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March 2, 2022

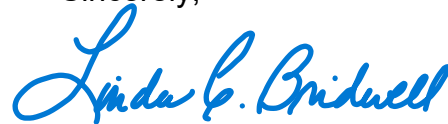
## PARTIES OF RECORD

Re: Case No. 2021-00339

Attached is a copy of a memorandum, which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the memorandum, please do so within five days of receipt of this letter.

If you have any questions, please contact Brittany Koenig, Assist. General Counsel at [Brittany.Koenig@ky.gov](mailto:Brittany.Koenig@ky.gov).

Sincerely,

  
Linda C. Bridwell, PE  
Executive Director

Attachment

## INTRA-AGENCY MEMORANDUM

### KENTUCKY PUBLIC SERVICE COMMISSION

**TO:** Case File No. 2021-00339, ELECTRONIC ALLEGED FAILURE OF NORTH MANCHESTER WATER ASSOCIATION, INC., ITS OFFICERS, STEVE DAVIS, BILL HURD, CARL GREGORY HOSKINS, BOBBY WOLFE, HENRY SMITH, TED WOODS, CARL DAVID CRAWFORD, AND ITS MANAGER, JERRY RICE, TO COMPLY WITH KRS 278.140, KRS 278.230, 807 KAR 5:006, SEC. 4, AND KRS 278.990

**FROM:** Brittany H. Koenig, Assist. General Counsel

**DATE:** March 1, 2022

**RE:** Informal Conference of January 11, 2022

Pursuant to the Commission's Order issued on December 16, 2021, an informal video conference (IC) was conducted on January 11, 2022. Included is a list of those in attendance.

The purpose of the IC was to discuss with North Manchester Water Association (North Manchester Water) information responsive to the issues in this matter.

Commission Staff, Brittany Koenig, began the meeting by advising representatives of North Manchester Water that notes would be taken during the conference and that Staff would prepare and enter into the record a memorandum regarding the conference. Staff further advised that the utility has five days after the memorandum is entered into the record to file comments on the memorandum.

Mr. Osterloh explained first that he felt that this matter was the result of a miscommunication between the utility and local counsel. He stated that the utility provided information to the local counsel believing that the materials would be conveyed to the Commission, however the local counsel did not file the answers to information requests in the Case No. 2019-00041 investigation. Additionally, Mr. Osterloh noted that the utility understood that it had not filed its annual report on time.

Commission Staff explained that the Commission's Division of Inspections (DOI) has not been receiving quarterly meter reports and the only reports received were through this case. Ms. Lewis explained that she now understands those need to be submitted to the DOI monthly via email. Additionally, Commission Staff explained that a response to the last inspection was due December 15, 2021, and Ms. Lewis stated that a response had been sent by U.S. mail.

Mr. Maggard spoke on behalf of the utility for the duration of the conference and explained the efforts to address water loss since the Commission's November 22, 2019 Order in Case No. 2019-00041. Mr. Maggard explained that the utility has an attentive crew in place and the board replaced the field manager to address water loss. Mr.

Maggard stated that water pump run times are down generally and water purchases are down generally. Commission Staff inquired about a master meter in Manchester reading incorrectly and Mr. Maggard explained that CI Thornburg recalibrated the meter.

Commission Staff requested missing audits and the records have been sent to an accountant in Berea for 2017, 2018, 2019, and 2020. Mr. Woods, board member and accountant, explained that he is paid as an accountant for the utility and is a current board member. Commission Staff notes in this memo a concern that this is a conflict of interest. Staff recommends going forward that the board should address this conflict of interest and Mr. Woods should not participate in any vote related to his employment.

Commission Staff discussed the need for a base line to determine rate sufficiency and to address additional funds required to address water loss. Commission Staff discussed the possibility of a water loss surcharge. Commission Staff inquired about whether the utility is in good standing with Kentucky Infrastructure Authority (KIA) and other creditors. Mr. Davis stated that North Manchester Water is in good standing and explained that the county “called in” a loan and the utility worked out an agreement with KIA to pay a reduced rate. The utility is pursuing a way to eliminate the KIA loans.

Commission Staff inquired about the Attorney General’s investigation and Mr. Davis stated that there are no board members or employees currently that are involved with the on-going investigations.

There being no further discussion, the IC was then adjourned.

cc: Parties of Record

### **Attendance Log for Virtual IC on January 11, 2022**

Commission Staff:

Brittany Koenig  
Ariel Miller  
Eddie Beavers  
Heather Temple  
Erin Donges

North Manchester Water:

Todd Osterloh, counsel  
Steve Davis, President  
Rose Lewis, Manager  
Mike Maggard, Engineer  
Ted Woods, Board Member and CPA  
Henry Smith  
Greg Hoskins  
Bobby Wolfe  
Carl David Crawford

Steve Davis  
Registered Agent  
193 Isaiah Seth Drive  
Manchester, KENTUCKY 40962

Joe L Asher  
Clay County Judge Executive  
102 Richmond Road, Suite 201  
Manchester, KENTUCKY 40962

\*North Manchester Water Association, Inc.  
7361 N Highway 421  
Manchester, KY 40962

\*Jerry Rice  
Manager  
North Manchester Water Association, Inc.  
7362 N Highway 421  
Manchester, KY 40962

\*M. Todd Osterloh  
Sturgill, Turner, Barker & Moloney, PLLC  
333 West Vine Street  
Suite 1400  
Lexington, KENTUCKY 40507