



Andy Beshear  
Governor

Rebecca W. Goodman  
Secretary  
Energy and Environment Cabinet

Commonwealth of Kentucky  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

Kent A. Chandler  
Chairman

Angie Hatton  
Vice Chairman

Mary Pat Regan  
Commissioner

November 21, 2023

## PARTIES OF RECORD

Re: Case No. 2023-00183

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 Michael Crum at [Michael.Crum@ky.gov](mailto:Michael.Crum@ky.gov).

Sincerely,

A handwritten signature in blue ink that reads "Linda C. Bridwell".

Linda C. Bridwell, PE  
Executive Director

Attachment

**INTRA-AGENCY MEMORANDUM**  
**KENTUCKY PUBLIC SERVICE COMMISSION**

**TO:** Case File No. 2023-00183  
**FROM:** Michael Crum, Attorney PSC  
**DATE:** November 8, 2023  
**RE:** Field Review of November 8, 2023

Pursuant to an order issued on October 6, 2023, a field review (FR) was conducted on November 8, 2023, in Clay County, Kentucky.

The purpose of the FR was to discuss North Manchester Water Association, Inc.'s (North Manchester Water) responses to Commission Staff's First Request for Information (Staff's First Request) and Commission Staff's Second Request for Information (Staff's Second Request). One FR session was conducted during the morning hours at North Manchester Water's headquarters. A second FR session was conducted in the afternoon at the office of Ted Woods, CPA (Mr. Woods).

MORNING FR SESSION

Introductions were given for the attendees of the morning Field Review at North Manchester Water's main office on Wednesday, November 8, 2023, at 9:30 A.M. Attendees to the morning FR session were:

- Rose Lewis, North Manchester Water Office Manager
- Bill Gray, North Manchester Water Field Manager
- Mike Maggard, Sisler-Maggard Engineering, PLLC
- Todd Osterloh, legal counsel for North Manchester Water Association
  
- Jeff Abshire, PSC Financial Analysis
- Tina Frederick, PSC Legal
- Michael Crum, PSC Legal
- Noah Abner, PSC Financial Analysis
- Liz Stefanski, PSC Financial Analysis

Commission Staff first asked North Manchester Water about some inconsistencies with the Billing Adjustments category of the financial information filed with the Commission. North Manchester Water responded that their billing software includes Leak Adjustments in Billing Adjustments (corrections for entry errors) and currently, the billing software utilized does not have the ability to separate Leak Adjustments from Billing Adjustments. North Manchester Water estimates it does approximately 10 water leak adjustments per month and that each customer gets one leak adjustment per calendar year. Staff asked if North Manchester Water could ask their billing

software provider for the ability to separate Leak Adjustments from Billing Adjustments and North Manchester Water said they would ask their billing software provider.

Next, Commission Staff inquired about El Dorado, Invoice Cloud, and Creative Technology. North Manchester Water responded that El Dorado is its billing software and that it is at least five years old and is always updated. Invoice Cloud is a payment portal where all data is inputted manually. Lastly, Creative Technology is the parent company of El Dorado. North Manchester Water provided Commission Staff with a copy of a customer's bill.

Commission Staff asked about the process for how North Manchester Water pays its bills and North Manchester Water responded that some of its bills are sent to Ted Woods' office and others are sent directly to North Manchester Water's headquarters then delivered to Ted Woods and Ted Woods writes a check for each bill. Steve Davis, president of North Manchester Water stops by Ted Woods' office to sign each check. Ted Woods also calls the North Manchester Water office to verify any purchases made by the utility. Additionally, Ted Woods handles paying the employees of North Manchester Water after Rose Lewis provides the time sheet hours to Ted Woods.

Commission Staff asked North Manchester Water how many employees it has when fully staffed. North Manchester Water replied it has 6 total full-time positions - 4 full-time field employees aka "field techs," 2 full-time office employees, and 8 part-time employees. The full-time field employees all read water meters and fix water lines. One of the four full-time field employees is a certified operator. The 2 full-time office employees consist of a full-time receptionist and a full-time office manager. Rose Lewis also added that for each position hired, it is reflected in the North Manchester Water board's minutes.

