

High Knob Utilities, Inc.

Meeting Minutes for September 13, 2004

Call to Order: Keith Arnett called the monthly meeting of the High Knob Utilities, Inc (HKUI) Board to order at 7:05 p.m. HKUI Board members in attendance were Keith Arnett, Jem Anderson, Bob Brown, and Josh Douglas.

Previous Minutes: The Board reviewed and approved minutes from the last two meetings of the HKUI Board.

Treasurer's Report: Mr. Brown reported revenue from customer billings (approximately \$52,000) and three taps, bringing total revenue through the end of August to \$172,957. In addition, expenditures of \$25,672 between July 1st and August 31st (including \$920 for purchased power, \$6,000 for materials and supplies, \$6,800 for Property Manager services, and \$1,800 for transportation) brought total expenses to \$119,520. Further, \$508,029 in Capital Projects has been recorded through the end of August. HKUI had nearly \$242,000 in its Greater Atlantic Bank account as of August 31st, anticipates accounts receivable of \$4,725, and owes \$678,476 on its Virginia State Loan.

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Operations Committee Report: The Joint Operations Committee met on August 31st. Among the Committee's activities, reviews of HKUI cash flows and fund transfers for work performed by HKOAI employees found they were consistent with relevant agreements and expectations. Further, Josh Douglas recommended that Dan Althouse (who will soon be leaving the employ of HKUI) train Jerry Pomeroy to perform the water manager's role.

Also, Ken Pino suggested that HKUI be dissolved as a separate entity, with its functions absorbed by the HKOAI Board. Doing so would require addressing several challenges, including the need to provide specialized accounting to satisfy financial reporting requirements on the water utility. Ken will investigate further.

The most recent water billing cycle resulted in 23 water service shutoffs for non-payment; no single reason was identified to explain the high number, though many were of "repeat

offenders”. Kim Renz was instructed to consider imposing a requirement for a deposit, collected prior to reconnection, for chronic “offenders”, as allowed by the Tariff. Kim also suggested that a capability to accept payment via credit card might facilitate payment (and thereby reduce late payments). She was instructed to research the matter, to determine what steps/expenditures would be required to accept such payments.

Mr. Sabatino, of Boulder Road, indicated that consistency of paperwork could be an issue for some customers. He anticipated receiving a “two-week warning” notice prior to shutoff, but did not realize his service was imperiled this time until after it was cut off. Keith Arnett asked Kim Renz to review the documentation to assure there would be a first notice, a second after 30 days (including a notice that service would be shut off after 7 days), and then a shutoff notice.

Water Manager’s Report: Dan Althouse was not present, but provided notes for Keith Arnett. E.C. Pace has completed its work on High Knob (it was necessary to call them back twice to finish items on the “punch list”, but all work is now considered satisfactory) and HKUI owes them a final payment. In addition, work scheduled for Greenfield Road (and later work by HKUI/HKOAI crew) has been delayed by rain and damage to the backhoe from striking a rock.

The Butler Reservoir floor is poured and backfilled, the roof is framed, and should soon be poured; about one month of work remains to complete the reservoir. The playground valve station is working well, and leaks found in the Salt Lick Springs and Well have been repaired and a new vault installed for a SCADA valve.

The SCADA system has been delivered and installation is underway, with the electrical contractor about half done with site preparation and connection. There is about another month of work to be done to complete the SCADA system.

Two service taps were installed in the past month, and water system production has been low—indicating far less leakage in the repaired areas than was normal before the water system improvement project.

There have been no additional draws of funds against the State Loan in the past month, though two will be needed to make the final payments to E.C. Pace and Synchrony (SCADA) and pay for gravel and materials for the work being done by the High Knob crew.

Unfinished Business: The status of the pump obtained for 115 Alpine is uncertain. If the homeowner ends up not taking the pump, Dan Althouse will return it to the vendor.

In addition, HKUI may receive a rebate on taxes it has paid in 2003 and 2004, since it has been designated non-profit since January 2003.

New Business: There is no breakout available as yet regarding what share of the HKOAI paving contract will be funded by HKUI. Though Kim Renz has already discussed terms with a local contractor, HKOAI is bound by state contracting regulations, it must formally post a request for proposal and allow time for contractors to file bids on the work. This matter will likely be resolved at the next Operations Committee meeting.

In addition, Josh Douglass recommended the Board issue a resolution to reinforce tariff provisions allowing Kim Renz to require a deposit for reconnections when an account is not in good standing. Keith Arnett asked Bob Brown to research the issue and present options at the October meeting.

Question and Comment Period: Mr. Sabatino addressed the Board to discuss the ongoing water system improvement project and his recent interaction with High Knob staff. Specifically, materials were dumped onto his property to support the construction work. Despite a promise from Dan Althouse to look into the matter, he has not had a response. Further, water system construction on Turkey Trot has resulted in runoff onto his property, including within his garage, due to clogged culverts. After angrily confronting Kim Renz, he received a letter from the Board (because of other, more serious, confrontations in the recent past, the Board has begun issuing such letters when the homeowner in question can be identified) expressing its concern. For his part, he feels he was treated disrespectfully by the staff (especially Dan Althouse), and reacted angrily, including use of profanity. He apologized for the way he expressed his frustration, and Keith Arnett agreed to speak with Dan Althouse regarding his complaints and to stop by Mr. Sabatino's house to discuss cleanup of the gravel and other runoff/materials.

Next, Ms. Gallietti, of Red Bud Lane, asked about filling the holes on High Knob Road during the water system construction project, due to concerns that the sites are not well-marked and thus pose a hazard. She also has pipe on her property that needs to be cleaned up. Keith Arnett has noticed similar situations on Greenfield Road and will ask Dan Althouse to examine the state of Red Bud Road and take actions necessary to assure safety of homeowners, visitors, and work crew in the affected areas.

Finally, Wes Gillespie reminded everyone about the newsletter and web sites as a means to obtain information about the water system project and other High Knob issues and activities.

Executive Session: The HKUI and HKOAI Boards met briefly in a joint executive session to discuss strategy for developing and utilizing the skills of High Knob employees, forming an ad hoc HKOAI/HKUI committee to make recommendations. There were no votes taken during the session.

The August meeting of the HKUI Board adjourned at 8:40 p.m. The next meeting is scheduled for 8:00 a.m. on October 9th, and will be the annual meeting to elect HKUI Board officers for the next year. The Operations Committee is scheduled to meet at 7:30 p.m. on September 28th.

JEM P. ANDERSON
HKUI Board Secretary