

High Knob Utilities, Inc.

Meeting Minutes for December 11, 2004

Call to Order: Keith Arnett called the monthly meeting of the High Knob Utilities, Inc (HKUI) Board to order at 8:05 a.m. HKUI Board members in attendance were Keith Arnett, Bob Brown, Jem Anderson, Robert Clough and Josh Douglas.

Previous Minutes: The Board reviewed and approved minutes for the November Meeting, with a few minor corrections.

Treasurer's Report: Bob Brown reported total revenue of \$230,790 as of November 30th, with the addition of \$230 in interest income. Operating expenses increased \$38,147, due mostly to contractor service payments. Completion and acceptance of water project elements added nearly \$48,700 to the Capital Projects account. Deposits into the Greater Atlantic Bank account totaled \$90,275.86 and expenditures totaled \$80,843.83, leaving a balance of \$24,075.10 as of November 30th. HKUI owes \$845,268 on the Virginia state loan, and has an accounts receivable balance of \$15,322. Bob also answered Watts Hill's question about the state loan (it is a fixed-rate loan).

Operations Committee Report: The Joint Operations Committee did not meet since the last HKUI Board meeting.

Water Manager's Report: Dan Althouse and Keith Arnett met to discuss the SCADA project; because of weather-related delays, the existing schedule would have led to starting the system just before the holidays. The system (eight facilities) currently runs on a set of floats and timers, as well as manual control via a number of connections. Because of the risk inherent in turning such a complex system over to a new, 11-piece computer system just before the holidays (reduced availability of technical support, reduced staffing in the High Knob office); they decided to delay completion of the SCADA work to January.

Dan Althouse reported limited progress on the water project, due to rain (three of the previous four weeks), vacation by High Knob employees, and emphasis on road work and preparation of snow removal equipment. He will be rapidly transitioning his duties to Jerry Pomeroy and Kim Renz as he ends his association with High Knob over the next several weeks.

Water production averaged 44,000 gallons per day; the water system is currently configured to maximize use of springs, in order to save on electricity. One leak was detected on a feed line from Salt Lick Springs, and the High Knob crew installed two new taps. In addition, "No Name" reservoir is being cleaned to satisfy Virginia Department of Health (VDH) requirements and the flow of Spring #3 is stopped to facilitate completion of the new Butler reservoir.

Ongoing maintenance efforts include service/repair of Alpine, Mountain Top, Paved Road, Butler (old side) and Salt Lick Springs reservoirs, collecting water samples for VDH testing, and repairing equipment. Specifically:

- Reline the old side of Paved Road reservoir (High Knob crew will do the work, since an outside contractor would be far more expensive)
- Clean Alpine and Mountain Top reservoirs (since both are dual-tank designs, there is no need to take them entirely out of service)
- Repair the chlorinator for Paved Road well #1 (the well is not currently in use)
- Flush all the system mains to control stagnant water and sedimentary buildup (construction work addressed this need during the construction phase, but there will be a schedule developed to do this periodically, in accordance with VDH requirements)
- Replace vents on old tanks
- Install bypass and raw water taps on the springs (this is a high-priority activity, which has already been done at Butler)
- Repair the leak in the pump line from Salt Lick springs (this is not causing a significant problem, and the line is scheduled for replacement in the Spring)
- Clean the chlorine tanks
- Take water samples (VOC, Radiological, Nitrate, Inorganic, and TTHM) and ship them to Richmond (this is an annual requirement, which is scheduled to be done Monday, December 13th, and will be done again early in 2005 to allow Dan Althouse to train Jerry Pomeroy on procedures)
- Install pipe spring lines through the Spring reservoir control room (with PVC pipe) and install sample taps.

With regard to administrative issues, Dan needs to complete and organize the documentation and inspection work on the water project, complete the last funds draw from the state loan account, and finish the annual year-end capitalization (with Bob Brown).

The water system improvement project continues forward. The new Butler reservoir is complete, and the High Knob crew will fill and test the new reservoir (it should be in service before Christmas, enabling Dan to take the old, leaky tank off-line). Further, the new Mountain Top pressure system should be on-line next week, allowing removal of the old system. Also, all eleven SCADA units and the necessary repeater units are installed, and the remote meter heads are installed at Playground substation (and the remaining electrical devices are complete). The SCADA system is about 40% complete, and requires about 7-8 more days of effort (assuming no rain) to complete the following activities:

- Paved Road wells: Install new meter at well #1 (with remote reader); wire the meters from wells #1 & #2 and the feedback relays to the SCADA unit; and connect the pump starters to SCADA at start up
- Paved Road reservoir: Reline the old section; install six-inch main to the old section; install a new meter (with remote read) and remote valve for the import line connection; and install/connect a pressure transducer & connect everything to the SCADA unit