Commission Staff asked about the process the utility uses for buying work-related materials. Bill Gray responded that the process for buying items such as pipe or pipe fittings is that Bill Gray will order materials and supplies on an as-needed basis and then the invoice is provided to the utility's office. The materials are then shipped to the office and a copy of the invoice is sent to Ted Woods' office.

Commission Staff asked Mike Maggard about the specifics of his work relationship with North Manchester Water. Mike Maggard responded that there is no formal contract for any of the services he provides, but the North Manchester Water board approved his appointment and salary. Mike Maggard provides consulting services to North Manchester Water and is paid \$600 per month for the consulting services. Todd Osterloh then provided that he has an engagement letter for the legal services he provides North Manchester Water.

Commission Staff next asked a few questions regarding medical insurance coverage. North Manchester Water responded that all employees are eligible for a single coverage plan. Commission Staff then inquired about reconciling a substantial difference in one of the amounts of employee medical insurance coverage that seemed to be twice as much as other employee medical insurance coverage and North Manchester Water was unsure why one of the amounts was larger than the others.

Commission Staff asked how North Manchester Water makes decisions regarding its day-to-day operations such as prioritizing maintenance of the water service issues. North Manchester Water responded that its Field Operator sets the priorities for addressing water service issues and will determine when meters need to be read, what leaks need to be fixed, what needs maintenance, etc.

Commission Staff asked North Manchester Water how it plans to address its water leaks. North Manchester Water responded that its water is purchased from the city of Manchester and emergency water can be purchased from East Laurel. North Manchester Water purchases water from East Laurel approximately twice a year and only for a day or two. North Manchester Water said some recent events such as the flooding in eastern Kentucky and employee turnover have mitigated its water leak response efforts. North Manchester Water stated it had a 30% water loss amount for October 2023.

Commission Staff asked some questions related to North Manchester Water's meters. North Manchester Water responded that it has approximately 2,000 water meters in its system and all of its meters are manual read meters. North Manchester Water replaces approximately 100 meters each year and install approximately 20-30 new meters each year.

Commission Staff inquired about the relationship between Steve Davis, president of North Manchester Water and Rose Lewis, office manager for North Manchester Water. Rose Lewis responded she is the daughter of Steve Davis.

Commission Staff asked about water cut-offs North Manchester Water effectuates. North Manchester Water responded that it receives approximately 15-25 instances per month of needing to cut a customer's water off, however there are only 10-12 "real" cut-offs because half of the customers pay their water bill when notified that their water service will be cut off. Commission Staff asked North Manchester Water to run a report of outstanding balances from water customers and North Manchester Water complied.

Commission Staff asked North Manchester Water to provide any personnel policies, operating policies, employee handbooks, or benefits policies. North Manchester Water provided its operating policy and employee handbook. Commission Staff was unable to locate details about employee benefits.

Commission Staff asked for evidence in North Manchester Water board's minutes of health insurance contribution percentages, capital expenditures, and approving of new hires. North Manchester Water provided evidence it has the board's minutes, but it would take a substantial amount of time to sift through the minutes to find what Commission Staff was asking for at the time.

Commission Staff then concluded its morning FR session at approximately 11:45 A.M., and let North Manchester Water know it was going to proceed next to Ted Woods' office for an afternoon FR session. North Manchester Water informed Commission Staff that Sammy Lee, CPA is not working on North Manchester Water's 2022 audit since Sammy Lee had not received full payment for his services rendered in 2021.

