very true.

4 Q. And they set those rates based off of a  
5 five year pro forma and take into account anticipated  
6 expenses, they include the amount of depreciation  
7 that's expected, so why is it that even though the  
8 rates are set in that manner, that Rattlesnake Ridge is  
9 still unable to earn the level of revenues -- the level  
10 of income, the annual net income that they're supposed  
11 to?

12 A. I can't really answer you on that. Like  
13 I say, even when we started it was the same way. We  
14 didn't have all of these losses to affect our money.  
15 We didn't have all of these losses and we still  
16 couldn't live up to it.

17 My opinion right now to live up to what  
18 they want the depreciation count, we would be the  
19 highest in the State of Kentucky or more, the highest.  
20 Because we'd have to raise the rates high enough to get  
21 that depreciation fund up to where they want it.

22 Q. Right. But even with the depreciation  
23 fund things are tight; right? Ignore the depreciation,  
24 things are pretty close.

25 A. Well --

1 Q. And the rates are set to earn that  
2 depreciation; right? To cover that depreciation  
3 expense?

4 A. Supposedly, but we've never been able to  
5 do it.

6 Q. And that's what I'm asking. You heard  
7 the conversation earlier about budgeting; right?

8 A. Uh-huh. (Affirmative.)

9 Q. And you-all sit down every year -- I  
10 don't want to put words in your mouth. But what I  
11 heard is that the accountant comes in with the last  
12 years' budget and looks at things that went up and  
13 things that went down and adjusts certain lines by plus  
14 or minus 5 percent to give a rough estimate of what the  
15 budget is supposed to be the next year.

16 A. Uh-huh. (Affirmative.)

17 Q. But does that really give an accurate  
18 representation of the expectation of the budget for the  
19 next year?

20 A. Well, in my opinion it does except  
21 depreciation account. Again, we keep referring back to  
22 that and there's no way we could ever get up to that.

23 Q. But the next year, if you-all know you  
24 are buying a truck increasing the line item for truck  
25 by 5 percent isn't going to cover the additional cost

1 for the new truck; right?

2 A. Well, over a five-year period.

3 Q. But budgets are an annual basis; right?

4 A. Very true. Our trucks last five years.  
5 It's an example, I'm sure.

6 Q. That's what I'm saying, if you are  
7 getting a whole new truck just increasing that line  
8 item by 5 percent isn't going to cover it; right?

9 A. Uh-huh. (Affirmative.)

10 Q. And I guess what I'm asking is at any  
11 point, knowing that you continue to get your rate set  
12 through an 023 case where they're administratively set  
13 to cover all of your expenses over a five-year period,  
14 taking into account all of the pro forma adjustments,  
15 how is it that the board hasn't gone with an accountant  
16 and looked and said, okay, what is it we're  
17 undershooting? What is it we're overshooting? And  
18 then when you find out what you are overshooting have a  
19 serious discussion with management about those issues?

20 A. Well, I can't really answer you on that.  
21 I don't know what to tell you on that.

22 Q. Let me ask you: If this was a business  
23 and this was your capital and you didn't have an  
24 opportunity to go borrow from RD and you didn't have  
25 grants, do you think on an annual basis you'd be

1 looking at those issues to see where you were losing  
2 the money?

3 A. Probably would, yes.

4 MR. CHANDLER: That's all I have,  
5 Vice Chairman.

6 VICE CHAIRMAN CICERO: Mr. Willis?  
7 Mr. Bowker?

8 -----

9 EXAMINATION

10 BY MR. BOWKER:

11 Q. Just one follow-up, Mr. Vice Chairman.  
12 Are you sure that RD sets the rates to  
13 include depreciation?

14 A. Like I say, I've been in there since day  
15 one and they're the ones that put that depreciation in  
16 there. We do not do that.

17 MR. BOWKER: Okay. Nothing further.

18 VICE CHAIRMAN CICERO: So when you  
19 asked a question, if RD sets the rates to  
20 include depreciation. His response was  
21 RD always develops the depreciation. But  
22 I'm not sure that your question was  
23 answered.

24 Do you want to do a posthearing data  
25 request?

1 MR. BOWKER: We can do a posthearing  
2 data request to flush that out some.

3 VICE CHAIRMAN CICERO: He's just  
4 asking to verify that the depreciation  
5 was included in the rate that RD  
6 developed. Because in the past we've  
7 found that in certain cases the  
8 depreciation was left off by RD.

9 THE WITNESS: I'm not -- I can't.

10 VICE CHAIRMAN CICERO: This is  
11 something you probably have to talk to  
12 the accountant about and have him  
13 validate that when RD loans and the  
14 documents were developed and the rate was  
15 developed, that RD has got the  
16 depreciation in it.

17 I'll issue it in a written  
18 posthearing data request to Mr. Willis  
19 and you have to go from there. Okay?

20 THE WITNESS: Okay.

21 VICE CHAIRMAN CICERO: Anything else?

22 MR. BOWKER: Well, we've got  
23 a -- it's going to be all of the  
24 utilities, a posthearing data request  
25 that asks for that information. So it

1 will be -- we've already started on one.

2 VICE CHAIRMAN CICERO: Well, the  
3 posthearing data request will be unique  
4 and general at the same time. So we're  
5 doing seven or eleven utilities all at  
6 once, so there will be general  
7 posthearing data request questions that  
8 you receive. But questions like this  
9 that were asked specifically about  
10 Rattlesnake Ridge will also be  
11 specifically included in those  
12 posthearing data requests.

13 And then, of course, the Attorney  
14 General has his own posthearing data  
15 request questions that will be submitted  
16 to you in writing and we'll establish  
17 some dates here at the conclusion of  
18 testimony.