- Butler reservoir: Remove the old plumbing from the old side of the reservoir; drain the old tank; install a new chlorine pump; connect pumps, transducers, well #1 & #2 meters, and import line remote valve to the SCADA unit; and install a new door lock
- Salt Lick reservoir: Repair the overflow; install a chlorine analyzer and a transducer; convert meter #2 to remote reader for SCADA system; install 4-20MA heads on meter #1; and connect the pumps and other devices to the SCADA unit
- Salt Lick well: Install an automatic valve, transducer, and desiccant box; wire the pump and transducer to the SCADA unit and valve; and connect the meter to the SCADA unit
- Alpine reservoir: Install a transducer, site glass on the new tank, a second booster pump, and a remote read meter for transfer of water to Mountain Top reservoir; convert the turbine meter to remote read; and connect the pump starter and meter to the SCADA unit
- Mountain Top reservoir: Complete the booster system with a backup pump; install transducer and site glass; repair the screen over the drain pit; and remove the old pump system

Synchrony is scheduled to arrive on Monday, January 3rd, 2005 to bring the SCADA system into operation and train the staff on its use. There will be a final inspection by the consulting engineer, VDH, Loan Officer, High Knob staff, and a Board member. That should complete the construction phase of the project, and Dan will then prepare the final funds draft and coordinate 2004 capitalization.

The next steps will be a week with both Dan and Jerry on-site to complete training on the water system, followed by a two-week period with the system entirely under Jerry's control and a final training period to address:

- Development of emergency procedures for fire suppression, water transfer, handling system contamination/cross-contamination, power failure, etc.
- VDH sampling and testing requirements/procedures (including creating reports)
- Chlorinator repair/replacement
- System configuration for drought and seasonal effects (we generally have less spring water available in the summer) to optimize cost/benefit tradeoffs
- Leak detection
- Procedures in the event of a control system failure
- Emergency electrical repairs
- Vendors and suppliers

Watts Hill volunteered to lend assistance with emergency communications issues, including training and development of emergency procedures.

Dan also addressed an application to construct a septic field less than 200 feet from Spring reservoir and Spring #1, including dismantlement of the existing tank and filling the hole with gravel. Before the local health department will rule on the application (which affects development of the last lot on Traum Trail), Dan needs to determine the exact location of the springs—if we use that water as part of our system, the permit will be denied.

Unfinished Business: Bob Brown discussed the status of “deadbeat” accounts, and recommended the Board consider writing off some of the debts, while the ad hoc committee on HKUI Bylaws had no report.

New Business: HKUI held a working meeting to develop a proposed 2005 budget, but did not initially account for its contribution to paving costs. However, those funds were accounted for in this year’s budget and can be paid from water capitalization fees collected by HKOAI and owed to HKUI, cash on hand, and available state loan funds. Since the Board intended to use the water capitalization funds to pay down the loan principal, both Boards will need to pass resolutions to address disposition of those funds. Watts Hill recommended developing a contract between HKUI and HKOAI to address this, but since HKUI is wholly owned by HKOAI, doing so would provide little legal protection.

Bob Brown presented a proposed budget, derived from the aforementioned working session. Briefly, the proposed budget assumed fifteen tap fees and projected 2004 figures on water usage to estimate revenue of \$236,625. Expenses were assumed to be similar to 2004 as well, and the Board agreed to fund half of the cost of a new pickup truck (\$12,500), fencing around HKUI reservoirs (\$5,000), a third emergency generator to assure service to Mountain Top (\$5,000--the initial budget for \$2005 called for two and addressed the center of the system), and \$8,720 for staff training. The Board also addressed the need to make an “interest only” payment on the State Loan on July 1st (\$24,000) and to make a principal and interest payment (of approximately \$30,800) on January 1st, 2006. The proposed budget also allocates nearly \$16,000 as a reserve.

Because there were a few typographic errors in the budget provided for discussion (and an updated estimate of the July 1st payment total), Mr. Hill then requested that a “clean” version of the proposed budget be placed on the HKUI web site.

Bob Brown then asked why HKUI pays property tax, while HKOAI does not. The county attorney believes HKUI would be successful if we were to appeal to the county Board of Supervisors for a change in our status.

Consistent with the above discussion, Keith Arnett recommended a resolution to have HKOAI pay water capitalization fees directly to the state. Bob Brown, however, recommended the Board table this issue until the issue can be worked out with HKOAI. His concern is that road work should not become a part of HKUI’s accounting

The bucket on High Knob’s backhoe broke recently and needs to be replaced. Because the Board had planned to procure a new bucket in the 2005 budget, and any bill would not be paid until January anyway, the Board approved purchase of a new bucket.

Kim Renz asked to perform service shutoffs on Thursday, before she leaves the area on vacation. There are about 30 accounts due, most of which will probably be paid early in the week. The Board agreed to her request.

Question and Comment Period: The issue of SCADA system repeaters, which included the exchange of several emails between Watts Hill, Jerry Soucy, and the HKUI Board, was resolved amicably. While there is some other equipment operating in the same frequency range as the SCADA system, there are not likely to be any problems with interference. Jerry Soucy asked the Board for a copy of the letter it received from Allegheny Power regarding placement of its power pole in the easement on Mountain Top Road.

Executive Session: The Board met briefly in joint executive session with the HKOAI Board to address personnel matters and collection of debts owned to High Knob. No votes were taken by the Board.

The December meeting of the HKUI Board adjourned at 9:55 a.m. The next meeting is scheduled for 7:00 p.m. on January 10th, and there is no Operations Committee meeting scheduled for the end of December.

JEM P. ANDERSON
HKUI Board Secretary