### AFTERNOON FR SESSION

Introductions were given for the attendees of the afternoon Field Review at Ted Woods' office on Wednesday, November 8, 2023, at 12:00 P.M. Attendees to the afternoon FR session were:

- Ted Woods, CPA
- Mike Maggard, Sisler-Maggard Engineering, PLLC
- Todd Osterloh, legal counsel for North Manchester Water Association
- Jeff Abshire, PSC Financial Analysis
- Tina Frederick, PSC Legal
- Michael Crum, PSC Legal
- Noah Abner, PSC Financial Analysis
- Liz Stefanski, PSC Financial Analysis

Commission Staff first asked Mr. Woods what accounting software he uses to provided services to North Manchester Water. Mr. Woods responded he uses Advanced Micro Solutions for payroll and paying bills and he uses Creative Solutions to maintain the utility's general ledger. Mr. Woods stated he manually inputs information, mostly from bank statements, into both software programs and updates the software as needed. Mr. Woods also responded that before his time of provided accounting services to North Manchester Water, a "lady did it" and that she tracked everything on a notebook. Mr. Woods then had the task of transferring everything from this individual's notebook to the computer software.

Commission Staff asked Mr. Woods about accounting for fixed asset records. Mr. Woods responded fixed asset records are added to the utility's federal tax statement.

Commission Staff asked about the status of North Manchester Water's utility 2022 audit and why Sammy Lee had not yet been paid in full. Mr. Woods responded that the 2021 audit services have not been fully paid to Sammy Lee yet because North Manchester Water can only pay Sammy Lee as funds become available to pay him. Approximately \$2,500 is still owed to Sammy Lee for the 2021 audit. Commission Staff asked Mr. Woods if he knew the terms of the contract between North Manchester Water and Sammy Lee. Mr. Woods responded he was unsure.

Next, Commission Staff asked Mr. Woods to delineate what mail, accounting records, invoices, etc., come to his office versus what goes to North Manchester Water's main office. Mr. Woods' wife and business associate Marcy Woods provided staff with a list of what types of bills and records comes to Mr. Woods' office versus what goes to North Manchester Water's main office. Mr. Woods said that he calls North Manchester Water's main office and vice-versa if there are any questions about a bill or record needing to go to a certain office.

Commission Staff asked Mr. Woods if he could provide any information about the different amounts of medical insurance coverage for different employees of North Manchester Water. Mr. Woods responded he noticed the discrepancy as well, but that his job is to "pay the bills," and that North Manchester Water would need to determine why the different amounts are being paid for different employee medical insurance coverage.

Commission Staff asked Mr. Woods for any information he could provide relating to North Manchester Water's loan repayment plan with the Clay County Fiscal Court. Commission Staff stated it has some evidence that North Manchester Water sent 8 checks for \$7,000 per month to the Clay County Fiscal Court, but asked Mr. Woods why 12 checks (for 12 months of the year) could not be accounted for. Mr. Woods responded there was probably only 8 checks sent because North Manchester Water only had the money to cover 8 months of repayment. Commission Staff then asked Mr. Woods if he could provide evidence of one of the \$7,000 checks clearing the Clay County Fiscal Court. Mr. Woods provided copies of the front of the checks, but could not a copy of the back of said checks, so Commission Staff could not see who endorsed the checks.

Commission Staff asked Mr. Woods to explain what the "utilities gross receipts tax" is. Mr. Woods responded it is a tax that is filed monthly with the state of Kentucky's Department of Revenue and that the tax is paid online. Mr. Woods further stated that to the best of his knowledge, this tax is not included in North Manchester Water's rate.

Lastly, Commission Staff asked Mr. Woods to reconcile North Manchester Water's general ledger amount with its schedule of adjusted operations expense. Mr. Woods responded that he did not know at the time of the meeting why the amounts were different but that he would investigate the matter.

Commission Staff concluded the afternoon FR session with Mr. Woods at approximately 2:15 P.M.

\*James W Gardner  
Sturgill, Turner, Barker & Moloney, PLLC  
333 West Vine Street  
Suite 1400  
Lexington, KENTUCKY 40507

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

\*Rebecca C. Price  
Sturgill, Turner, Barker & Moloney  
155 East Main Street  
Lexington, KENTUCKY 40507

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