19 But just to give you an idea of how  
20 it works. Okay.

21 THE WITNESS: Because see another  
22 thing that comes to my mind on  
23 depreciation fund, we've got \$230,000 in  
24 it now. I cannot put pull one dollar out  
25 of that unless Doug Hoff, RD, approves

1 it. So they're controlling that money.

2 VICE CHAIRMAN CICERO: I think that's  
3 because right now your depreciation  
4 reserve is underfunded for the covenant  
5 of the RD loan. So they are requiring  
6 you to put so much into it to bring the  
7 balance up to where the covenant requires  
8 you to be. That's my guess.

9 THE WITNESS: Okay.

10 MR. CHANDLER: Maybe you can pull it  
11 out, but I wouldn't. It's a requirement  
12 of your lender, yeah.

13 VICE CHAIRMAN CICERO: I think  
14 they're just trying to protect themselves  
15 from situations like what occurred at  
16 Southern and Prestonsburg where it was  
17 liens and other issues.

18 MR. CHANDLER: Somebody doesn't get  
19 paid back.

20 THE WITNESS: And we've had a couple  
21 of issues where we've had to pull some  
22 money out for the emergency fund and we  
23 have to have a letter from them saying,  
24 yes, take \$30,000.

25 VICE CHAIRMAN CICERO: I understand.

1 THE WITNESS: I do too.

2 MR. BOWKER: Nothing further.

3 VICE CHAIRMAN CICERO: I don't have  
4 anything further.

5 May this witness be excused?

6 MR. BOWKER: Yes.

7 VICE CHAIRMAN CICERO: You may be  
8 step down. Thank you.

9 MR. BOWKER: I have no further  
10 witnesses.

11 VICE CHAIRMAN CICERO: Mr. Chandler,  
12 do you have any other witnesses you'd  
13 like to call?

14 MR. CHANDLER: Nothing, Vice  
15 Chairman.

16 MR. WILLIS: I'm sure he's sad that  
17 he doesn't get to testify.

18 VICE CHAIRMAN CICERO: That being the  
19 case, if there's no other witnesses and  
20 no other testimony. I don't have any  
21 other questions.

22 So at this point, posthearing data  
23 request I was looking at having it out by  
24 Friday the 19th.

25 MR. BOWKER: We can do that.



1 VICE CHAIRMAN CICERO: Mr. Chandler?

2 MR. CHANDLER: I will be out of town  
3 on Thursday and Friday so I will just  
4 likely just go ahead and file mine  
5 tonight.

6 VICE CHAIRMAN CICERO: I don't think  
7 you have very much.

8 MR. CHANDLER: I'm going to restate  
9 the single question from the Commission  
10 Data Request changing to Blue Max, that's  
11 all I'm going to do.

12 VICE CHAIRMAN CICERO: Okay. And  
13 then for a response what would you like?  
14 July 22nd or -- July 26th or August 2nd?  
15 One is one week out, the other is two  
16 weeks out.

17 MR. WILLIS: The 2nd would be best.

18 VICE CHAIRMAN CICERO: August 2nd?

19 THE WITNESS: Probably two weeks out  
20 looking at things I've got on my  
21 schedule.

22 VICE CHAIRMAN CICERO: Posthearing  
23 data requests out by the 19th and  
24 responses back by August 2nd.

25 MR. CHANDLER: I can just make a

1 recommendation.

2 VICE CHAIRMAN CICERO: Sure.

3 MR. CHANDLER: That if there are  
4 questions that are asked of the utility  
5 that they feel more comfortable allowing  
6 one of their agents to answer, for  
7 instance, questions about the inclusion  
8 of the depreciation expense rate, if  
9 there's somebody they work with at  
10 Bluegrass, given that we're not going to  
11 have, I assume, follow-up hearing to it;  
12 that if they're the witness that may be  
13 more helpful in providing direct  
14 knowledge of the answer. So...

15 VICE CHAIRMAN CICERO: In other  
16 words, if you can claim assistance. I  
17 think as the chairman pointed out this  
18 morning, this isn't -- this is more of an  
19 investigative hearing than a conflict  
20 hearing.

21 So I mean at this point we're not  
22 under the gun from a statutory  
23 standpoint, we're just trying to develop  
24 a record and go forward with a case that  
25 hopefully helps people out with the

1 operation of their water district and  
2 improve water loss or nonuse of water,  
3 however you want to approach it. Any  
4 motions? Any other business?

5 MR. BOWKER: No other business. No  
6 other motions from Commission Staff.

7 VICE CHAIRMAN CICERO: So this  
8 meeting then is adjourned.

9 -----  
(HEARING CONCLUDED)

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PSC Hearing  
In Re: Rattlesnake Ridge Water District

1     STATE OF KENTUCKY     )  
   COUNTY OF FAYETTE     )

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3                     I, SUSAN R. ELSENSOHN, Certified Court  
4     Reporter and Notary Public, State of Kentucky at Large,  
5     certify that the facts stated in the caption hereto are  
6     true; that at the time and place stated in said caption  
7     the witnesses after being duly sworn, were examined;  
8     that said testimony was taken down in stenotype by me  
9     and later reduced to typewriting, by computer, under my  
10    direction, and the foregoing is a true and complete  
11    record of the testimony given by said witnesses.

12                    My commission expires: September 9,  
13     2022.

14                    In testimony whereof, I have hereunto set  
15    my hand and seal of office on this the            day  
16    of                                    , 2019.

17

18

19                    SUSAN R. ELSENSOHN  
   Certified Court Reporter  
20                    Notary ID No. 606854  
   Notary Public, State-at-Large

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